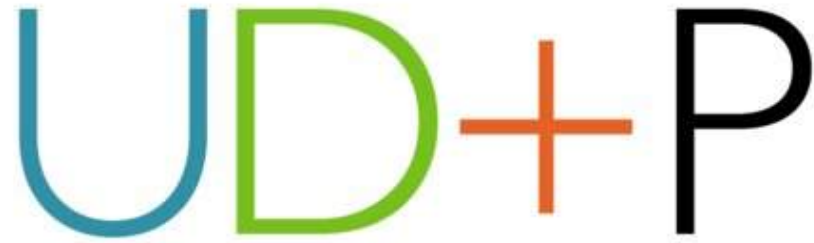


Cohousing Unit Valuation

moving from costs to prices



URBAN DEVELOPMENT PARTNERS

www.udplp.com/cohousing

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Senior Development Manager

- 20 years design and development experience
- Licensed architect
- Master of Architecture
(Wash U. – St. Louis)

Erik Granum

Project Manager

- Master of Real Estate Development
(UC Berkeley)
- Master of Business Administration
(U. North Carolina)
- Former Naval Aviator

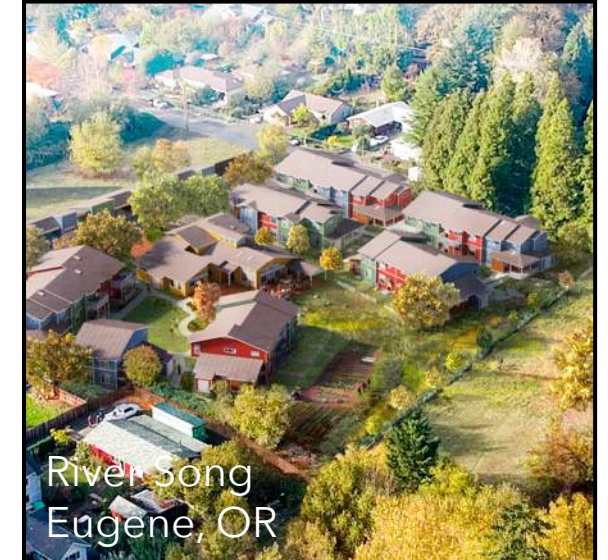


joren@udplp.com



erik.granum@udplp.com

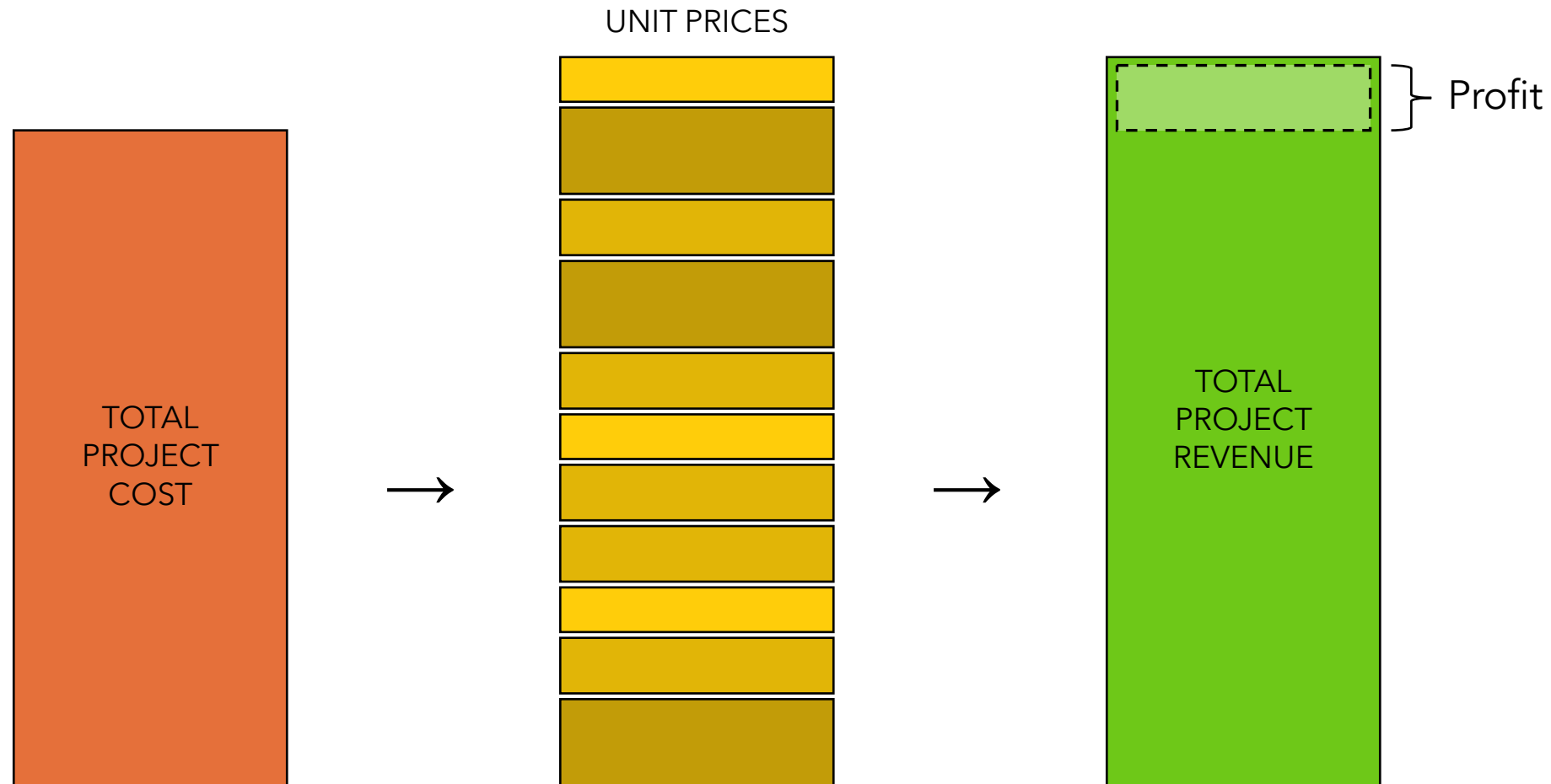
Our current projects



The challenge of pricing

