A4 – Property Real Estate

1. Properties
   1. If they are not on sale, tell me why you think you can buy it
   2. Strategy
      1. What is the type of property? Commercial, residential, industrial, etc.
2. Websites to check
   1. Realtor.ca (commercial properties)
   2. Colliers International
   3. Cushman and Wakefield
   4. CBRE
   5. Avison Young
   6. Lennard Commercial

**Methods to value the property**

Cost Approach

Estimated cost of replacement

- Estimated depreciation

= Depreciated Value of Building

+ cost of land

= value indicated by the cost approach

* When and how to use the Cost Approach
  + Given the difficulty of making proper depreciation adjustments, the Cost Approach is rarely used as the primary valuation tool except when valuing specialized assets where there may be no other practical approach
  + replacement cost is a standard metric used in assessing market risk for investment analysis.
* Limitations
  + depreciation is difficult to measure
  + the approach is difficult to use except when:
    - the improvements are new
    - the use is the highest and best use
    - the market is at or near equilibrium

Sales Comparison Approach – BEST APPROACH

* compares the subject property to other comparable properties that have sold recently with adjustments for differences between the comparable properties and the property being appraised
* it is best used when there is an adequate number of recent transactions involving comparable properties and there is good access to data concerning such transactions
* best to get an appraiser to determine the difference between target and comparables
  + Adjust the comparables
    - objective is to convert each comp to an approximation of the subject
    - select appropriate units of comparison, e.g building area; rooms or suites
    - divide selling price of comps by number of unit(s) of comparison
    - adjust each comparable for differences from the subject
* adjust for sales data from history and effect on todays potential value
* GIM = sales price / revenue
  + To find price of a comparable using a GIM, multiply the revenue by the GIM

Cap Rate

* NOI / selling price ; compare the outcome to current market cap rates
* Suggests whether properties are priced reasonably but not whether they are good investments or not