Self-Storage Appraisal Cost Approach

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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.

Highest and Best Use

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

Site Characteristics that influence value

- HBU (Use)
- Size
- Visibility
- Access
- Configuration / Shape
- Demolition / Cleanup
- Environmental
- Zoning / Use Restrictions
- Incentives / Fees

Building Characteristics that influence cost

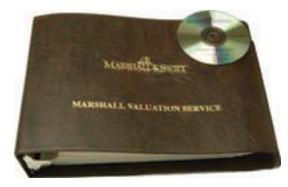
- Quality (consider earlier slides)
- Size
- Configuration
- Access
- Local ordinances
- Exaction Fees / Incentives
- Site Access
- Availability of Materials / Labor

Construction Cost Sources

- Marshall & Swift Books, On-Line or CD
- R.S. Means
- Lee Saylor
- YOUR FILES
- Refer to Photos Broad Range \$25 to >\$100 PSF

Construction Cost Sources

Marshall & Swift - Books CD





Marshall & Swift - On-Line <u>http://www.swiftestimator.com</u>

Entrepreneurial Profit

- RealtyRates.com
- 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

Conclusion

- Cost Approach is frequently not used
- Cost Approach may be used to determine potential for additional supply to enter the market
- A "low" Cost Approach might indicate a potential for additional competition to enter the market
- A "high" Cost Approach may indicate a barrier against new supply entering the market