

**Table 21.1 Lease Comparison Grid**

	<b>Subject</b>	<b>Comparable 1</b>	<b>Comparable 2</b>	<b>Comparable 3</b>	<b>Comparable 4</b>
Annual rent		\$145,000	\$155,000	\$75,866	\$52,500
Rate per sq. ft.		\$9.67	\$7.75	\$10.12	\$9.55
Expenses included	net lease	net lease	net lease	net lease	taxes and insurance
Conditions of sale	arm's-length	arm's-length	arm's-length	arm's-length	arm's-length
Date of lease	now	13 months ago	20 months ago	6 months ago	20 months ago
Lot size (acres)	5.0	3.0	7.0	3.0	3.0
Access/visibility	adequate/interior	superior	equal	equal	equal
Rail siding	no	yes	no	yes	yes
Design	1-story/detached	1-story/detached	1-story/detached	1-story/detached	2-story/detached
Construction quality	masonry/avg.	masonry	masonry	steel	masonry
Improvement age	31	12	22	15	25
Improvement condition	fair	superior	superior	superior	superior
Total AGLA	14,628	15,000	20,000	7,500	5,500
Finished %	6%	5%	5%	10%	20%
Basement area	0	0	0	0	0
Wall height	16' ceilings	18' ceilings	20' ceilings	20' ceilings	20' ceilings

**Table 21.2 Income Capitalization Approach Calculations for Eight-Unit Property**

**Reconstructed Operating Statement**

Rental income	8 units @ \$650 × 12 =		\$62,400
Other income (vending)			\$1,200
Potential gross income (PGI)			\$63,600
Vacancy and collection loss	5% of PGI		– \$3,180
<b>Effective gross income (EGI)</b>			<b>\$60,420</b>
<b>Expenses</b>			
Taxes		\$4,500	
Insurance		\$1,800	
Utilities (water, sewer, electricity)		\$3,400	
Maintenance (scheduled)		\$3,600	
Maintenance (miscellaneous repairs)		\$2,500	
Management (5% of EGI)		\$2,166	
Reserve for roof shingles and gutters—15 years	\$5,600 × 1/15 =	\$373.33	
Reserve for parking lot resurfacing—12 years	\$4,600 × 1/12 =	\$383.33	
Reserve for HVAC system—15 years	\$6,500 × 1/15 =	\$433.33	
<b>Total expenses</b>		<b>\$19,156</b>	= – \$19,156
<b>Net operating income (NOI)</b>			= <b>\$41,264</b>
Value conclusion	NOI/cap. rate = value		
	\$41,264/0.09 = \$458,489		