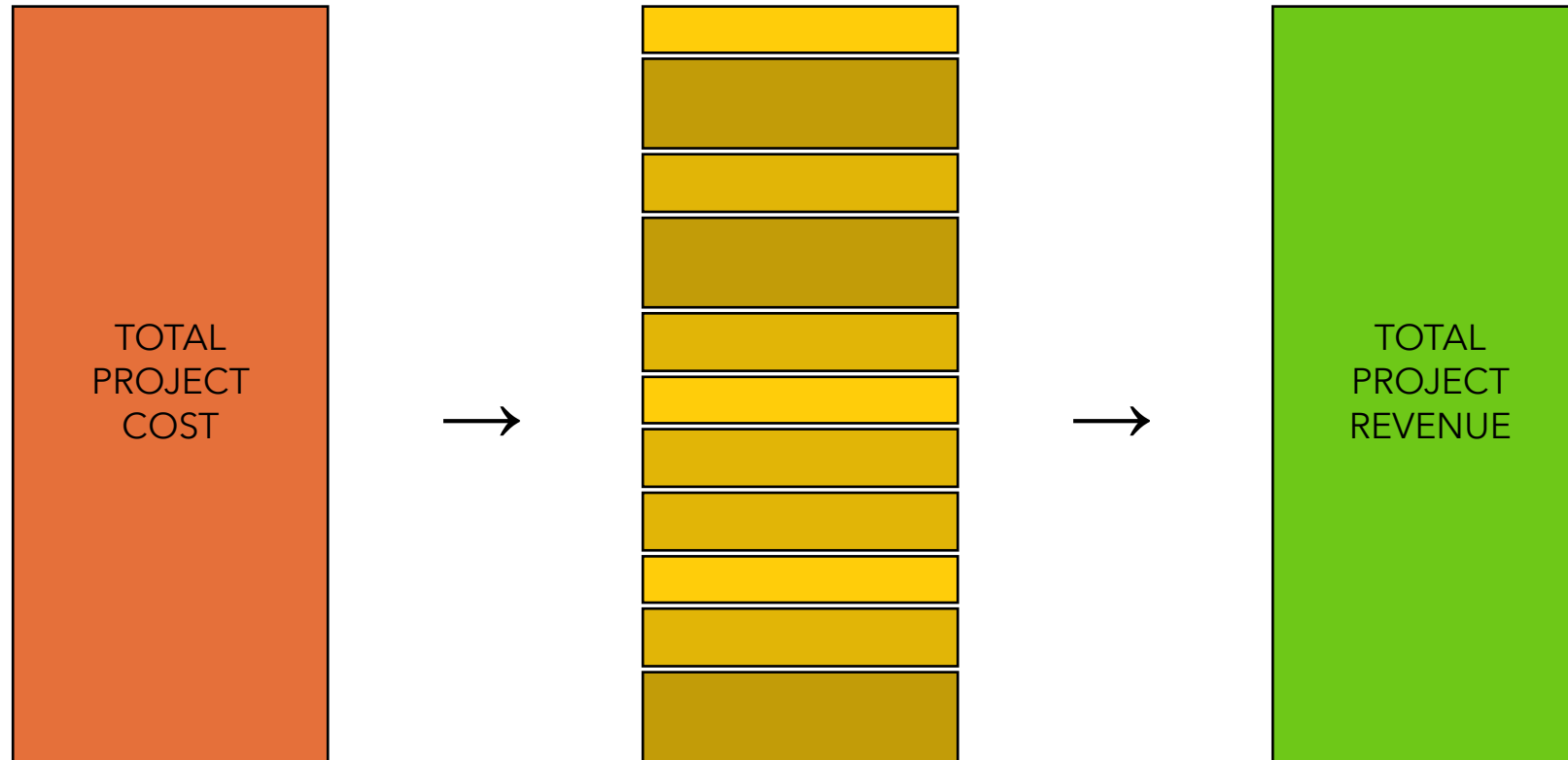
- Requirements
 - Must cover costs
 - Must equitably capture value
 - Must remain financially accessible
- Challenges
 - No bidding for units
 - Many unit attributes with different values
- Our solution
 - Data driven
 - Transparent and understandable
 - Replicable

Typical pricing (for profit)

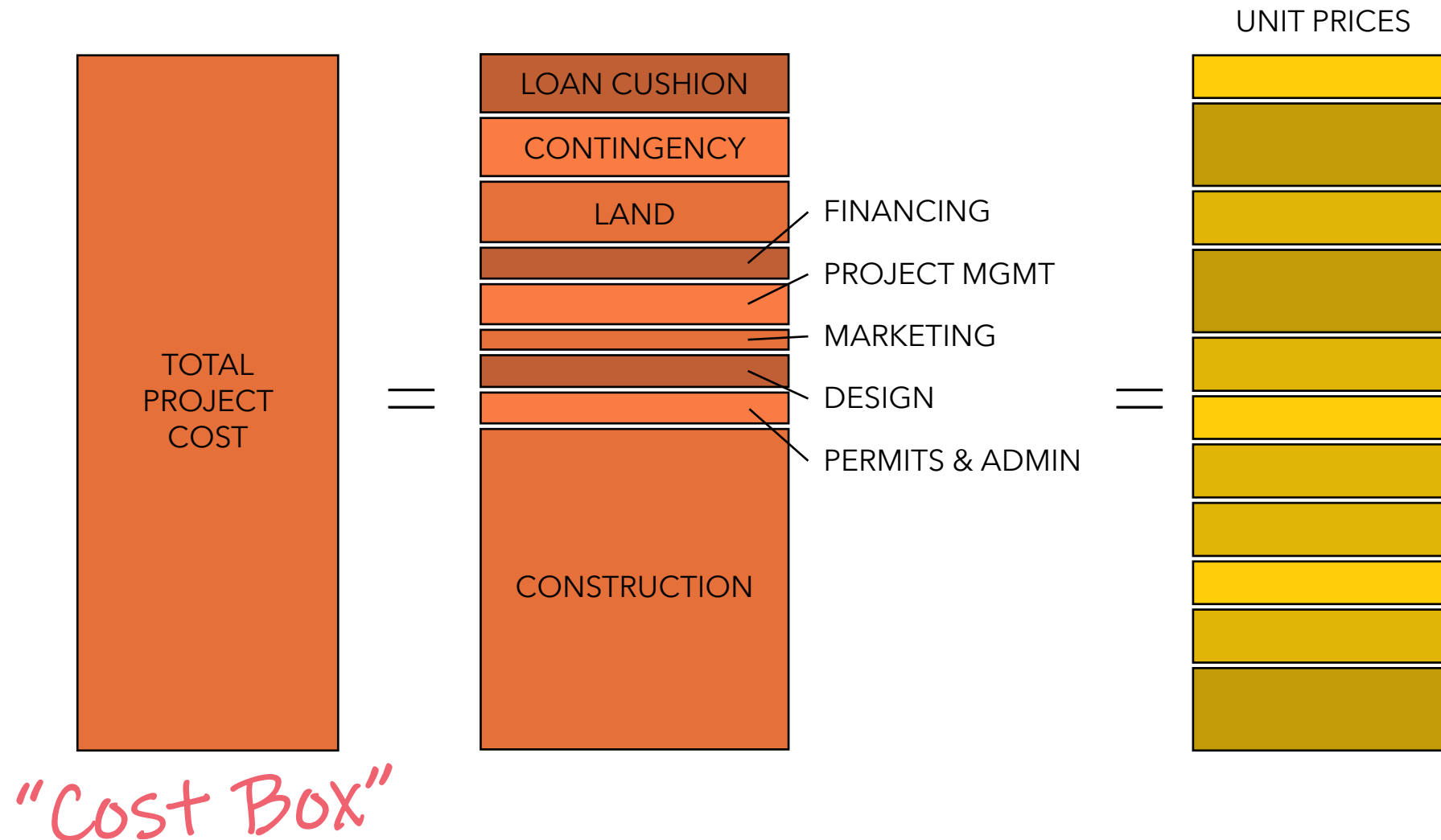


~~Cohousing~~ ~~Typical pricing~~ ~~NO~~ ~~(for profit)~~

UNIT PRICES



Costs = any expenditure needed to finish the project



Going from costs to prices

Steps:

- 1) Establish base prices on unit size
- 2) Adjust prices for fixed costs
- 3) Adjust prices for unique attributes

