

WHAT IS CRV AND WHY IS IT IMPORTANT?

CRV and Authentication: A Key to Accurate Building Valuations

Understanding the Current Replacement Value (CRV) of a building is essential for facility managers, insurance appraisers, and financial institutions. This metric helps determine the Facility Condition Index (FCI), which is vital for asset management and financial risk assessment.

In this RothNotes guide, we'll break down what CRV is, how it's calculated, and the importance of ensuring its accuracy.



What is CRV?

The Current Replacement Value (CRV) refers to the total cost required to replace a building with one of similar size, design, and construction using current standards. This includes costs for labor, materials, supervision, and some contractor profit and overhead. However, it excludes costs like land improvements, special foundations, and furnishings unique to the building's tenants.

Why is CRV Important?

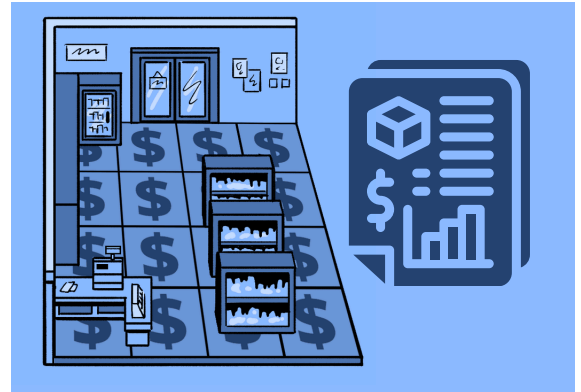
The CRV is crucial because it directly impacts the Facility Condition Index (FCI). The FCI is the ratio of total capital and maintenance needs over a given period to the CRV. An incorrect CRV can lead to a false FCI, affecting the perceived condition of a building and the credibility of those who rely on this data.



CRV can be calculated using three main methods:

Cost per Square Foot Method

This method uses base costs per square foot from national guidebooks or local authorities. It's efficient and provides consistent data for buildings of similar design within the same area. However, it may not account for unique features or market changes.



Aggregate of Building Element Replacement Costs

This approach uses data from Building/Facility Condition Assessments (BCA/FCA). The CRV is computed by software that aggregates lifecycle replacement costs of building elements. Accuracy depends on the consistency of data entered by assessors.

Marshall & Swift Valuation Service (M&SV)

Recognized as an authoritative source, this service updates cost data to reflect market trends. Though reliable, it requires detailed building-specific data and experienced estimators to ensure accuracy.



Ensuring CRV Accuracy

To avoid the consequences of an inaccurate CRV, it's important to authenticate the estimate by:

- Reviewing the building information entered into spreadsheets.
- Verifying the consistency of the base cost per square foot.
- Checking the calculations.
- Comparing the estimate with alternative sources like RS Means or local authority guidelines.
- Having the CRV estimate peer-reviewed by a qualified team.



All this to say, accurate CRV estimates are vital for managing building assets and assessing financial risks.

By understanding the methods and importance of calculating CRV, and by thoroughly authenticating the estimates, facility managers and financial professionals can make more informed decisions.

Always remember, while CRV is an estimate, it should be as precise as possible to reflect the true cost of replacing a building.

