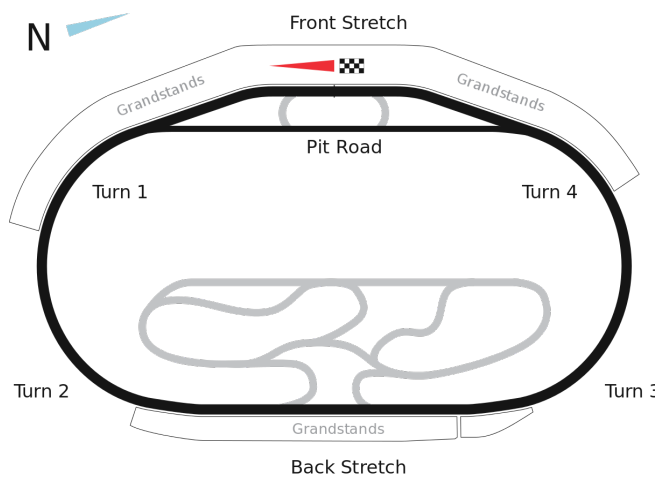




A SPEEDWAY APPRAISAL

BY DONALD J. SHERWOOD, MAI, SR/WA, R/W-AC



In 1996, I was in my office when I received an unusual phone call from a co-instructor of the Appraisal Institute. She told me her dad had recently passed, and she needed help in valuing the estate. Apparently, her dad owned an undivided 1/3 interest in the Texas World Speedway located in College Station, Texas. She asked if I had ever appraised an auto racetrack. I immediately responded that no, I had no experience with this type of property. She said she had called several appraisers and could find no one who would take on the assignment and asked if I would. Of course, I needed to comply with the competency requirements, but I was willing to take on the challenge if she was okay with the disclosures required. She agreed, and I was hired.

Now that I had the assignment, where could I begin? After some careful thought, I trekked over to the Fort Worth Public Library to find out all I could about auto racing. I then checked with the other owners (two older gentlemen) to figure out more details about the property.



speedometer. At 75 mph, I attempted to casually put on my seatbelt as Greg observed my struggle while snickering from the back seat. At 100 mph, I finally managed to wrangle the seat belt on and thought to myself, “I wonder what kind of tires this Buick has.” At 120 mph (or likely faster because the needle was all the way over), the older gentleman, with a mischievous look, finally asked if I was a little nervous. I admitted I was. Needless to say, this part of our inspection was over, and Greg and I managed to leave the racetrack in one piece.

During the course of our investigation, we quickly realized that finding comparable sales was going to be very limited with only seven similar speedways, and none had sold. We certainly could apply the Cost Approach, however, measuring depreciation was going to be very subjective. We also could apply the Income Approach, but the owners had limited historic income and expense information. Further research revealed that there was a monthly publication that covered the racing world. I called the editor and asked him for help. He asked if I was a subscriber to his publication and, when I told him no, he asked if I would consider a year’s subscription for \$75. Of course, I jumped at the chance to learn more from this very knowledgeable racing enthusiast. He then proceeded to give Greg and me a complete rundown on NASCAR, my subject track and the ins and outs of making money in racetrack ownership. He also indicated that most of the larger tracks were held by public entities, and income and expense data was relatively easy to obtain from Security and Exchange Commission filings. Armed with this new information, we could now prepare a detailed income and expense analysis and properly apply the Income Approach.

In the end, our client was pleased with our level of detail, and while my fee was actually less than what I would have desired, I had learned a lot and could add another type of property to my portfolio of experiences. I also learned that while driving on a speedway was a once-in-a-lifetime experience, I likely won’t be jumping into another race car anytime soon. I’ll leave that to the pros. 🏁

Here’s the rundown: the Texas World Speedway is one of only eight superspeedways with 2 miles (3.2 km) or greater length in the United States. The configuration of the track mirrors the Michigan track that hosts the Michigan 500. The last major race was held in 1981, however, in the interim, the track was leased to amateur racing clubs such as SCCA, NASA, Porche Club of America, Corinthian Vintage Auto Racing, CMRA, driving schools and car clubs. The speedway was also used as a music venue, including the 1974 Willie Nelson Fourth of July Picnic. It was also known for the fire that destroyed several cars at that event, including one owned by music star Robert Earl Keen (the picture of his burnt car is featured on his album cover “Picnic”).

During my inspection with my co-worker, Greg Cook, MAI, SR/WA, one of the older owners volunteered to show us the property, which covered approximately 600 acres. We hopped into his older Buick station wagon and proceeded to drive around the property. He then asked if we had ever been on a racetrack. We answered, “No, we have not.” And off we went.

Thinking we were going to be driving around and taking pictures, I didn’t bother to put on my seatbelt. We pulled out and up onto the racetrack. At first, it was a gentle trip around the track — relaxing, even. But as we continued, he picked up speed, and I was glued to the



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