

Self-Storage Appraisal Cost Approach

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**
<http://www.swiftestimator.com>

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**