

Commercial Appraisal Department

The commercial appraisal department is responsible for placing market value on properties used for business purposes. The department also estimates market value on vacant land that is zoned for commercial usage. Examples of commercial property are retail stores, office buildings, shopping centers, etc. There are commercial properties that have "special uses", such as golf courses, hospitals, and nursing homes. Warehouses and manufacturing facilities are industrial properties.

The properties are required by Oklahoma law to be inspected on a four year cycle. An inspection calls for all building features, components, and characteristics to be identified, measured and listed. Examples would be the size of the building, occupancy, age, paving, fencing, pools, tennis courts, elevators, canopies, etc.

There are *three approaches* to estimate commercial property values:

- 1) The **market approach** is the method where sales of similar properties are reviewed and compared to the subject. The sales used are "arms length transactions", where the buyer and seller both acted without undue pressure.
- 2) The **cost approach** is another method is to calculate what it would cost, using today's labor and material prices, to replace the structure with a similar one. If the structure is not new, the appraiser determines how much it has depreciated since it was built. The resulting value is then added to the estimated market value of the land.
- 3) The third method is the **income approach**. This method uses analysis of the income stream, operating expenses, and vacancy rates of the market and the subject property to estimate a net operating income. The net income is capitalized with a market rate to estimate value.