

Case study

Property under valuation: Office building
Address: Munich
Client: Community of heirs

Market value on appraisal date 28.12.2011: € 2,290,000.00
Market value on 01.06.2015: € 3,200,000.00
Appreciation: 39.7%



IMMONETWORX property valuation and consultancy, prop. Michael Kleisel

Certified real estate and vacant lot valuer and appraiser (TÜV)



Member of Germany's Federal Association of Property Experts (BDGS)

Lindenstrasse 7a, 85716 Unterschleissheim, Germany
Tel: +49 89-4309470 Fax: +49 89-4309742 Email: kleisel.gutachter@web.de
Internet: www.immonetworx-gutachten.de



The situation:

This office building was constructed in 1966 and for many years had been 100% let to the City of Munich as council offices. The lease conditions were above market rate. We were commissioned by the owners, a community of heirs, to appraise the fair market value as the tax office responsible for administering their inheritance tax had overvalued it because of the high land valuation.

Thorough research allowed us to identify several areas of depreciation and the result was that the fair market value we calculated was significantly less than the property value arrived at by the tax office; the inheritance tax demand was consequently corrected.

The problem:

This was not the end of the matter for the owners, however. In the meantime, the City of Munich had given notice on the lease agreement. What was to be done with an elderly office building whose only tenant was shortly to move out?

In the course of a potential analysis we established that re-leasing the entire office space to a single tenant was no longer a viable option; the property was in competition with numerous new builds featuring top-quality, high-tech fittings and imposing architecture; as an alternative, leasing smaller portions to multiple tenants might be a possibility. In such a case, however, the community of heirs would have to contend with a considerable reduction in the rent and, with the higher turnover of tenants, an ongoing vacancy rate of approx. 20%.

The solution:

Given the property's central location and existing floor plans, we recommended that the community of heirs should repurpose the building as a hotel. Within a short period of time we were able to source an experienced hotel investor who was prepared to convert the building at his own expense and enter into a lengthy lease agreement. The new 3-star hotel has since established itself and is achieving a high occupancy rate.

Before:



After:

