

Calculate the Value of Your Storage Facility Like an Appraiser

1. Calculate Your Facility's Earnings

Total annual income - total annual expenses



Include all Expenses, such as:

Property Taxes

Insurance

Maintenance

Vacancy

Utilities

Advertising

Lawn & Snow

Software/Website/Phone/Internet

Administrative & Bank Fees

Management

Even if you don't have some of these expenses, buyers and appraisers will use them when evaluating your facility. (Typically 30-40% of income)

2. Estimate the Cap Rate

Cap Rate is generally between 6-10%

- Cap Rate Factors: Attractiveness, Work Needed, Risk
- Big, New Facility in Major City = ~6% Cap Rate
- Small, Old Facility in Small Town = ~10% Cap Rate

3. Calculate Rough Income-Based Value

Earnings ÷ Cap Rate = Value

Example: Earnings is \$100,000, Cap Rate is 8%(0.08)

Value = \$100,000 ÷ 0.08 = \$1,250,000

Other Valuation Methods

1. Replacement Cost - How much would it cost to rebuild your facility today?
2. Comparable Sales - What similar facilities are selling for in nearby markets?

Factors Impacting Value

<u>Uncontrollables</u>	<u>Controlables</u>
Interest Rates	Earnings
Location (Visibility and Traffic)	Expenses
The Market (Facility Supply & Demand)	Facility Condition

Selling Consideration - Receiving full market value can be challenging:

- Marketing Effort: Selling a property requires extensive advertising, showings, and negotiations.
- Uncertain Market: Market conditions can fluctuate, affecting the price you receive.
- Commission: Real estate agents typically charge a percentage (e.g., 4-6%) for their services, reducing your final payout.

