

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 and 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.

Mixed Use Assets



Mixed-Use properties have evolved and become synonymous with a primary Multifamily component and a secondary Commercial/Retail component, although smaller and older assets can often include a more diverse mix of asset types. As one of the foremost Multifamily valuation firms in California and Nevada, MetroWest's

expertise in this asset class combined with our expertise in the valuation of Retail assets, results in our unique understanding of Mixed-Use assets.

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 Mixed-Use 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 leases and any sale contracts and specific operating expenses such as existing contracts (landscape, pool/spa, pest control, etc.), management and payroll/salaries.

Methodology

The Income Capitalization Approach is the most-widely used valuation method in the case of Mixed-Use 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 addresses the income capabilities and expected operating expenses of the property. Whether the property's rents are stabilized or have significant upside, this method will provide the most accurate market value estimate.

The Sales Comparison Approach is typically a less reliable method in the case of Mixed-Use 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.