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| Valuation Methodology |

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the Cost, Sales Comparison, and Income Capitalization Approaches.

Cost Approach

The Cost Approach is based upon the principle that a prudent purchaser would pay no more for a property than the cost to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there are too few comparable sales to develop a credible Sales Comparison Approach analysis.

Sales Comparison Approach

In the Sales Comparison Approach, the appraiser analyzes sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Income Capitalization Approach

The Income Capitalization Approach is based on the principle that a prudent investor will pay no more for the property than for another investment of similar risk and cash flow characteristics. The Income Capitalization Approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

Sales Comparison & Income Approaches – As Is

In this appraisal, only the Sales Comparison and Income Approaches to value are utilized. The Cost Approach is not considered a reliable indicator of value given the need to estimate accrued depreciation. As market participants and observers do not consider the Cost Approach reliable, it is not an applicable method of valuation and has been omitted. These two approaches will be reconciled into the Concluded As Is Market Value in the Reconciliation section.

Cost and Sales Comparison Approaches – As Is

In this appraisal, two traditional approaches to value are used to determine the market value; the Cost and Sales Comparison Approaches. The Income Capitalization Approach is not used in this appraisal based on prior agreement with the client, and its omission is not considered to impacts the reliability of the final value conclusion. Although a traditional valuation approach, this method is not considered as valid an indicator in this appraisal as the other two approaches and due to its lack of investment appeal is not typically considered by buyers and sellers in the market for this property type.

Cost, Sales Comparison & Income Approaches – As Is

In this appraisal, the Cost, Sales Comparison and Income Capitalization Approaches to value are all utilized. These three approaches will be reconciled into the Concluded As Is Market Value in the Reconciliation section.

Sales Comparison Approach Only – As Is

Based on prior agreement with the client, in this appraisal only the Sales Comparison Approach to value is utilized due to the primary owner-user appeal of the subject property. While the Income Capitalization Approach could have provided a supportive indication of value, this approach was omitted from the scope of work pursuant to client instruction. Finally, the Cost Approach is not considered a reliable indicator of value given the need to estimate accrued depreciation on the older buildings. As market participants and observers do not consider the Cost Approach reliable, it is not an applicable method of valuation and has been omitted.

Income Approach Only – As Is

Based on prior agreement with the client, in this appraisal only the Income Capitalization Approach to value is utilized due to the multi-tenant, leased status of the subject property with primary appeal to an investor purchaser. While the Sales Comparison Approach could have provided a supportive indication of value, this approach was omitted from the scope of work pursuant to client instruction. Finally, the Cost Approach is not considered a reliable indicator of value given the need to estimate accrued depreciation on the older buildings. As market participants and observers do not consider the Cost Approach reliable, it is not an applicable method of valuation and has been omitted.

Cost Approach Only – As Is

Based on prior agreement with the client, in this appraisal only the Cost Approach to value is utilized due to the special use nature of the subject property. While the Sales Comparison Approach could have provided a supportive indication of value, this approach was omitted from the scope of work pursuant to client instruction. Finally, the Income Capitalization Approach is not considered a reliable indicator of value given the non-leased status, shallow pool of potential tenants, and high degree of re-tenanting risk of the subject to most investors. As market participants and observers do not consider the Income Approach reliable, it is not an applicable method of valuation and has been omitted.

Surplus Yard Area Add-on

As the subject includes surplus yard area, our valuation will begin with an analysis of the subject land value, as well as any contributory value of the existing site improvements. The contributory value of the surplus land / site improvements will be added to the estimated value of the primary site / building as part of the Sales Comparison Approach. In addition, an allocation for surplus yard rent will be estimated as part of the Income Approach.

Excess Land Area Add-on

As the subject includes excess land area, our valuation will begin with an analysis of the subject land value. The contributory value of the subject excess land will be added to the value of the primary site / building at the end of the Reconciliation section of this report.