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Valuation

THE MAGAZINE OF THE APPRAISAL INSTITUTE | ISSUE 2, 2025

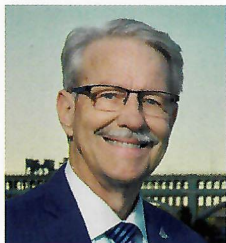
A woman with long brown hair, wearing a blue button-down dress with a large bow at the waist, stands on a paved walkway. She is leaning her left arm on a black metal railing. In the background, there are white lampposts and a stone wall. The overall scene is bright and sunny.

From litigation to landfills

How general
practitioner
Shawn Wilson, MAI,
guides a busy practice
toward lively,
interesting work



Contributors



Jefferson L. Sherman, MAI, AI-GRS, was president of the Appraisal Institute in 2020, and has served AI in many other capacities over the past 41 years. He has taught AI classes in 10 states and two other countries, and has taught remotely as a synchronous Certified Distance Education Instructor. His efforts at the local level helped facilitate two separate chapter mergers in Ohio, and he was the first president for each newly merged chapter. Sherman is a sole practitioner based in Highland Heights, Ohio, where his practice centers on eminent domain with an emphasis on review.

6 The Hidden Value of Membership



Megan Johnson Judd, SRA, AI-RRS, is chief valuation officer of Metropolis Real Estate Solutions in Orlando, Florida, and Evergreen Mountain Realty Group in Bryson City, North Carolina. With over 30 years of experience, she is a respected expert in residential valuation and court testimony. An Appraisal Institute leader and founder of the 9,000-member Appraisal Basics community, Judd is also a sought-after speaker. An Orlando native, she blends local expertise, professional dedication, and a passion for education and community.

14 Developing an Irreplaceable Appraisal Practice



Justin C. Gohn, MAI, SRA, founded Gohn & Co. in 2006, a full-service appraisal firm that provides appraisal and consulting services for litigation support and bank lending purposes throughout the Greater Philadelphia market. Based in Chadds Ford in the Philadelphia suburbs, Gohn serves as the 2025 president of the Philadelphia Metropolitan Chapter of the Appraisal Institute. A graduate of Temple University, he has established himself as a thought leader in the appraisal profession, presenting both in person and virtually across the country on the topic of artificial intelligence and its applications in real estate valuation.

28 The Research Assistant of Your Dreams



Jon "Jay" Dawson, SRA, Reserve Specialist, of Orlando, Florida, is a certified residential appraiser with more than 20 years of real estate experience. He is the founder of Dawson Appraisal Services LLC, which offers appraisal and consulting services throughout Central Florida. As a designated Reserve Specialist, Dawson leads the reserve study and insurance appraisal division at Edge Realty Advisors in Winter Park, providing expert budgetary guidance to community associations across Florida.

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Thomas J. Jensen, MAI, AI-GRS, is principal/executive director of Boston Appraisal & Consulting in Boston. He has been engaged in real estate valuation and consulting since 1986. His experience is concentrated in life science research and Good Manufacturing Practice facilities, cold-storage and food-processing facilities, and major urban and suburban mixed-use development sites. Jensen has provided expert witness testimony on several occasions and routinely performs adjudication roles in valuation and fair market rent disputes.

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Consider This: Commercial

BY THOMAS J. JENSEN, MAI, AI-GRS

Cold-storage logistics

How appraisers fit into a vast network that brings global food to American tables

The bounty of today's supermarkets would amaze our great-grandparents. We enjoy access to exotic produce from every corner of the globe as well as flash-frozen fish from distant oceans and fresh meat that was grazing in the fields of another continent just days ago. All of it is made possible by a complex network of suppliers, logistics companies, and warehouses that rely on various forms of cold-storage and processing facilities as food makes its way to our dinner tables.

Cold-storage facilities are key to making these miracles happen. Appraising them can be as complex as the processes by which a rack of New Zealand lamb arrives on an American plate.

