

HARRIS COUNTY APPRAISAL DISTRICT

Commercial Comparable Property Analysis: Cost Approach



The *2013 Comparable Property Analysis: Cost Approach* was developed to comply with section 41.43 of the Tax Code. The focus is meeting the standard of “median appraised value of a reasonable number of comparable properties appropriately adjusted.” Appraisal practice does not provide a specific methodology to address this requirement.

The appraisal district utilizes mass appraisal models to value both the subject property and the comparables in an equity protest. This *2013 Comparable Property Analysis: Cost Approach* is utilized when the primary valuation method is based on the cost approach to value. In the cost approach method, the value of the land is determined separate from the value of the improvements on-the-land. The improvements are valued by first determining the replacement cost new (RCN) and adjusting for the depreciated amount of cost new. Depreciation results from physical deterioration, functional obsolescence and external obsolescence.

The appraisal district evaluates the replacement cost new by considering every factor used in calculating the building’s cost, including size, style, quality, design factors, and any additional or extra features of the improvements. In adjusting the comparables to the subject the following process is completed:

- The difference between the replacement cost new of the subject property and replacement cost new of the comparable property is, in fact, the total adjustment value due to differences between the replacement costs new of both properties.
- Depreciation is expressed as a percent of replacement cost new. For that reason, when adjusting the depreciated amount between properties, it is necessary to adjust for both the difference in percent and the dollar difference in replacement cost new. The difference in percent depreciation of the comparable replacement cost new must be considered together with the difference between the subject’s replacement cost new and the comparable replacement cost new; both adjusted to percent depreciation of the subject, as you are adjusting the comparable to the subject.
- Land value is based on property accessibility, size, shape, easements, restrictions on use, floodplain category, and other specific influences. The land value may be expressed as a unit (square foot or acre) value, a percentage of total property value, or a lump sum (site) value. An appraiser’s judgment is important in determining land value. The difference between the land value of the subject and the land value of the comparable

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is the total value of adjustments due to the differences between factors that influenced the determination of the land value for both properties.

The comparable property value adjusted to the subject property is the sum of the value of the comparable property and all the adjustments mentioned above. Given that both the subject property and the comparable properties are mass appraised using the same model, the adjusted unit value should be similar except for numerical rounding, and therefore, equitable.



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2013 EQUITY ANALYSIS : COST APPROACH
BLDG TYPE 4351 : BANK

Property Description	Eco Area	Bldg Size Bldg Type / Style	Structure Type Mkt Area	Yr Blt Grade	Mkt Val PSF	Lnd/Bld Val PSF	LTB	OWR	Bld% Complete	Bld Depr	Indicated Val PSF	Depr Adj	Xfob Adj	Less Land Adj	Adj Val PSF
Subject Property															
111-111-111-0001 111b WESTHEIMER RD	3	3,268 SF 4351 / 8304	C Inner Loop West	2003 B	\$520.10	\$359.89	6.00	N/A	100%	0.8400	\$520.09	N/A	N/A	N/A	N/A
Comparable Properties															
1 111-111-111-1111 111a WESTHEIMER RD	3	2,497 SF 4351 / 8304	C Inner Loop West	2007 B	\$651.20	\$469.96	7.83	N/A	100%	0.9000	\$651.20	(\$10.45)	(\$4.79)	(\$110.07)	\$525.89
2 222-222-222-2222 222a EDLOE ST	3	1,164 SF 4351 / 8304	C Inner Loop West	1974 C	\$426.28	\$371.91	6.76	N/A	100%	0.5200	\$426.28	\$99.00	\$11.45	(\$12.02)	\$524.71
3 333-333-333-3333 333a SOUTHWEST FWY	3	2,704 SF 4351 / 8304	C Inner Loop West	1995 B	\$754.69	\$647.82	10.80	N/A	100%	0.7400	\$754.69	\$56.04	\$0.18	(\$287.93)	\$522.98
4 444-444-444-4444 444a BUFFALO SPEEDWAY	3	3,724 SF 4351 / 8304	C Inner Loop West	1998 B	\$732.20	\$577.60	12.84	N/A	100%	0.7800	\$732.20	\$10.44	(\$7.46)	(\$217.71)	\$517.47
5 555-555-555-5555 555a KIRBY DR	3	4,280 SF 4351 / 8304	C Inner Loop West	2007 B	\$558.27	\$385.05	7.00	N/A	100%	0.9000	\$558.27	(\$10.45)	(\$7.71)	(\$25.16)	\$514.95
6 666-666-666-6666 666a KIRBY DR	3	4,247 SF 4351 / 8304	C Inner Loop West	1985 C	\$471.86	\$399.05	7.26	N/A	100%	0.6100	\$471.86	\$90.84	(\$8.68)	(\$39.16)	\$514.86
7 777-777-777-7777 777a KIRBY DR	3	3,974 SF 4351 / 8304	C Inner Loop West	2006 B	\$748.27	\$563.20	10.24	N/A	100%	0.8800	\$748.27	(\$6.97)	(\$24.79)	(\$203.31)	\$513.20
8 888-888-888-8888 888a SOUTHWEST FWY	3	4,620 SF 4351 / 8304	C Inner Loop West	1998 B	\$842.21	\$695.67	9.28	N/A	100%	0.7800	\$842.21	\$24.01	(\$20.44)	(\$335.78)	\$510.00
9 999-999-999-9999 999a RICHMOND AVE	3	4,518 SF 4351 / 8304	C Inner Loop West	2008 B	\$628.27	\$434.04	7.23	N/A	100%	0.9200	\$628.27	(\$13.93)	(\$33.15)	(\$74.15)	\$507.04
											Median Adjusted Value Per SqFt:		\$514.95		
											Subject Cost Value At Median:		\$1,682,857		
											Subject Property Market Value:		\$1,699,682		

