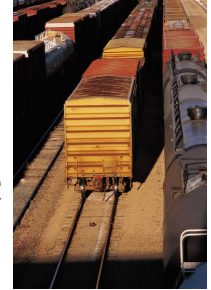




BIGGS APPRAISAL

PROVIDING VALUATION AND TRANSPORTATION SERVICES TO THE RAIL INDUSTRY



Subjects of Value

The Inspection and Appraisal of Rail Equipment

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Improving Railcar Values

The rising tide is said to lift all boats. The same holds true for railcars except those that are distressed for any number of reasons.

Due to the shortage of steel worldwide the prices of finished steel and scrap have increased dramatically. The shortages of steel are forecasted to persist for some time. Recently buyers were confronted with bidding deadlines on quotes of steel that required a commitment within 8 hours. New railcar builder quotations have escalations above normal pricing that are considerable for cars currently being built as well as into mid-2022. We believe that finished

steel manufacturing issues will be with us into 2023 and maybe beyond.

There are moderating factors to sharp increases and declines in value. These moderators come in two forms. That is averaging of recent car cost data for the same or similar car types. We see averaging as a way to get as realistic but conservative value changes for late model cars in our appraisals using the cost approach.

The income approach while not widely used by Machinery and Equipment appraisers is widely used in the valuation of rail equipment. The income approach (also called the discounted present value) uses the monthly rental stream net of

maintenance, taxes and insurance, over the remaining lease term and the estimated residual value at the end of the lease using an appropriate discount factor. The income approach is the great equalizer in terms of value as the net lease stream can either enhance the value if the lease rate is high or drag the value down if the lease stream is low. Often times lease values linger behind the actual purchaser's demand for equipment and quite a disparity can be seen between the values derived from cost and income approaches.

As professional appraisers we are required to consider all three approaches to value; market cost, and income. If the client does not provide the lease rate the income approach while considered is not used.

We have been seeing cost increases in transactions of older equipment that are reflected in the market approach. On cars that are near retirement the higher price of scrap steel is

reflected in the older cars value.

Advice in the Biggs family passed from father to children for many generations was "Be a good listener." Modern times require being a good listener, searcher, and researcher with a well-tuned manure meter to get the best point in time estimation of values. We continue to study and listen to the pace of the market from which solid values are derived.



Johanna riding on a GE Switcher during an inspection

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Biggs Appraisal and Subjects of Value are service products of Edward D. Biggs III, LLC D/B/A Biggs Appraisal. An Accredited Senior Appraiser (ASA) member of the American Society of Appraisers with a focus on rail equipment, locomotive, railcar, and maintenance of way equipment valuations. Ed Biggs has spent over 43 years in the railroad industry with a mix of significant experience with railroads and leasing companies, including experience in fleet operations, mechanical, and sales. Biggs has particularly in-depth knowledge of railcar extended life upgrade and rebuilding programs. Biggs Appraisal also researches a wide variety of subjects to support valuations, both for its own interests and those of its clients. Stuart Biggs has been involved with every aspect of Biggs Appraisal's business for over 11 years and is a qualified rail equipment inspector that you can expect to see more of on inspections. Johanna Biggs Crowley has been working for four years in research, appraisals, and inspections both are members of the American Society of Appraisers. The articles in Subjects of Value are by necessity brief and are designed to spur further conversation. Questions, comments, and feedback are always appreciated. This newsletter is aimed at people interested in the rail industry. If you wish to be added to the Subjects of Value mailing list there is a sign-up form on the front page of our website Biggsappraisal.com. We encourage industry distribution of this newsletter.



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Generation Next Rail Equipment Appraisers

I have been watching the do-it-yourself program "This Old House" almost since its inception over 40 years ago. "Measure twice cut once" was and is Norm Abrams and Tom Silva's mantra that every other DIY star has used for many years. The crew at This Old House also featured "Generation Next" for the construction trades. This was a way of promoting new apprentices in the construction trades to fill what is considered to be a huge shortage of trained trades people.

I was so impressed with the Generation Next program that I instituted my own internal program to make sure that my children would benefit from my many years in the rail and appraisal industry. Both Stuart and Johanna have been fully immersed in the Biggs Appraisal to the point that they are bringing more and more to the table on a daily basis. They are both young and computer savvy and have streamlined and improved virtually every process we used to deliver a quality appraisal product.

Stuart has been a part of Biggs Appraisal for over 12 years and Johanna has been a part of Biggs Appraisal for over 5 years not including her part time work from age 12. Johanna has just achieved Senior status in the American Society of Appraisers which carries the designation Accredited Senior Appraiser (ASA). Stuart is rapidly approaching Senior status as well.

Rail Equipment Finance 2022

The Rail Equipment Finance Conference is March 6- 9, 2022. Biggs Appraisal has been a long time Sponsor of the REF conference a practice we plan to continue. We have found REF to be the best place to get an early look at what the new year has in store for the rail industry. Attendance to all of the agenda items can be an information overload. It is well attended by our clients and the networking opportunities are par excellence. La Quinta, California in March is beautiful. The entire Biggs team is planning on attending. We look forward to seeing you there!

Rail Equipment Remarketing

New to the crew is my namesake Edward who joined Biggs Appraisal at the height of the Pandemic. Edward's role is remarketing and sourcing rail equipment, primarily railcars and locomotives, for our clients as well as promoting Biggs Appraisal. An early success was his participation in a sale of centerbeam flatcars. Currently in his quiver are EMD locomotives, both SD and GP types, a small repowered switcher, and 50' plate F double plug door boxcars. If you have challenged equipment in your portfolio, Edward is the guy to talk to.

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While freight cars are the largest segment of Biggs Appraisal's work, we also inspect and appraise locomotives of all kinds, maintenance of way equipment, and railcar movers.