Food-processing facilities are where prepared foods are assembled and packaged, and are often considered cousins to cold storage. Although every facility is uniquely configured with processing areas, they each have similar needs for cold and dry storage as well as freezer storage.

Although I operate primarily in the Greater Boston region, the physical characteristics of these facilities and the importance of proximity to regional distribution networks are similar throughout the country. Access to labor markets is an additional factor.

There tend to be three categories of both cold-storage and food-processing facilities: produce; meat and poultry; and seafood. These groups tend to cluster due in part to having similar transportation and labor-access needs. And processing and distribution companies also specialize in certain

The timing of the right buyer for the right facility can lead to a substantially higher sale price.

products. Their clients may include event planners and restaurants having occasional needs for other products. These providers often trade among themselves as they serve customers, so being in close proximity to one another leads to operational efficiencies. In addition, these clusters act as shopping centers for wholesale buyers.

Now let's discuss valuation. I recently appraised a proposed seafood processing and distribution facility in Boston.

The hard and soft costs of the proposed build-to-suit facility were in excess of \$800 per square foot prior to including an entrepreneurial incentive (i.e., anticipated profit) and the underlying land acquisition. All in, we were looking at over \$1,000 per square foot to build new. Assuming a 6.5% capitalization rate, a \$65-per-square-foot net rent would be required from a real estate investment perspective. However, market rent in the area was approximately \$32 per square foot. So why would a company choose to construct a new facility? Part of the answer is the lack of available inventory. The other part is the operating efficiency provided by a new facility customized for the company's specific needs. It's a business decision rather than a real estate investment one.

The first question you may now have is, why wouldn't market rent increase with the lack of available inventory? Most demand drivers for these facilities tend to be smaller operators and would not be considered investment-grade credit. Developers are unlikely to construct such an expensive facility, given the potential credit risk of the occupant. A solution I've seen many times is the developer constructing a build-to-suit facility delivered as core and shell, with



the cold-storage or food-processing tenant providing the more expensive interior fit-out at their own expense. In the valuation of one of these completed facilities, the appraiser should keep in mind that the contract rent may not be reflective of the physical asset they inspected.

As far as existing facilities, many cold-storage and food-processing facilities in my region can range from 25 to 50 years old. Given their age, there is an abundance of obsolescence from many sources. The typical buyer would likely be an owner-user who would make expensive modifications



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NEW ENGLAND COLD STORAGE

to the facility after the acquisition. These facilities typically trade between \$150 and \$200 per square foot. However, the buyers' alterations could exceed \$200 per square foot. Billionaire investor and philanthropist Warren Buffett described his early days of investing as picking up discarded cigar butts off the sidewalk that still had a few puffs left. The story is similar when buying older facilities.

Cold-storage and food-processing facilities are heavily regulated by government agencies focused on food safety. Some facilities are required to have an inspector's office

on-site, to be used for unscheduled inspections and to which only the inspector has a key. Cold-storage and food-processing facilities may also have routine cleaning, floor-drain and other requirements.

The marketing time for these facilities is often longer than for similarly sized traditional distribution warehouses or manufacturing properties. Brokers point out that the timing of the right buyer for the right facility can lead to a substantially higher sale price due to a more immediate occupancy without a time-consuming and expensive retrofit. In addition, there are

often sale-leaseback transactions in which the contract rent paid by the seller is not reflective of the current market. Confirming the details of special-use property transactions is critical in the valuation of these unique facilities. ▲

ABOUT THE AUTHOR

Thomas J. Jensen, MAI, AI-GRS, is principal/executive director of Boston Appraisal & Consulting in Boston. His experience is concentrated in life science research and Good Manufacturing Practice facilities, cold-storage and food-processing facilities, and major urban and suburban mixed-use development sites.

Proximity to regional distribution networks is important for cold-storage facilities like this one in Sturbridge, Massachusetts. Built by New England Cold Storage, it offers convenient access to New York City and New England ports.