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A unique appraisal assignment can involve more research than a typical comm'l. prop.

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Being offered a unique assignment can cause some anxious moments especially when it involves the inspection of a funeral home! Communication with the property owner and timing was important and I offered to be very flexible with my schedule! Fortunately, the property owner cooperated by selecting a day with a very empty funeral home!

In many ways this was a typical assignment from a local bank. The bank was considering the financing of a local commercial property purchase. The prospective buyer was a funeral home director looking to purchase a competitor almost across the street from his funeral home. Collateral for the loan would be one or both of the funeral homes.

Our firm has completed appraisals of funeral homes for other clients but this was a first for this appraiser. The firm's long experience is primarily with commercial properties in the central Massachusetts region and ranges from industrial properties to mixed use properties, mill conversions, subdivisions, eminent domain takings, utility corridor takings and litigations.

The inspection of the properties was an anxious moment but uneventful - no clients were scheduled and there was no "inventory" on hand! As with many funeral homes, this was a converted antique single-family residence. Typical features included a residential component: one funeral home had an apartment on the second floor and the other had an attached building used and rented as a single-family residence.

The unique features of the property, of course, included the embalming room. However, there were few permanent fixtures and a room that could be easily converted to other uses. Other unique features included first floor rooms which had been combined by removing or modifying walls to make one or two very large rooms. Again, these could be easily restored for other uses. Not surprisingly, the exterior of the building, the landscaping and the first floor interior were very well maintained. The building systems including the electrical, plumbing and heating were very good and the air condition system was commercially sized and excellent. Interestingly, the upper floors with the exception of client waiting or meeting areas were generally not as well maintained.

The most costly modification, if the funeral homes were to be converted back to residential uses, would be the addition of a kitchen. With the exception of the residential apartments, the funeral homes did not have any kitchen or dining area on the first floor. A kitchen would need to be added to the first floor and, if a single-family conversion, removed from the residential apartment.

The approach to value I selected with the client is the Sales Comparison Approach. Most funeral homes are conversions of older residential dwellings and so the Cost Approach to value would not have been as reliable because of the difficulty in estimating the depreciation of the building.

Similarly, the Income Approach to value would be difficult to determine because most funeral homes are owner occupied and therefore comparable lease data would be next to impossible to find. Surprising to this appraiser, there were a number of sales of funeral homes and some recent sales to provide me with confidence in my analysis. Not surprising, I needed to search a wide area and search back a few years to find sufficient comparable sales. Each sale needed to be researched and verified that the sale did not include personal property or a business or goodwill component. If it did an appropriate adjustment was made. The research also discovered that the use as a funeral home was frequently changed after the sale to a single or multi-family use. My analysis of the highest and best use confirmed the funeral home use but also suggested that the property could be converted to residential uses with modifications and in a more typical market. Although my opinion of value after conversion was higher as a residential dwelling, the cost to convert it back drove it below the value under its current use as a funeral home. Unique properties tend to require more research than typical commercial properties but with diligent research and by applying the appropriate appraisal techniques confident opinions of value can be derived. The appraisal techniques available to the experienced appraiser are sophisticated enough to handle unusual properties such as funeral homes and conclude with a reasonable opinion of value based on supportable data and analysis. One last important note of advice is to work closely with your client and the property owner so there will be no surprises. This is one assignment where I did not want to see any surprises!

Rick McCowan is an appraiser with Horne & Hastings Associates, Inc., Princeton, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540