Project cost = Project price

Thus, if one unit's price goes up, the rest go down

Step 1 | Base price per square foot

a) Determine the total cost and size



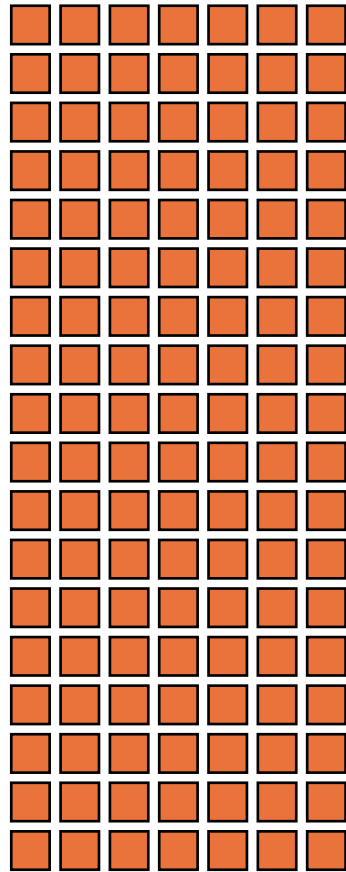
TOTAL
PROJECT
COST



TOTAL
FOR-SALE
SIZE

**residential
units only*

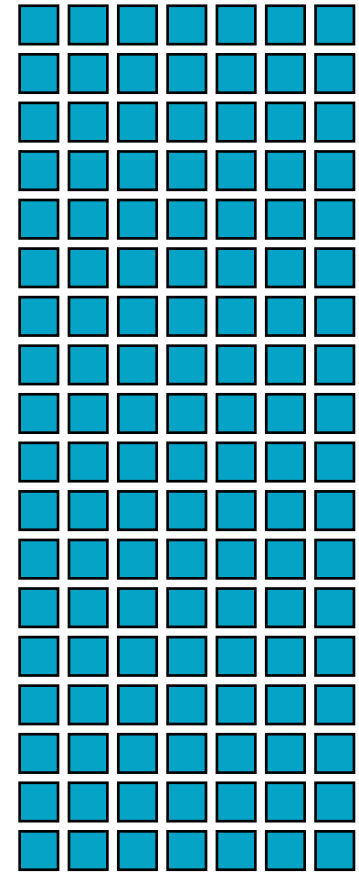
Step 1 | Base price per square foot



TOTAL COST

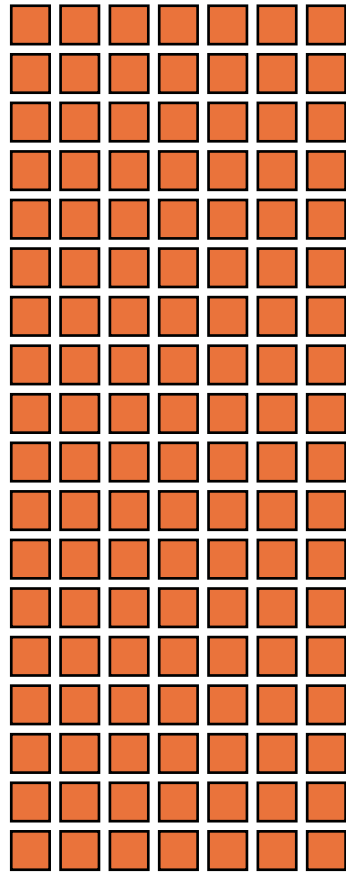
- a) Determine the total cost and size
- b) Divide total cost by square footage

$$\begin{array}{r} \$ \quad 10,000,000 \\ \text{sf} \quad 20,000 \quad \div \\ \hline \$/\text{sf} \quad 500 \end{array}$$



TOTAL FOR-
SALE SIZE

Step 1 | Base price per square foot

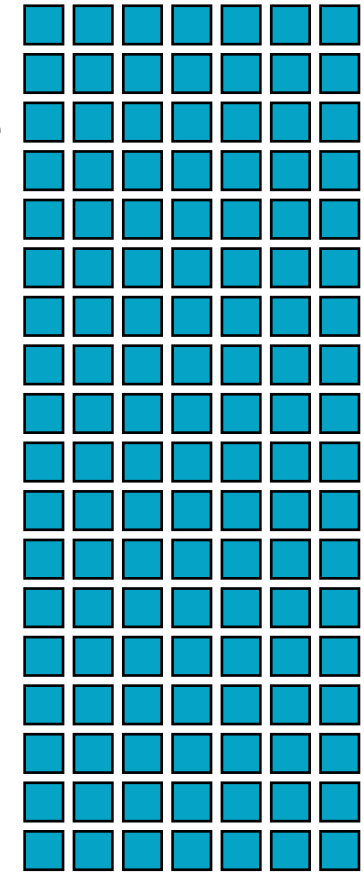
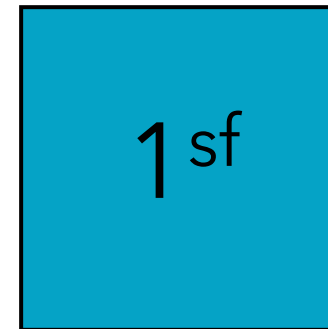


TOTAL COST

- a) Determine the total cost and size
- b) Divide total cost by square footage



=



TOTAL FOR-
SALE SIZE

Step 1 | Base price per unit

- a) Determine the total cost and size
- b) Divide total cost by square footage
- c) Multiply \$/sf by unit sizes

$$\begin{array}{|c|} \hline \$500 \\ \hline \text{/sf} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{800sf/unit} \\ \hline \end{array} = \$400,000/\text{unit}$$

$$\begin{array}{|c|} \hline \$500 \\ \hline \text{/sf} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{1,100sf/unit} \\ \hline \end{array} = \$550,000/\text{unit}$$

Step 2 | Adjust price for fixed costs

What are fixed costs?

