

VALUATION OF AIRPORT PROPERTIES

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Reasons for Airport Property Appraisal and Consulting

- Rental Rates
- Periodic adjustments of rental rates for Airport owned sites under long term ground leases
- Periodic adjustments of rental rates for Improved sites (T-Hangars, Hangars, Office, Industrial buildings)
- TTF agreements

- **Purchases/Sales/Redevelopment**
- Sale or Purchase of existing improvements (hangars)
- Easements (utility, access, fencing, etc.)
- Avigation Easements
- Acquisitions of Off-Airport properties
- Surplus land for disposition
- Site redevelopment/land use planning

Unique Appraisal Issues at Airport Properties

- Jurisdictional
- Local (municipal/County)
- State
- FAA
- Physical features
- Land Sizes not always within market norms
- Infrastructure
- Pavement/Apron/Hardstand (who pays?)
- Height limitations due to transitional slopes
- Limited availability of airport land
- Airfield access

Valuation Methodology

- Typical Client guidance/direction is to provide opinions of market value
- Market Value relative to Airports (is there such a thing as a comparable airport?); Look for airports with comparable locations and airport characteristics
- Establish Land Use Classifications if not already delineated
- Multiple Approaches to Value for Rental Analyses

- **Traditional Valuation Approaches**

- *Sales Comparison Approach*

- *Income Approach*

- *Cost Approach*

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- **Aviation Related Methodologies**

- *Off-Airport Land x Rate of Return*

- *Direct Comparison of Other Airport Rates*

- *Cost Recovery methods*

Method One - Off-Airport Land x Rate of Return

- Appraiser utilizes nearby off-airport industrial land sales and applies appropriate rate of return
- Off Airport Land/Rate Analysis – Considerations
 - Lease Conditions (relative to fee land sales)
 - Lack of Benefits of ownership (ie: appreciation)
 - Lack of Purchase Option (potentially)
 - Reversion of improvements to Airport
 - Lack of Subordination (could affect financing costs)
 - Difficulty in Assigning Lease Interest
 - Undetermined Rent Escalations (probably need more appraisals)
 - Aviation Use Restrictions
 - Density/Intensity of Use
 - Access to Aviation Facilities
 - Supply/Demand Characteristics
 - Other?

Off Airport Land Analysis - Simple Example

Land Use Classification	Aviation	Industrial	Commercial
Land Value Conclusion (Using Off Airport Sales)	\$5	\$7	\$12
Upward Adjustment (if necessary)	0%	0%	0%
Downward Adjustments (if necessary)	0%	0%	0%
Aviation Land Value Conclusion	\$5	\$7	\$12
Annual Rate of Return (*)	8%	8%	8%
Required land rent/sf/yr	\$0.40	\$0.56	\$0.96

** Refer to subsequent discussion whether rate is market based or policy based.*

Method Two - Direct Comparison of Other Airport Rates

- Rental rates from comparable airports are compared to the subject airport. Comparable airports are typically those with similar locations (proximity to CBD, population density, demographics) and similar airport characteristics (runway length, navigational systems, etc.)
- Direct Airport Comparison – Considerations
 - Location
 - Facilities and Operations
 - runway length
 - FBO?
 - age/quality of facilities
 - nav aids
 - fees (landing, fuel flowage, etc.)
 - Application of Rates (ie: apples to apples treatment)
 - Use Classifications
 - Other?

Method Three - Cost Recovery

- Allocation of actual operating costs to airport property
- Cost Recovery – Considerations
 - Source of Information
 - Allocation of Costs (equal treatment to all users?)
 - Required Return
 - Relationship to Market Value?
 - Other?

Cost Recovery Model - GA Airport Scenario

Capital budget requirement		\$2,000,000
Operating expense requirement		\$6,000,000
Budgeted expenditures		\$8,000,000
Less: miscellaneous revenue		-\$200,000
Less: landing fees		-\$400,000
Less: fuel flowage fees		-\$1,000,000
Balance		\$6,400,000
Leasable land area	<i>acres</i>	<i>sf</i>
	100	4,356,000
Required land rent/sf/yr		\$1.47

Summary

- Multiple Reasons for Valuing Airport Properties
- Acquisition/Dispositions may require Relocation Assistance in addition to Appraisals for Market Value
- Various Methods for Valuation depending upon the interests involved
- Appraisals can assist when Leasing, Acquiring (either willing seller or eminent domain), or disposing of property
- When in Doubt - call an Appraiser!