
Self-Storage Appraisal Cost Approach

Everett (Allen) Greer, MAI, FRICS
Greer Advisors, LLC

R. Christian Sonne, MAI, MRICS
Cushman Wakefield, Self Storage Industry Group

May 28, 2014 – Appraisal Institute, Needham MA

Cost Approach

- **Considers the value of the land as vacant, plus the cost of the improvements, including profit, less accrued depreciation from physical, functional, and external causes.**

Cost Approach

Although rarely used as a primary valuation method, the Cost Approach is very helpful:

- Test of Reasonableness of the Other Approaches
- Determine if it's feasible to build
- Determine potential for additions to supply, i.e. new competition
- Identify potential Highest and Best Use issues...

Highest and Best Use

- **Physically Possible**
- **Legally Permissible**
- **Financially Feasible**
- **Maximally Productive**

Site Characteristics - What Influences Value

- **HBU (Use)**
- **Size**
- **Visibility**
- **Access**
- **Configuration / Shape**
- **Demolition / Cleanup**
- **Environmental**
- **Zoning / Use Restrictions**
- **Incentives / Fees**
- **Many other features...**

Building Characteristics - That Influence Cost

- **Quality (consider earlier slides)**
- **Size**
- **Configuration**
- **Access**
- **Local ordinances**
- **Exaction Fees / Incentives**
- **Availability of Materials / Labor**
- **Site Access**
- **Many other features.....**

Construction Cost Sources

- **Marshall & Swift:**
 - Books**
 - On-Line: SwiftEstimator**
 - CD**
- **R.S. Means**
- **Lee Saylor**
- **YOUR FILES!...**

Entrepreneurial Profit

- RealtyRates.com
- PwC Survey
- YOUR FILES

Depreciation Examples

- **Physical - Age**
- **Functional**
If demand changes, property could become functionally obsolete (eg. Lack of “functional” elevators)
- **External**
Positive example bonus density or land was subsequently down-zoned

Negative due to market deterioration

Cost Approach Summary

COST APPROACH VALUE SUMMARY

MARKET VALUE TYPE

Market Value As Is

COST SOURCE

Marshall & Swift (Commercial Cost Explorer)

IMPROVEMENTS (Structures)

| | |
|------------------------------|--------------------|
| Adjusted Costs | \$1,423,063 |
| PLUS: Indirect Costs | \$142,306 |
| PLUS: Entrepreneurial Profit | \$234,805 |
| LESS: Total Depreciation | (\$253,344) |

TOTAL DEPRECIATED VALUE OF IMPROVEMENTS (Structures)

\$1,546,831

IMPROVEMENTS (Site)

| | |
|------------------------------|------------------|
| Cost New | \$429,300 |
| PLUS: Indirect Costs | \$42,930 |
| PLUS: Entrepreneurial Profit | \$70,835 |
| LESS: Total Depreciation | (\$144,817) |

TOTAL DEPRECIATED VALUE OF IMPROVEMENTS (Site)

\$398,247

| | |
|---------------------------------------|-------------|
| Depreciated Improvements (Structures) | \$1,546,831 |
|---------------------------------------|-------------|

| | |
|---------------------------------|-----------|
| Depreciated Improvements (Site) | \$398,247 |
|---------------------------------|-----------|

TOTAL DEPRECIATED VALUE OF IMPROVEMENTS

\$1,945,078

| | |
|------------------------------|---------|
| Depreciated Value PSF of GBA | \$50.98 |
|------------------------------|---------|

| | |
|---------------------------------|-----------|
| PLUS: Land Value (Primary Site) | \$540,000 |
|---------------------------------|-----------|

INDICATED VALUE BY THE COST APPROACH

\$2,485,078

| | | |
|-------------------------------|-----------------|--------------------|
| Rounded to the Nearest | \$10,000 | \$2,490,000 |
|-------------------------------|-----------------|--------------------|

| | |
|-----------|-----------|
| TOTAL GBA | 38,151 SF |
|-----------|-----------|

| | |
|------------------------------|----------------|
| Conclusion PSF of GBA | \$65.27 |
|------------------------------|----------------|

| | |
|---|----------------|
| Conclusion PSF of All Structures | \$65.27 |
|---|----------------|

Questions / Answers



Greer Advisors, LLC

www.GreerAdvisors.com

NOTE: This is Bicycle 2, "BEFORE" renovation