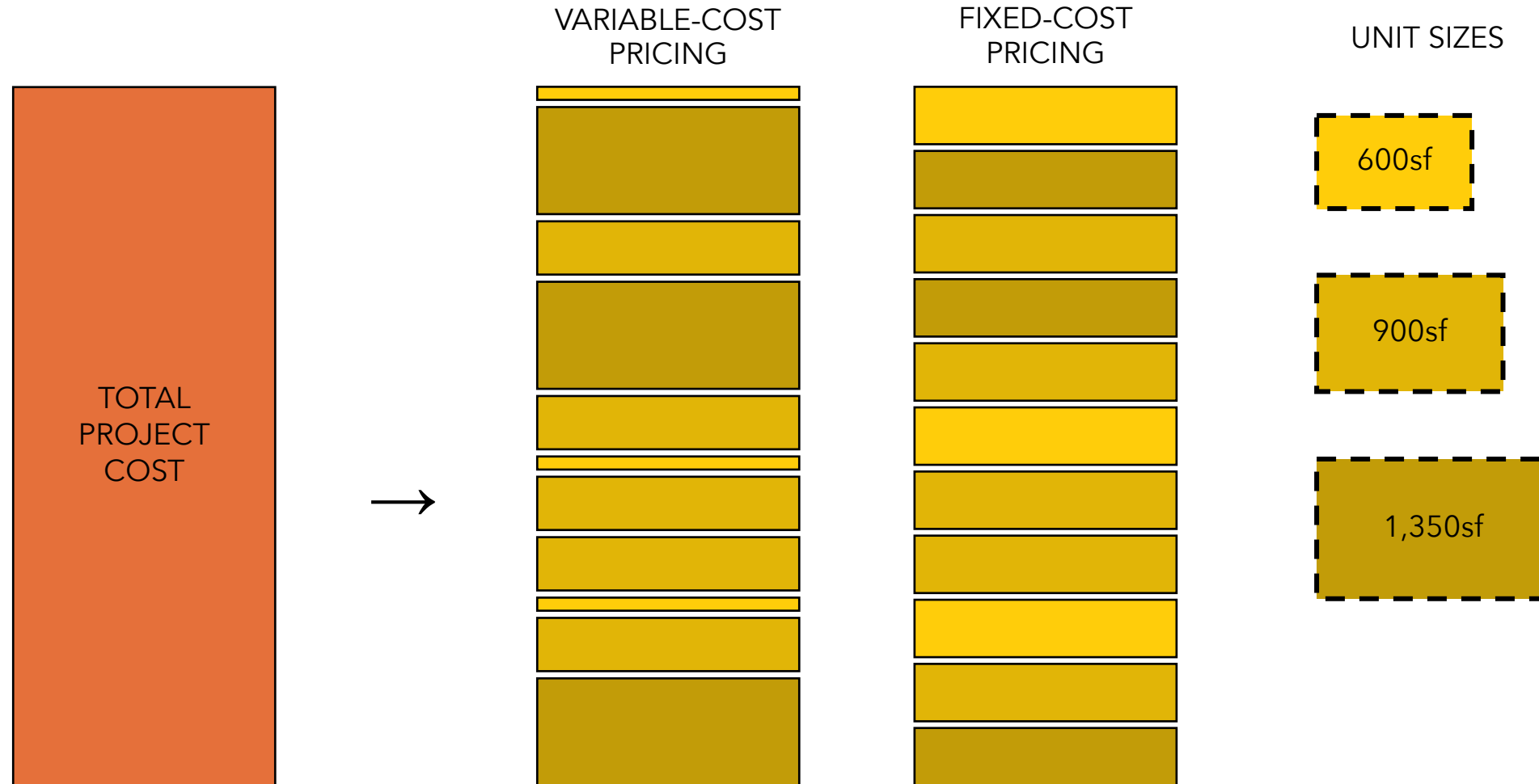
Fixed costs: remain equal for each unit

- Design
- Accounting
- Marketing

Variable costs: increase proportionate to unit size

- Framing
- Electrical
- Insurance

How to divide costs?

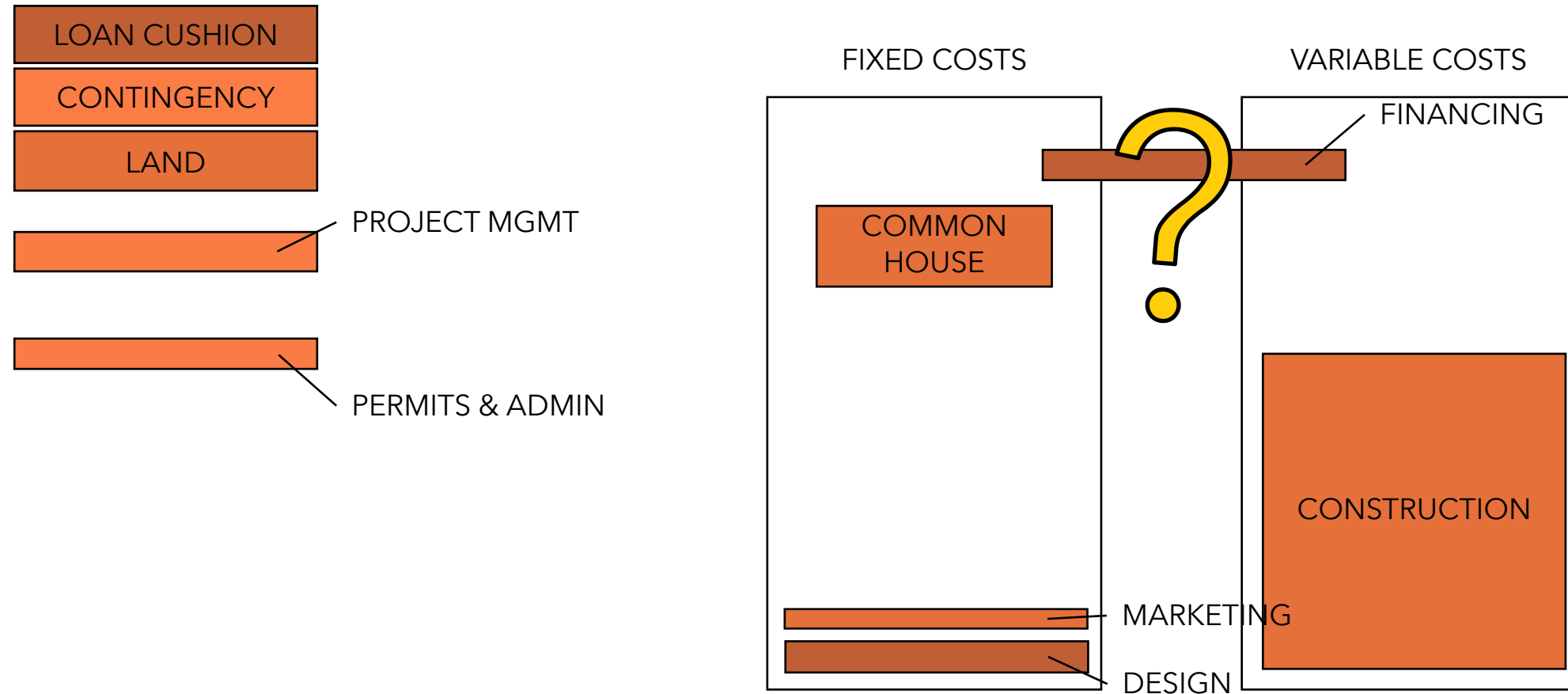


How to divide costs?



How to blend costs?

Method 1: Separate fixed and variable costs



How to blend costs?

Method 1: Separate fixed and variable costs

Problems:

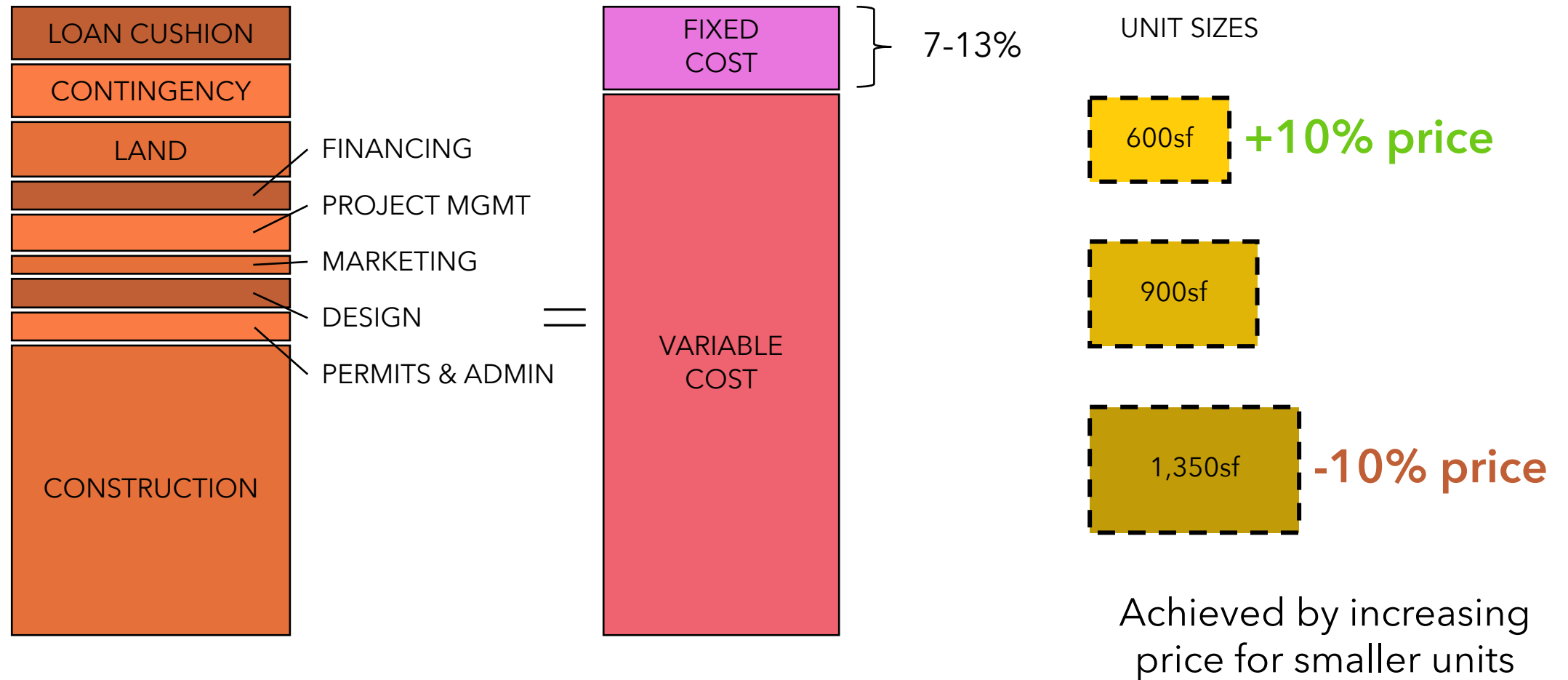
- Some costs are difficult to categorize
- New assessments required for each round of pricing

