

Evaluation and management of
real estate

Casa Rossi

Corso Magenta, Milano

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Summary description

The property evaluated in this paper is “Casa Rossi” located at C.so Magenta 12 in Milan.

Corso Magenta is one of the streets that lead from Milan’s **historical centre** to other significant **attractions**, such as Santa Maria delle Grazie Church and Castello Sforzesco.

The **transportation** near “Casa Rossi” is very convenient. There are three **subway stations** around it, the farthest one is only 500 meters away, and the **bus station** is even closer. Also, there are many **restaurants** near this building, you can easily find a place to eat.

This building was built by Giuseppe Restegalli around **1860** and he was a very famous architect in Milan at that time. The **facade and entrance** of the building have a sense of order, which looks like loggias of Venetian architecture. There is a beautiful **interior octagonal courtyard** as well as a **rectangular courtyard** with **parking garages**.

In 1982, the Ministry of Cultural and Environmental Heritage declared a **historical interest planning constraint** so the building became **Cultural Heritage**. Only **maintenance, restoration and conservation** are permitted according to existing regulations, which means any invasive works, such as demolition, reconstruction, volume expansions, changes to the facade, etc., are not permitted. Additionally, the notice of works completion shows extraordinary maintenance interior works appear to have been carried out in the units on floor 1 and 4.

Assumptions

I will define two different scenarios and evaluate the value of the property separately. The first hypothesis is regarding the current status. And the second one is to transform the building into showrooms or fashion ateliers .

“Casa Rossi” has several strengths. For example, it is located in a street of **historical value** in the **center** of Milan, it has high **architectural merit** both internally and externally, it has the **iconic octagonal courtyard**, and at the same time an **internal courtyard** and habitable external **terraces** can be furnished and equipped to fit your needs. So maintaining the original state may be a good choice, because you can **reduce the cost** to a minimum, and keep the original style of the building unchanged as much as possible.

As we mentioned above, this building is in a historical and cultural block, and the building itself is also very distinctive, so I consider transforming it into **showrooms and fashion ateliers**. This type of space itself has **cultural and artistic attributes**, and it is in harmony with the neighborhood. When you visit the showroom in such a building, you will feel the intersection of history and fashion, which will be a very wonderful experience. I think it will have a **higher profit margin**.

Rent market analysis-scenario 1

The existing building is a mixed-use building. In order to evaluate its yearly rent, I adopted the market comparison method to evaluate the average yearly rent per square meter of each functional space. I entered the location and functions on a rental site to find the rent and commercial area of similar listings nearby, and I adjusted the data with feature coefficient to make them more accurate.

Market Comparables Approach-Scenario 1 As is														
	References	Standard	Comparables for office						Comparables for residential					
		Casa rossi	1		2		3		4		5		6	
			Feature	k	Feature	k	Feature	k	Feature	k	Feature	k	Feature	k
Data	Location	Corso mageta	piazza Cordusio	Piazza della Scala	Via dei Bossi	Via Borromei	Corso Magenta	Corso Magenta						
	Source	Global planning	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it						
	Monthly rent(€/ mon)		9,580.00	14,600.00	14,600.00	3,950.00	2,830.00	4,166.00						
	Commercial area(sqm)		330	400	396	120	106	130						
	Function	Mix	Office	Office	Office	Residential	Residential	Residential						
Features	State of preservation	Good	Recently renovated	-2.00%	Recently renovated	-2.00%	Recently renovated	-2.00%	Recently renovated	-2.00%	Recently renovated	-2.00%	Recently renovated	-2.00%
	Basement	Yes	Yes		No		Yes		No		No		No	
	Garage	9	0	1.00%	0	1.00%	1	0.80%	0	1.00%	0	1.00%	0	1.00%
	Courtyard	Yes	No		Yes		No		Yes		Yes		Yes	
	Terraces	Yes	No		No		No		Yes		No		No	
	Total adjustment coefficient			-1.00%		-1.00%		-1.20%		-1.00%		-1.00%		-1.00%
Value	Monthly rent adjusted(€/ mon)		9,484.20	14,454.00	14,424.80	3,910.50	2,801.70	4,124.34						
	Yearly rent adjusted(€/year)		113,810.40	173,448.00	173,097.60	46,926.00	33,620.40	49,492.08						
	Evaluated Rent Vule(€/sqm/y)		344.88	433.62	437.12	391.05	317.17	380.71						
Average ERV(€/sqm/y)			405.21						362.98					

	References	Standard	comparables for commercial						Comparables for garages					
		Casa rossi	7		8		9		10		11		12	
			Feature	k	Feature	k	Feature	k	feature	feature	feature	feature	feature	feature
Data	Location	Corso mageta	Carobbioalla	Via Meravigli	Piazza San Sepolcro									
	Source	Global planning	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it	immobiliare.it
	Monthly rent(€/ mon)		15,500.00	12,500.00	11,500.00	200.00	260.00	220.00						
	Commercial area(sqm)		255	300.00	295	11	10	15						
	Function	Mix	Commercial	Commercial	Commercial	garages	garages	garages						
Features	State of preservation	Good	Good		Recently renovated	-2.00%	Recently renovated	-2.00%						
	Basement	Yes	Yes		No		Yes							
	Garage	9	0	1.00%	0	1.00%	0	1.00%						
	Courtyard	Yes	No		Yes		Yes							
	Terraces	Yes	No		No		No							
	Total adjustment coefficient			1.00%		-1.00%		-1.00%						
Value	Monthly rent adjusted(€/ mon)		15,655.00	12,375.00	11,385.00									
	Yearly rent adjusted(€/year)		187,860.00	148,500.00	136,620.00	2,400.00	3,120.00	2,640.00						
	Evaluated Rent Vule(€/sqm/y)		736.71	495.00	463.12	218.18	312.00	176.00						
Average ERV(€/sqm/y)			564.94						235.39					

Rent market analysis-scenario 1

AS IS				
Floor	Intended use	Rentable area	Average ERV(€/sqm/y)	Yearly rent
Basement square metres for cellars		83.00	235.00	19,505.00
Basement	garages	92.00	235.00	21,620.00
Ground floor	commercial	498.00	565.00	281,370.00
First floor	office	462.00	405.00	187,110.00
Second floor	residential	462.00	263.00	121,506.00
Third floor	office	367.00	405.00	148,635.00
Fourth floor	residential	368.00	263.00	96,784.00
Fifth floor	residential	228.00	263.00	59,964.00
Courtyard		115.00	263.00	30,245.00
Terrances		56.00	263.00	14,728.00
Total				981,467.00

After evaluating the average annual rent per square meter of each functional space, I found the rentable area of each functional space in the building, multiplied them separately and calculated the sum, which is the evaluated yearly rent of the building.

In order to simplify the calculation, I integrated some functions. For example, there was a small part of living space on the first floor of the original building, but I counted it all as commercial space.

Conclusion

Investment analysis		
	Scenario 1	Scenario 2
Total revenues	10685578.09	16331030.12
Total costs	1602836.71	6740932.52
Land aquisition cost	5886035.709	5040677.279
investment= construction costs+land acquisition cost	7488872.423	11781609.8
GOM=revenues -Investment	3196705.672	4549420.326
ROI=GOM/Investment	42.69%	38.61%
Net present value	15,383,756.61	19556276.23
open market value	19556276.23	

After a series of evaluations and calculations ,from the table on the left, we can see that changing the function of the building to showrooms and fashion ateliers will bring **higher revenues**, but it is also accompanied by **higher costs**. The final **return on investment** shows that Scenario 1 is greater than Scenario 2, so Keeping the building in its original state is a better option.