Filters Applied

Bldg SqFt Range : Yr Blt Range : All
± 65% Grd Match : All

Structure Type Codes

- A : Fireproof Steel
- B : Reinforced Concrete
- C : Masonry Bearing
- D : Wood Frame
- M : Mobile Home
- R : Residential
- S : Open Steel Skeleton

Building Grade Codes

- A : Excellent
- B : Good
- C : Average
- D : Low
- E : Very Low
- F : Poor
- X : Superior



BUILDING ADJUSTMENT CALCULATION

	<u>Subject</u>	<u>Comparable</u>	<u>Difference</u>
Building Size	3,268	2,497	771
Base Rate **	\$174.04	\$174.04	\$0.00
Economic Factor	100%	100%	0%
NBHD Factor	100%	100%	0%
Time Factor	100%	100%	0%
Grade Index	100%	100%	0%
Height Index	100%	100%	0%
Market Index	100%	100%	0%
Perimeter Index	100%	100%	0%
Story Index	100%	100%	0%
Size Index	100%	100%	0%
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RCN Adjusted Rate	\$174.04	\$174.04	\$0.00
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Depreciation Percent Good	84%	90%	-6%
Physical Obsolescence	100%	100%	0%
Functional Obsolescence	100%	100%	0%
Economic Obsolescence	100%	100%	0%
Percent Complete	100%	100%	0%
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Combined Depreciation PSF	\$27.85	\$17.40	\$10.45
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Adjusted RCNLD PSF	\$146.19	\$156.64	(\$10.45)
Adjusted RCNLD	\$477,749	\$391,130	

LAND ADJUSTMENT CALCULATION

	<u>Subject</u>	<u>Comparable</u>	<u>Difference</u>
Land Value	\$1,176,120	\$1,173,480	\$2,640
Land-Building PSF	\$359.89	\$469.96	(\$110.07)

EXTRA FEATURES VALUE CALCULATION

Subject Account 111-111-111-0001				Comparable Account 111-111-111-1111					
<u>Description</u>	<u>Year</u>	<u>Built</u>	<u>Condition</u>	<u>Value</u>	<u>Description</u>	<u>Year</u>	<u>Built</u>	<u>Condition</u>	<u>Value</u>
Bank Canopy - Drive Thru	2003	Average		\$19,992	Paving - Heavy Concrete	2007	Average		\$35,815
Paving - Heavy Concrete	2003	Average		\$24,960	Bank Canopy - Drive Thru	2007	Average		\$25,636
CANOPY ROOF AND SLAB	2003	Average		\$849					
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Extra Features Value :				\$45,801	Extra Features Value :				\$61,451
Extra Features Value PSF :				\$14.01	Extra Features Value PSF :				\$24.61

ADJUSTED MARKET VALUE CALCULATION

<u>Description</u>	<u>Value</u>
Comparable Noticed Value	\$651.20
Building Adjustment	(\$10.45)
Land Adjustment	(\$110.07)
Extra Features Difference = (Subject Extra Features Value - Comparable Extra Features Value) / Subject Building Size	(\$4.79)
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Total Adjusted Market Value PSF :	\$525.89
Adjusted Market Value :	\$1,313,147

** The base rate is composed of three building factors: style, structure type and grade. Differences between base rates are attributed to