Benefits:

- Accurate and equitable
- Clear to understand

How to blend costs?

Method 2: Solve for variable costs and adjust for fixed



How to blend costs?

Method 2: Solve for variable costs and adjust for fixed

Problems:

- Requires making some assumptions
- Less accurate
- More complicated

Benefits:

- Easier and faster to calculate
- More flexible

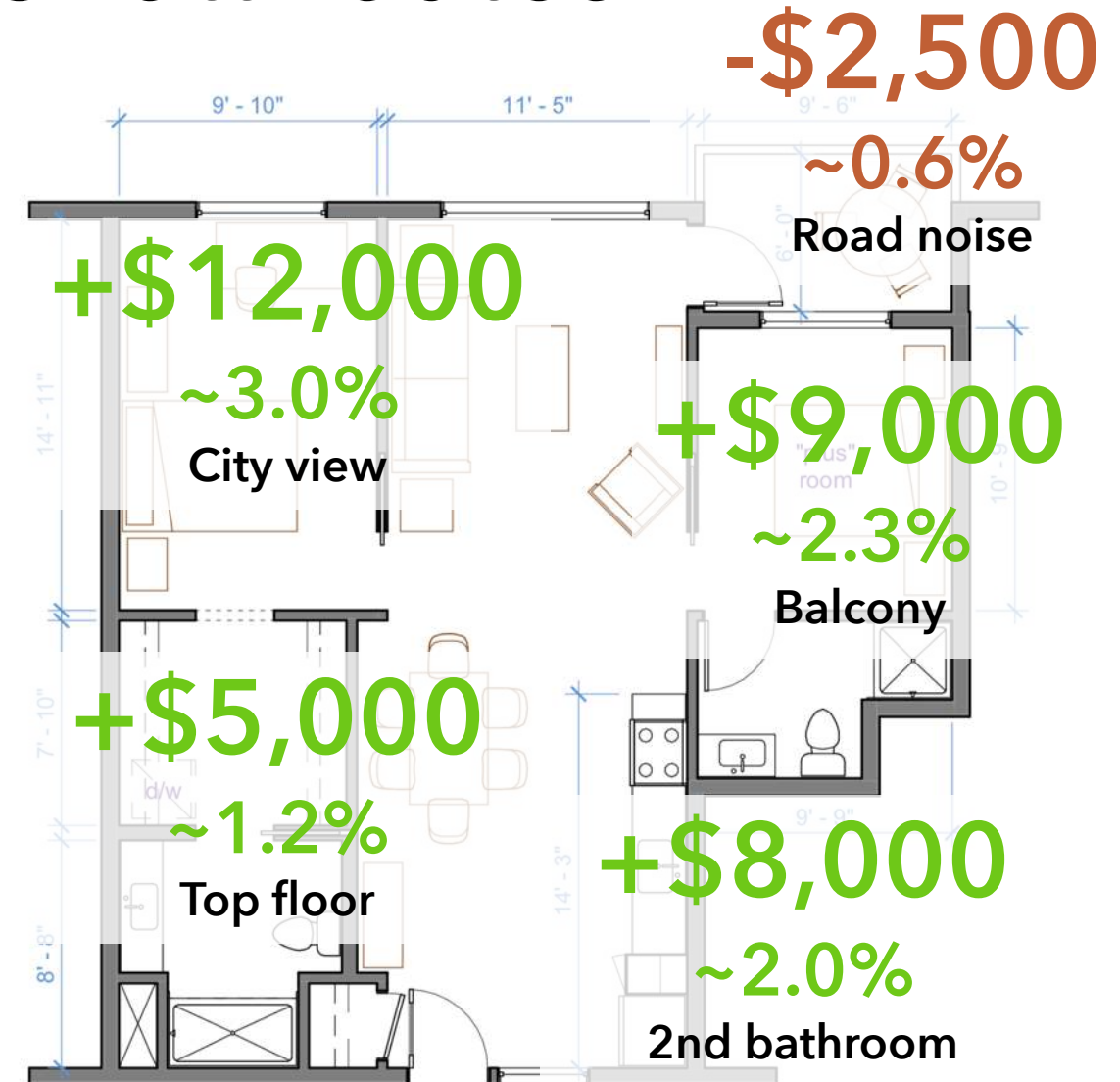
Preferred!

Step 3 | Adjust price for attributes

What makes each unit different?

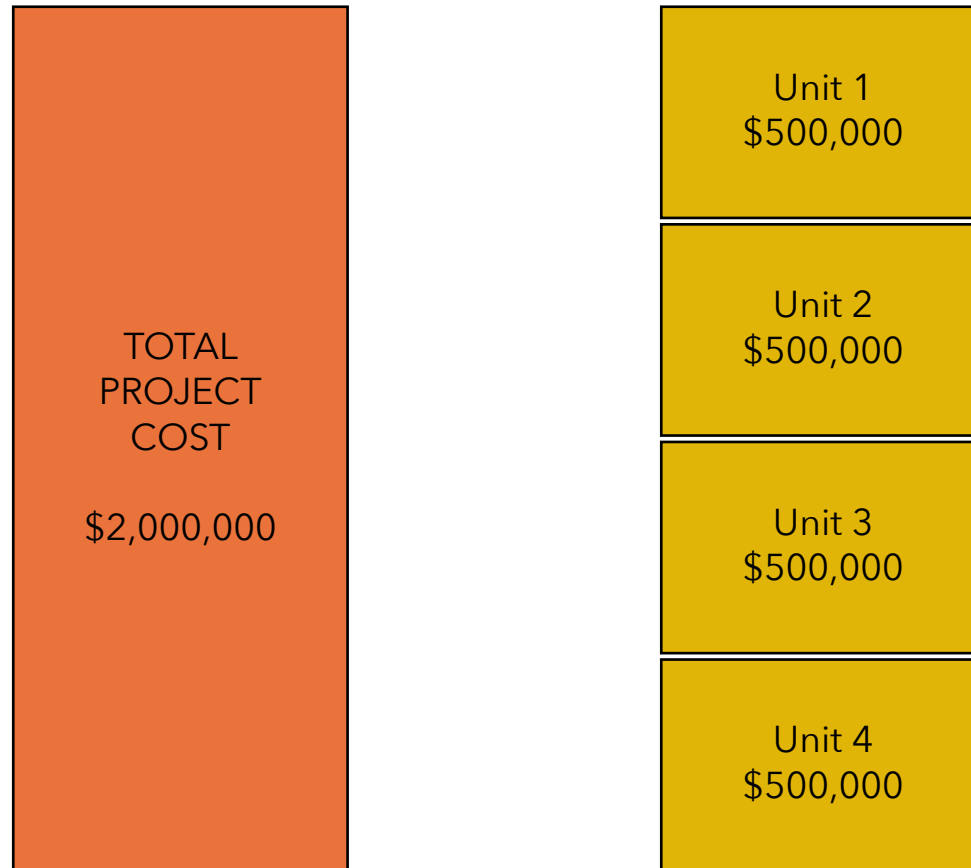
- Exterior space
- View
- Amenity
- Environment
- Location

