

SECOND DIVISION

[G.R. No. 181218, January 28, 2013]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, PETITIONER,
VS. HEIRS OF SPOUSES PEDRO BAUTISTA AND VALENTINA
MALABANAN, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

Time and again it has been said that the market value of a piece of property is the price that may be agreed upon by parties willing but not compelled to enter into a sale. As expected, a seller in dire need of funds will accept less, and a buyer desperate to acquire naturally agrees to pay more, than what the property is truly worth.

This Petition for Review on *Certiorari*^[1] assails the October 31, 2007 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 85751 as well as its January 11, 2008 Resolution^[3] denying petitioner's motion for reconsideration.

Factual Antecedents

Pedro Bautista and Valentina Malabanan (spouses Bautista) are the registered owners of a 1,893-square meter parcel of land (the lot) located in *Barangay Bulacnin North*, Lipa City and covered by Transfer Certificate of Title No. 41750.^[4] Respondents are their children.

Sometime in 2000, herein petitioner Republic of the Philippines, through the Department of Public Works and Highways (DPWH), acquired by negotiated sale a 36-square meter portion of the lot for P46,800.00 or at P1,300.00 per square meter for use in the STAR (Southern Tagalog Arterial Road) Tollway project. The sale was annotated on the title on June 1, 2000.^[5]

Later on, petitioner offered to purchase an additional 1,155 square meters of the lot at P100.00 per square meter, but the spouses Bautista refused to sell. The portion sought to be purchased was to be used for the Balete-Lipa City Interchange Ramp B, which would serve as a motorist's entry/exit to/from Lipa City.

On July 7, 2004, the petitioner filed a Complaint^[6] with the Regional Trial Court of Lipa City for the expropriation of the said 1,155-square meter portion (the subject portion). The case was docketed as Civil Case No. 2004-0408 and raffled to Branch 12. In its Amended Complaint,^[7] petitioner alleged that the zonal valuation of the lot at the time of the filing of the Complaint as determined by the Bureau of Internal Revenue (BIR) is P100.00 per square meter,^[8] which is thus the fair value of the

property for purposes of expropriation.

During the expropriation proceedings, the spouses Bautista passed away, and were accordingly substituted by the respondents.

In their Answer,^[9] respondents claimed that the valuation of P100.00 per square meter based on the BIR zonal valuation is not fair considering that the petitioner in the past bought a portion of the same property at P1,300.00 per square meter.^[10] They added that the current fair market value of the lot should be pegged at more than P3,000.00 per square meter.^[11]

In a September 27, 2004 Order,^[12] the trial court authorized petitioner to enter and take possession of the subject portion after depositing the amount of P115,500.00 with the Land Bank of the Philippines.^[13]

In an Order of Expropriation^[14] dated January 5, 2005, the trial court condemned the subject portion for expropriation and constituted a panel of commissioners, consisting of the Lipa City Assessor and the Registrar of Deeds of Lipa City,^[15] for the purpose of ascertaining just compensation that should be paid to respondents. On petitioner's Opposition,^[16] however, the trial court appointed a third commissioner in the person of Nimfa Martinez-Mecate (Mecate), who is the DPWH special agent for Road Right-of-Way for Region IV-A.^[17]

After hearing, the Lipa City Assessor and the Registrar of Deeds submitted to the court their Joint Commissioners' Report^[18] dated May 3, 2005. In a nutshell, the report states that:

1. The fair market value of the whole lot (the 1,893-square meter lot) is P189,630.00 for the land, or P100.17 per square meter; P144,000.00 for the residential portion; and P19,200.00 for the improvements;^[19]
2. On the northwest portion of the lot are clusters of residential buildings of medium[/]high construction. On the southeastern portion are clusters of residential buildings of medium construction and two large-scale poultry and breeding farms;^[20]
3. The Lipa City Hall is within a 4.5-kilometer radius;^[21]
4. Within a radius of six kilometers of the lot are first and second class subdivisions which sell at P3,000.00 to P3,200.00 per square meter.^[22]
5. Within three kilometers is the New Era University;^[23]
6. Within 3.5 kilometers is the Fiesta World Mall;^[24]

7. Within five kilometers is the Mount Malarayat Golf and Country Club, a world-class golf course and residential estate where the price per square meter ranges from P4,000.00 to P6,500.00;^[25]
8. On October 6, 1999,^[26] petitioner acquired by sale a 36-square meter portion of the lot for P46,800.00 or at P1,300.00 per square meter;^[27]
9. The petitioner made several other purchases of land within the vicinity, ranging from P500.00 up to P3,000.00 per square meter, from 1997 up to 2003.^[28] The average price of all these purchases within the vicinity amounts to P1,960.00 per square meter;^[29]
10. The peso-dollar exchange rate in 1997 was P26.00 to \$1.00, while the current (2005) rate is at P54.00 to \$1.00. This demonstrates that the peso has lost value, and the price per square meter of the subject portion should be correspondingly increased;^[30] and
11. Just compensation for the subject portion should be based on the market value of the property, which is "that sum of money which a person desirous but not compelled to buy, and an owner willing but not compelled to sell, would agree on as a price to be given and received therefor,"^[31] and not limited to the assessed value of the property or the schedule of market values determined by the provincial or city appraisal committee.^[32]

The Lipa City Assessor and the Registrar of Deeds thus concluded in their Joint Commissioners' Report that just compensation for the subject portion should be within the range of P1,960.00 and P2,500.00 per square meter.^[33] To this, respondents filed their Comment^[34] dated June 23, 2005 accepting such valuation as fair and reasonable.

