

Our Approach

Regardless of property type and asset class -- **Single or Multi-Tenant, Class A, B or C, Low, Mid or High-Rise** -- MetroWest has the experience and insight to bring our Clients the industry's most accurate, concise and unimpeachable analyses and valuations.

Whether the assignment calls for a valuation for financing purposes, sell/purchase, settlement litigation, partnership dispute/dissolution, litigation support, property tax appeal or fractional interest valuation, MetroWest fully understands our Clients' expectations.

As head of MetroWest's litigation support practice, Carlos Cardenas, MAI has not only supported dispute resolution cases since 1985 in superior court and bankruptcy court, but also in arbitration. Addressing a wide range of issues, cases have included fractional interest damage, construction defects, malpractice, title defects, leases, etc. In addition to litigation support as an expert witness, Mr. Cardenas has also acted as a consultant to legal counsel, providing support on a wide range of valuation-related issues.

During the initial free consultation, we will discuss the type of appraisal reporting format that will best suit your specific needs and the scope of work required. To start the process, we will ask for all necessary supporting documentation detailing the property's historical operation, including copies of leases, a rent roll detailing each unit, its rent, square foot area and floor plan type, as well as income and expense reports and a statement of expense reimbursements.

For the more complex assignments, MetroWest's Discounted Cash Flow analysis (DCF) modeling will result in the most accurate valuations because it best reflecting how market participants -- buyers, sellers and brokers -- view the specific asset class. The DCF facilitates the consideration of tenant rollover and associated costs, including tenant improvement expenses, rent loss, leasing commissions, etc.

For the less complex properties or less demanding assignments, direct capitalization is more often the best method, taking into consideration current rents and operating expenses. The sales comparison approach is likely to be the best method for testing and supporting the income capitalization approach in the case of investment properties.

Regardless of the property type and complexity, we will insure that the appraisal format will best suit the specific needs and budgetary limitations of the assignment, while conforming to the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Ethics and Standards, together with compliance with all the applicable local, state and federal appraisal guidelines and regulations.

Multifamily Valuation



As one of the foremost Multifamily valuation firms in California and Nevada, MetroWest's expertise in this asset class has proven invaluable to our Clients over the past two decades. Our thorough understanding of Agency (Fannie, Freddie and HUD) requirements has helped our extensive Client roster speed up the loan process from sizing

to closing, while providing the confidence of an accurate and supportable valuation. Our diverse assignment portfolio throughout California and metro Las Vegas, includes complexes ranging from as small as 25 units to as large as several hundred units, including the recent valuation of a 1,876-unit complex.

MetroWest is also one of the valuation firms of Tax Credit (LIHTC) and affordable asset classes. Our clear understanding and experience vis-à-vis the effect of rent limitations on operating expenses, occupancy and ultimately cap rates can only come from dealing with nearly one hundred such assets. Our similarly unique experience and understanding of Bond Financing and its effect on market value has also proven invaluable to our Clients. MetroWest also has extensive experience with HUD Section 8 rent considerations and its relationship to market rents and ultimately market value.

MetroWest has a clear and deep understanding of such essential concepts as **As Is** versus **As Stabilized** market value, **Prospective** versus **Hypothetical** market value and the date of value considerations that they all require.

Because rent control can have such a significant effect on value, we will explore any existing ordinance and its effect on the subject property. We will also explore other rent limitations resulting from such factors as affordable units' density bonus, low interest loans provided by governmental agencies and similar programs.

Whether a Multifamily asset is legal and conforming or not can affect its value, as well as financing considerations. We will carefully investigate all zoning and parking requirements to ascertain whether the property is legal and conforming or not, and any effect these factors might have on market value.

Historical Operation

One of the more important, but often under-analyzed, considerations in the valuation process is the property's historical operation. During the initial phase of the assignment, we will focus on the property and its historical operation, together with the projected use of the report and its scope of work. These components will determine the appropriate type of report format.

We will request pertinent information based on the appraisal report type, including a rent roll detailing each unit and its rent, square foot area and room count, as well as income and expense statements, copies of any sale contracts and specific operating expenses such as existing contracts (landscape, pool/spa, pest control, etc.) and payroll/salaries.

Methodology

The Income Capitalization Approach is the most-widely used valuation method in the case of Multifamily assets, with the DCF most often used in the case of institutional-grade assets and direct capitalization most often used in the case of non-institutional assets.

In each case, the Income Capitalization Approach is the one that best reflects the property's income capabilities and expected operating expenses. Whether the property's rents are stabilized or have upside, this method will provide the most accurate value estimate.

The Sales Comparison Approach is typically a less reliable method in the case of Multifamily assets and is typically used as support for the Income Capitalization Approach.

For new construction projects or recently complete developments, the Cost Approach may also prove to be a reliable, albeit secondary indicator.