Some price adjustments
must encompass cost



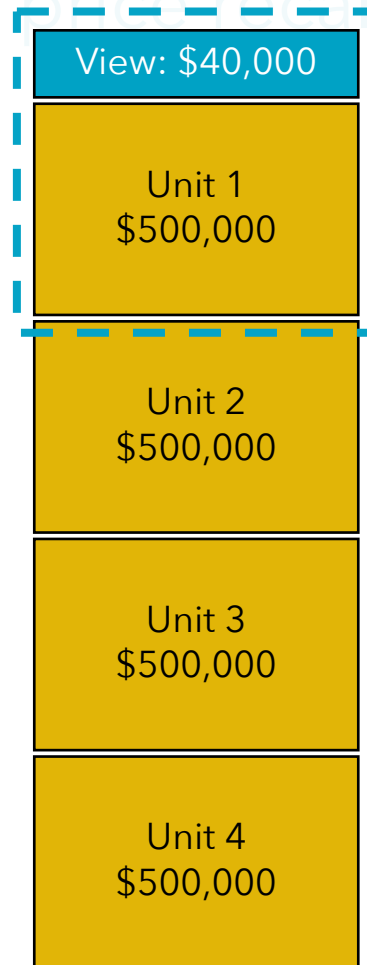
Step 3 | Adjust price for attributes

How does base price recalibrate?



Step 3 | Adjust price for attributes

How does base price recalibrate?

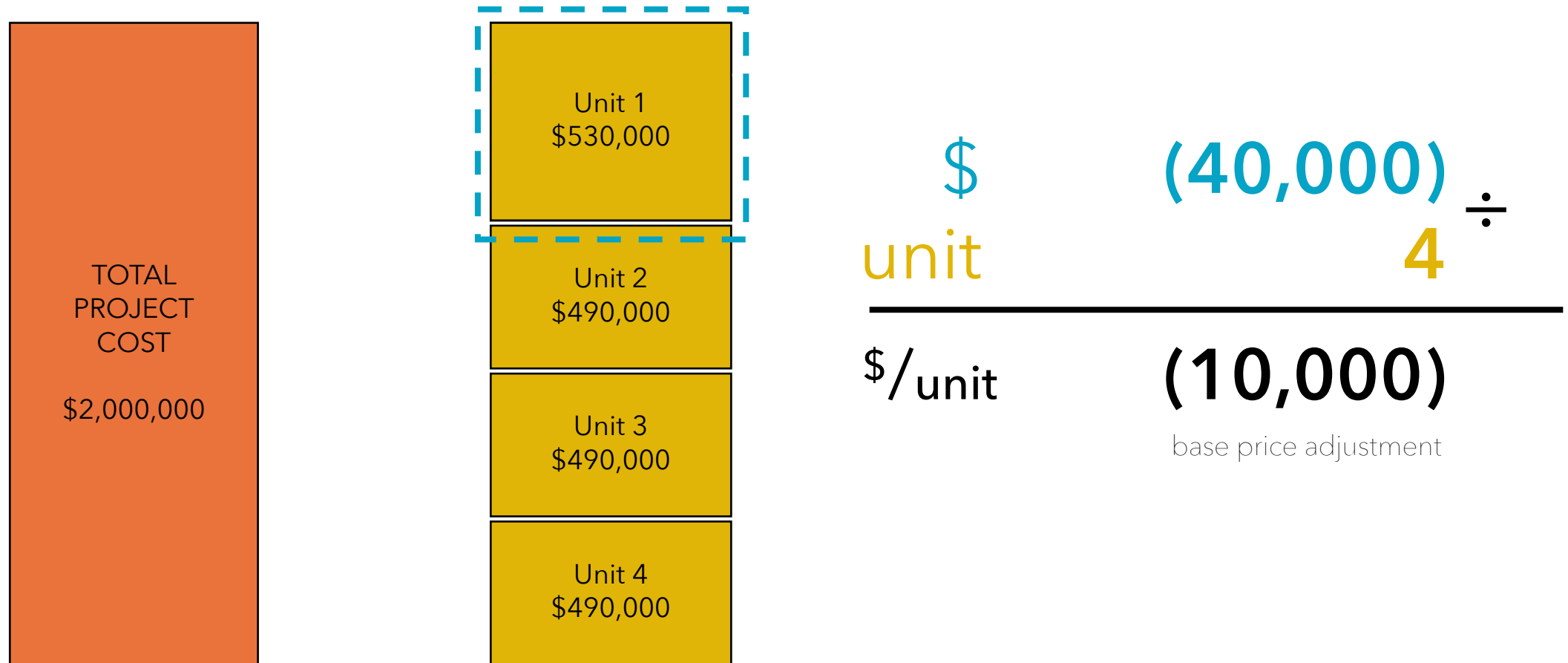


$$\frac{\$ \text{ unit} \quad (40,000)}{4} = \text{\$/unit} \quad (10,000)$$

base price adjustment

Step 3 | Adjust price for attributes

How does base price recalibrate?



Step 3 | Adjust price for attributes

River Song price adjustments:

- Ground floor
- End unit
- Near C.H.
- Near parking
- Balcony
- Large porch
- Standard porch
- Large backyard
- Std. backyard
- Nature view
- Full bathroom
- Half bathroom

