

HOW TO VALUE COMMERCIAL PROPERTY 101



3 MAIN VALUATIONS

- **Income Approach**

Based on the property's ability to generate income. Appraisers analyze Net Operating Income (NOI) and apply a capitalization rate (cap rate) to determine value.

Formula: $\text{Property Value} = \text{NOI} \div \text{Cap Rate}$

- **Sales Comparison Approach**

Compares your property to similar ones that have recently sold in the area. Adjustments are made for size, location, condition, and use.

- **Cost Approach**

This method estimates what it would cost to replace the property with a similar one today, minus depreciation. It's commonly used for newer buildings or properties with few direct comparisons.

WHY CURB APPEAL MATTERS

In the residential world, buyers shop emotionally. In the commercial world, buyers shop strategically — but emotion still plays a role.

A clean, well-maintained, visually appealing property communicates competence and care. It tells investors that the current ownership has been proactive, not reactive, and can result in a faster closing.

When a property photographs beautifully, shows cleanly, and feels well-managed, it immediately conveys less perceived risk. That's the same principle that drives premium pricing in high-end homes — and it's just as powerful in commercial transactions.

KEY DRIVERS OF VALUE

Several factors influence a commercial property's worth:

- **Location:** Proximity to major roads, customers, or workforce centers
- **Tenant Quality:** Long-term leases with reliable tenants increase stability and value
- **Condition:** Modern systems, updated finishes, and strong maintenance records
- **Zoning & Use:** Flexibility or specialized zoning can impact value significantly
- **Market Trends:** Supply and demand in your local market, interest rates, and economic conditions

ANALYZE MARKET VALUE

Local market insight is essential. Reviewing recent sales, vacancy rates, and rental trends helps you gauge where your property stands.

In Kansas markets like Topeka or Lawrence, factors such as highway access, community growth, and local business development can heavily influence value.

Keep an eye on your ROI

For investors, valuation isn't just about today's number—it's about future performance. Regularly reassessing your property value helps guide refinancing, renovation decisions, and timing for a potential sale.

CONSULT A PROFESSIONAL

Valuing commercial property is both art and science. Partnering with a commercial real estate broker or appraiser ensures you're looking at accurate data and current market conditions. They can also help you interpret trends, find comps, and position your property for maximum visibility.

Understanding how to value your commercial property empowers you to make confident, informed decisions. Whether you're preparing to list, refinance, or expand your portfolio, having a clear view of market value is the foundation of every successful transaction.

Ready to find out what your Kansas commercial property is worth?

📞 Contact Annie today to schedule a market evaluation and learn how your property stacks up in today's market.

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