

Machine Shed Rental Rates

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There are three methods commonly used to figure machine shed rental rates:

- 1) It's worth whatever someone is willing to pay for it or, at the other extreme, whatever someone is willing to let another use it for. Thus, it depends if you're owning or renting.
- 2) Thumbrules that go way back (and are somewhat outdated due to current building values) are at 15-25 cents per square foot. Assume the machine shed in question is 2400 square feet. At 25 cents per square foot, the cost for renting would be \$600 per year. The agreement for only using it during the winter would be bargained between parties as the winter is its highest use/need time. If it was used as hay storage area, thumbrules would suggest a rent of 5-6 cents per bale.
- 3) From the owner's perspective, what are the fixed costs on the machine shed? For example, if the shed was a \$12,000 structure, a cost recovery for depreciation, interest, repair, taxes and insurance would be charged. Let's use an example assuming the shed life is 20 years:
 - * \$12,000 value divided by 20 years equals \$600 per year for depreciation.
 - * \$12,000 value at 6.5% interest equals \$780 per year for interest.
 - * Repairs, taxes and insurance for a machine shed might run 3% of value or \$360.

Thus, just to cover expenses, assuming a building value of \$12,000 and a 20 year life, rent should be \$1,740 from the owner's point of view while the above thumbrules suggest a much lower price. The actual rental bid price is then negotiated between the respective parties.