Location

Exterior space

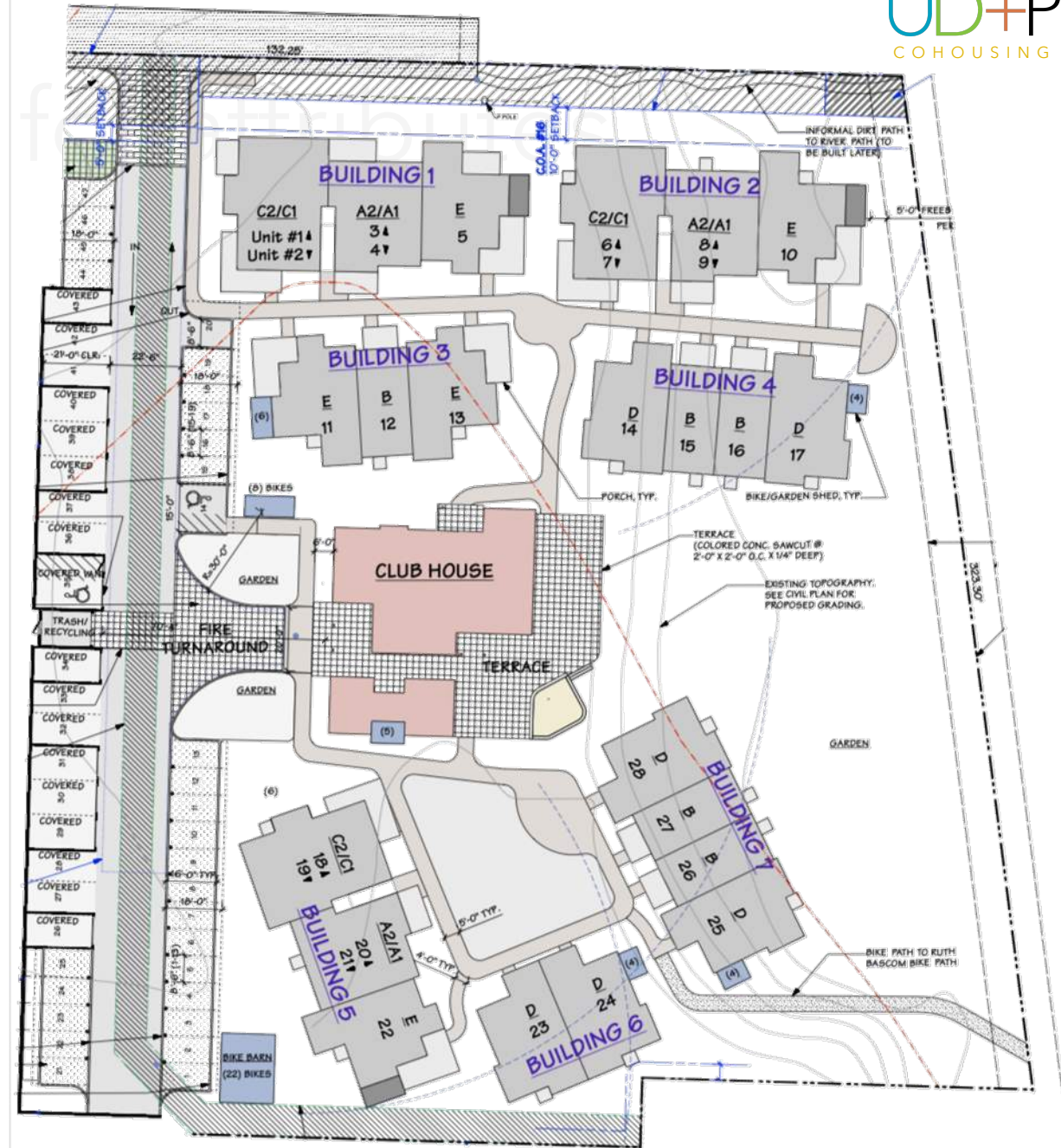
View

Amenity

Step 3 | Adjust price for

River Song price adjustments:

- Ground floor \$20,200
- End unit \$19,800
- Near C.H. \$4,000
- Near parking \$3,200
- Balcony \$9,500
- Large porch \$10,700
- Standard porch \$4,400
- Large backyard \$13,100
- Std. backyard \$4,800
- Nature view \$11,900
- Full bathroom \$9,900
- Half bathroom \$6,400



Review: Going from costs to prices

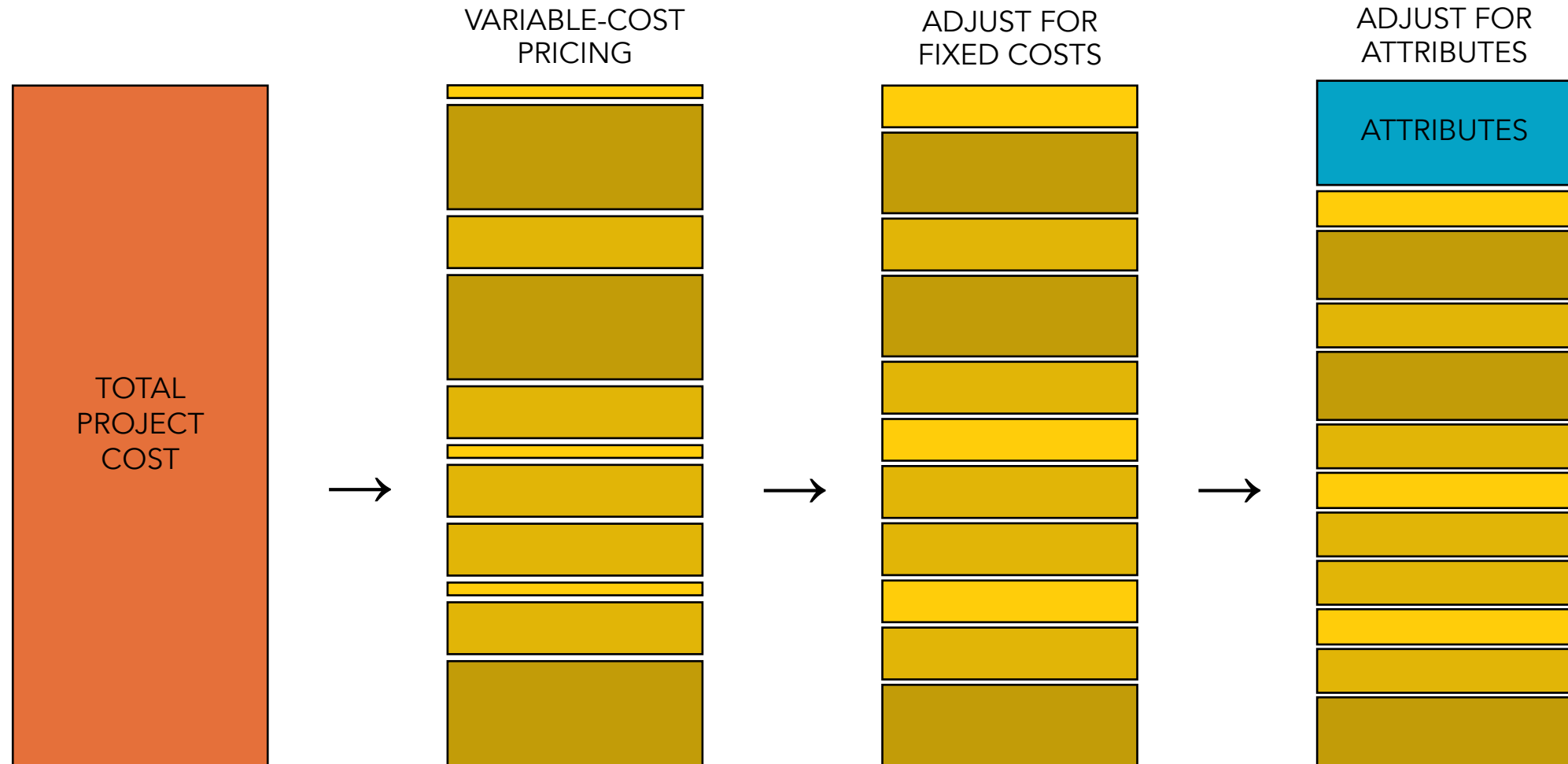
Steps: *Establish price based on variable costs*

- 1) ~~Establish base prices on unit size~~
- 2) Adjust prices for fixed costs
- 3) Adjust prices for unique attributes

Project cost = Project price

Thus, if one unit's price goes up, the rest must go down

Review: Going from costs to prices



Common concerns

"Cohousing units are expensive!"

