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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

In this appraisal, two traditional approaches to value are used to determine the subject's as is market value (as encumbered by the ground lease) of the leased fee interest; which reflect the Income Capitalization and Sales Comparison Approaches. Due to the age of the improvements and very long remaining duration of the ground lease, a Cost Approach was not deemed applicable in this appraisal.

As the scope of this appraisal is to estimate the market value of the subject leased fee interest, and given the lack of such ground leased fee sales from our research, it was initially necessary to appraise the fee simple interest in the subject land. Thus, in following Section 1 – Fee Simple Land Valuation, only the Sales Comparison Approach is used to estimate the underlying land value.

Next in Section 2 –Leased Fee Valuation, we will estimate the market value of the subject leased fee interest via a series of analyses, first involving an allocation via a direct addition of the lessee’s positive leasehold interest and deducting this from the concluded fee simple land value in arriving at a subject leased fee value estimate. Alternatively, this will be cross-checked with a discounted cash flow analysis involving the projection of the contract rent payable on the underlying ground lease over the remaining term of the ground lease, and discounting this cash flow plus the reversionary interest in the subject land back to a present value equating another value estimate of the leased fee interest.

Finally, in Section 3 – Reconciliation and Final Conclusion, these two value estimates will be reconciled into a final concluded as is market value of the subject lease fee interest.