

## Client Enrichment Series – Appraisals/Rent Estimate Q & As

---



**Question #1:** Assuming that most GSA owned buildings have been paid for why do we even pay an actual "rent"? Why don't we just pay the operating costs and GSA fee?

**Answer:**

This is more of a suggestion than a question, and it used to be done that way: agencies were not charged for space in federal buildings. However, the law now requires that agencies pay market equivalent rent for their space. The purpose is to allocate (for budgeting purposes) the cost of government among the various agencies, and to budget for the maintenance, repair and eventual replacement of federal buildings. The "rent" that federal agencies pay goes into the Federal Building Fund and is used for those purposes.

**Question #2:** When appraising 30 months ahead, are you looking at what the rent rate will be 30 months ahead or at the time of the appraisal?

**Answer:**

When appraisers prepare a "prospective" appraisal, one that estimates a future rate, the accepted procedure is to estimate the current rate; then estimate and adjust the rate for the anticipated change (generally a percentage) over the particular period of time. That is what we ask our contract appraisers to do when they prepare Fair Annual Rent (FAR) appraisals.

**Question #3:** Why does GSA feel they need to continually "remeasure" our facilities, which often leads to an increase to the square footage, which then leads to a rent increase?

**Answer:**

Our determinations of rental rates and measurements of tenant space are admittedly more precise than private sector lessors would find necessary. But as stewards of federal property, we are required to accurately manage that property and provide for GSA and tenant agency accountability through the budgetary process. We have not checked the actual statistics, but remeasurements probably lead to decreases as often as increases.

**Question #4:** What determines whether or not an agency is charged for parking?

**Answer:**

Actually, agencies are always charged for parking they use, because federal law requires that we charge for all occupied space. However, in many cases, particularly in more rural or suburban locations, the building rates reported to and used by our contract appraisers include the parking. In our billing we follow the local practice and only break out parking separately if that is typical in the area.

## Client Enrichment Series – Appraisals/Rent Estimate Q & As

---



**Question #5:** How will an agency office know that the facility is a Return on Investment (ROI)?

**Answer:**

1. It is indicated on the Occupancy Agreement (OA).
2. Some types of leases are always ROI including Land Ports of Entry (LPOEs) and courts built after 2000.

Return on investment (ROI) pricing is always used for border stations (LPOEs) and federal courthouses built after 2000. It is also used for some other properties that are either so specialized or so isolated that a market rate cannot be determined using an appraisal. In any case, the OA for the property will state that the rate is determined using ROI pricing.

**Question #6:** Why aren't indexes used to adjust rents, given the lead times for appraisals for Fair Annual Rents?

**Answer:**

The answers to Questions #1 and #2 should also help give some insight here. Indices, by their very nature, are averages. They apply only generally to a specific location and building. We are required by law to charge market equivalent rents for each of our federal properties. The most effective way for us to do that is to use market rent appraisals that are specific to each building. It is also the method that is most acceptable to the Office of Management and Budget (OMB).

**Question #7:** Commercial offices, of which many agencies have hundreds leased, do not charge separate rates to place antennas on the building roof. Why does GSA charge for each antenna on the roof?

**Answer:**

The surveys we have had done indicate that many commercial buildings do charge for antenna space, if the local market supports individual charges. The lessors for other buildings may provide "free" space for tenants; using it as a marketing tool. In these cases the charge for the space is still there; but is built into the overall rate. Our charge is a minimal one, well below market averages. The GSA regions, however, still have the flexibility to use appraised rates if the local market is vastly different from the standard charge.