- Prices are forecasted for sales in the future.
- Other projects are paying the same rates.
 - Materials
 - Labor
 - Permits
- Efficient production housing (vs. custom) can limit unit cost.

Answer: Price projections will seem high, but trust that with good project management the market will catch up by the time construction ends.

Common concerns

"I can get a big house for the same price!"

- Cohousing always has a higher price per square foot.
 - More common space.
 - Shared amenities (guest rooms, rec areas, parking...).
 - Additional landscaping.

Answer: Don't focus on price per square foot in your unit. You get to enjoy the whole community!

Common concerns

“Will these units appraise?”

- Mortgages and construction loans require proof of value.
- Few cohousing comparables in most markets.
 - Especially new construction.
- Appraiser may not consider the value of shared spaces.

Answer: Educate your bank and appraiser. Show you pricing model and the success/value of other projects.

Common concerns

"Shouldn't an appraiser set unit prices?"

- The community has the best knowledge of the project.
 - You are an optimal sample of the future buyers.
- Appraisers exercise limited subjectivity.
 - Values based on comparable properties and market data.
- Lots of details get overlooked in a standard appraisal.

Answer: Leverage the wisdom of the crowd. If your group sees value in certain attributes, others will too.

Common concerns

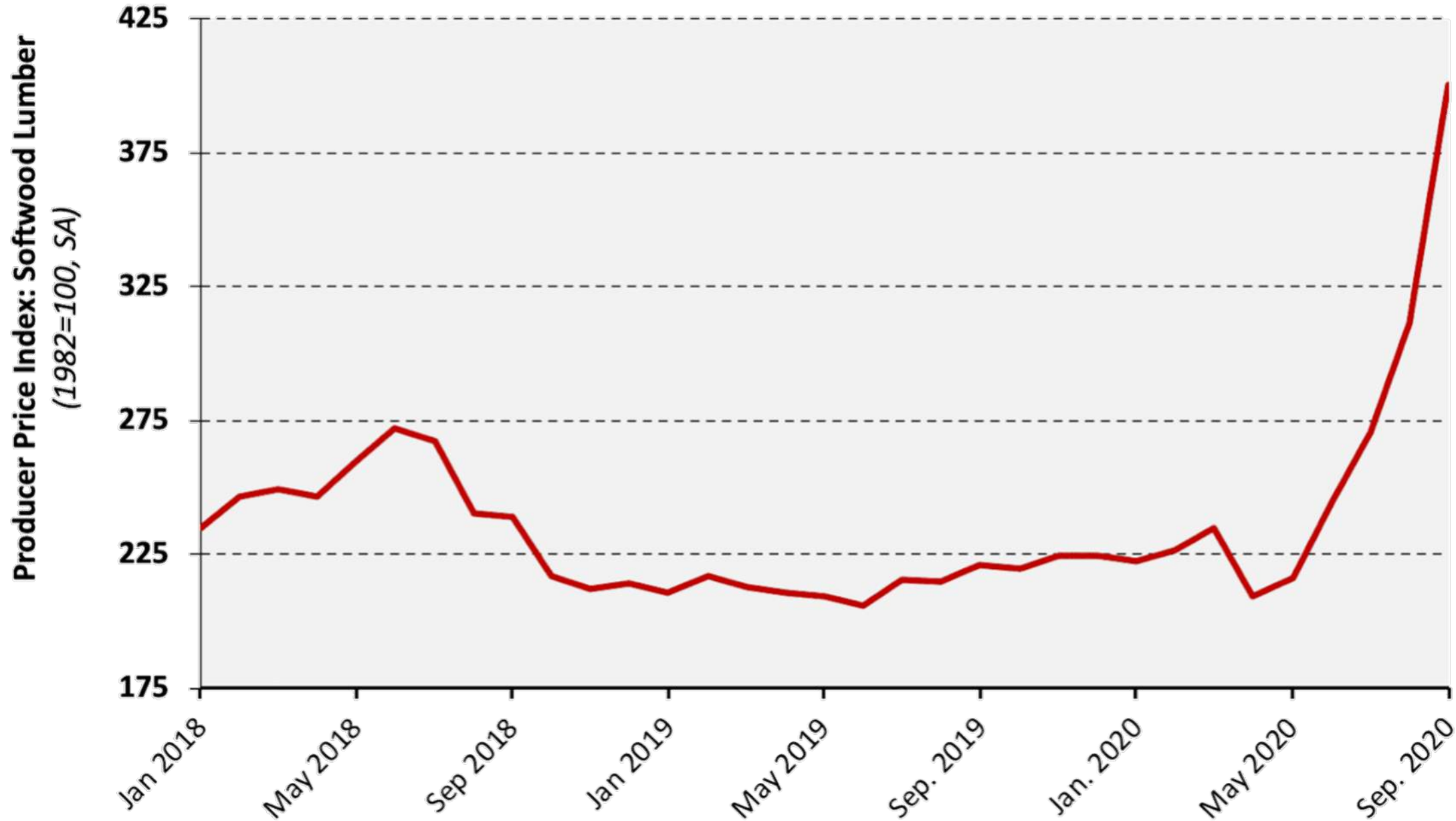
“What if our cost assumptions are wrong?”

- Project costs are subject to overall market forces.
- The more expensive the project the higher the prices.
- Without wiggle room in the budget, hard choices must be made.
 - Lumber prices have jumped significantly (next slide)

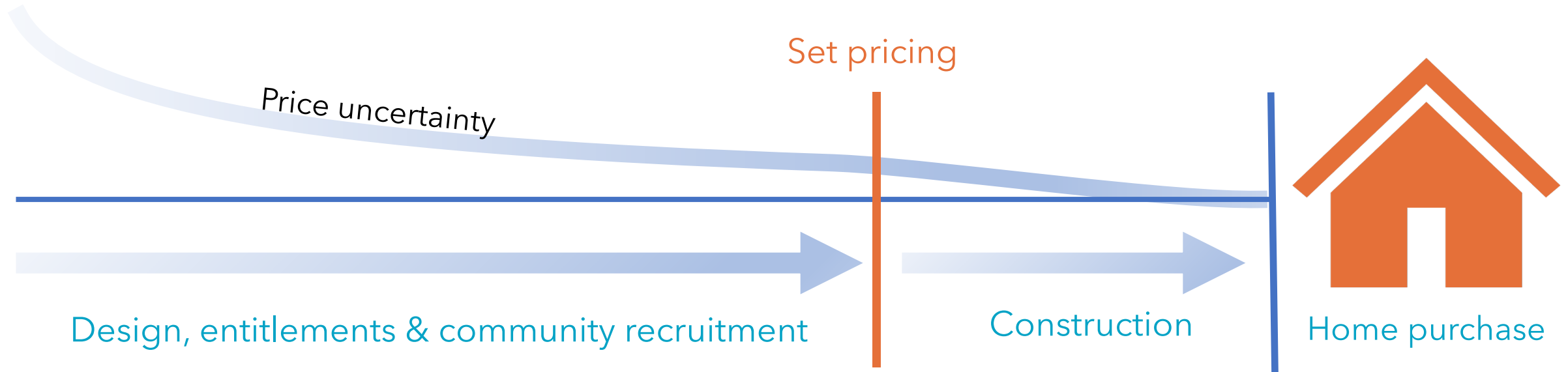
Answer: Prices will fluctuate. Hold healthy contingencies and narrow your forecast as construction nears.

Softwood Lumber Prices

January 2018 - September 2020



Pricing Timeline



You'll get there!

Like others who have gone before you.