On the other hand, Mecate's Commissioner's Report^[35] dated April 25, 2005 which was submitted to the trial court is summarized, thus:

1. The factors considered in arriving at the fair market value of the subject portion are the cost of acquisition; current value of like properties; its actual or potential uses; and its size, shape, location and its tax declaration;^[36]
2. It is the time of taking that is the determining factor in fixing the just compensation. If the property expropriated is agricultural, the adaptability thereof for conversion in the future into a residential site does not affect its nature when plaintiff assumed possession thereof, although it is a circumstance that should be considered in determining its value at that time, as an agricultural land;^[37]

3. The classification of respondents' property as reflected in the tax declaration is only P360.00 per square meter for 400 square meters of residential land, P150.00 per square meter for commercial land, and P136.99 per square meter for 1,343 square meters of orchard land;^[38]
4. Based on the 1998 Appraisal Committee Report of the Lipa City Appraisal Committee, the amount fixed for agricultural land along the road is only P500.00 per square meter, and P1,300.00 per square meter for residential land;^[39]
5. The February 20, 2003 Certification of the BIR Assistant Revenue Officer indicates that the zonal valuation for agricultural land within the vicinity of the subject portion is only P100.00 per square meter and P485.00 per square meter for residential land therein; and^[40]
6. The highest and most profitable use of the property is for commercial and light industrial use. The consequential benefits for the remaining portion of the properties outweigh the consequential damages. The construction of the exit ramp going to and from Lipa City gives great value to the remaining portion of respondents' property, which in effect increases its value tenfold.^[41]

Mecate thus recommended that the reasonable value for agricultural, orchard, and sugar land is P400.00 per square meter, and P600.00 per square meter for residential and commercial land.^[42]

Ruling of the Regional Trial Court

On August 18, 2005, the trial court rendered its Decision,^[43] fixing just compensation for the subject portion, including all its improvements, at P1,960.00 per square meter, thus:

WHEREFORE, the just compensation for the 1,155 square meters parcel of land expropriated by the plaintiff as site of the right of way connection with the construction of the Balete-Lipa City Interchange Ramp B, Lipa City, is fixed at P1,960.00 per square meter, including all the improvements thereon, or a total of P2,263,800.

The Republic of the Philippines, represented by the Secretary, Department of Public Works and Highways, is ordered to pay to the defendants, the aforementioned amount of P2,263,800, with interest at the legal rate, from the time it took possession of the condemned property, until fully paid.

If the defendants or any of them [refuse] or [fail] to receive said payment, the same shall be made to the Clerk of Court, RTC, Lipa City, who shall receive such payment and be responsible on his bond [therefor].

Upon finality of this decision, the Branch Clerk of Court of this Court is directed to immediately issue a certified true copy of the same for recording in the Office of the Register of Deeds of Lipa City. With costs against the plaintiff.

IT IS SO ORDERED. [44]

The trial court validated the public purpose for which expropriation of the subject portion was necessary. As for the issue of just compensation, the trial court adopted the May 3, 2005 Joint Commissioners' Report of the Lipa City Assessor and the Registrar of Deeds, finding the recommended valuation of P1,960.00 per square meter as reasonable, fair, and realistic.

Petitioner interposed an appeal with the CA.

Ruling of the Court of Appeals

Docketed as CA-G.R. CV No. 85751, the appeal questioned the trial court's P1,960.00 valuation, claiming that in arriving at such amount, the trial court disregarded other documentary evidence such as the assessed value, tax declaration, the BIR zonal valuation, and the appraisal report of the Lipa City Assessor.

The CA sustained the trial court's reliance on the Lipa City Assessor and the Registrar of Deeds's May 3, 2005 Joint Commissioners' Report, finding that the same took into consideration the fair market value of the subject portion, the condition of the surroundings, the improvements introduced, the character of the property, and the value of adjacent and nearby properties as shown by the deeds of sale covering the same. The CA also noted that in 2000, petitioner bought a 36-square meter portion of respondents' property at P1,300.00 per square meter, which means that as of 2000, respondents' property already had a market value of P1,300.00 per square meter.

The CA added that with the passage of time and construction of the STAR tollway beside respondents' property, the value thereof has appreciated. These factors and circumstances were not taken into consideration in Mecate's April 25, 2005 report.

The CA further held that the May 3, 2005 Joint Commissioners' Report is the majority decision of the constituted board of commissioners. Such being the case, the trial court may not be faulted for relying thereon. In the absence of abuse on the part of the commissioners or the trial court, their determination regarding just compensation must be sustained.

The CA thus affirmed the trial court's Decision, with the modification that the amount deposited by petitioner shall be deducted from the adjudged just compensation of P2,263,800.00, thus:

WHEREFORE, the appealed Decision dated August 18, 2005 is affirmed, subject to the modification that the preliminary deposit of P115,000.00