

THE IPG REAL ESTATE GUIDEBOOK

ON

Property Evaluation



I. Purpose of the Guidebook.

This guidebook is to help us help you. Our goal is to sell your property at the **highest possible price**, keeping in mind its **highest and best use**, while also being realistic about the market, supply and demand, and your timing.

II. How Properties Are Valuated.

There are 3 common approaches in valuing property:

- Sales Comparison, which is commonly used in valuing single-family homes and land.
 - We are estimating a value by comparing your property with other properties that have sold recently and have similar characteristics.
 - Appraisers, who are different from real estate agents, must have 3 comparable (properties that are similar to the subject property). Our Valuation Worksheet gives the option of up to 10 comparable properties. In other words, we recommend a minimum of 3 or a maximum of 10.
- Cost/Replacement
 - We are estimating the price someone should pay for a property based on what one would pay to build an equivalent property.
 - We want to look at the total cost of the design, land, and building. A construction company can calculate costs, or you can look at the industry standards from sources such as BOMA or Dodge Constructions.
- Income Capitalization, most commonly used when valuing an income producing property.
 - A value can be calculated with the capitalization rate (cap rate). I.E. A 20% cap rate or in other words, Net Operating Income (NOI) divided by 20% = property value. Please note the **Valuation Worksheet** has a preset cap rate of 20%, and this should be adjusted according to the present market.
 - The gross income multiplier can also calculate a value. I.E. 2 X Rental Income = Sales Price.

There is no precision in determining an **exact** figure for a property. Appraisers are licensed by the state of New York to come up with a solid figure for financing

purposes, but our goal for you is to come up with a range of values.

III. Filling Out The Valuation Worksheet.

Attached, you will a **Valuation Worksheet** to fill out. The only boxes that you should be concerned about filling are the ones highlighted in **yellow**. Everything else will adjust on its own.

We hope this guidebook helps you in understanding the challenges in evaluating a business. Feel free to contact us with any questions. We will be more than happy to help with each step.

Sincerely,

George F. Donohue
President