

Kitsap County Assessor
Narrative for Eating and Drinking – Restaurant
Appraisal Date 1/1/2009, Tax Year 2010
Updated 6/29/09 by CM43

Valuation Summary

Approach Used – Income Approach. The exception are properties where land value exceeded the income value, in this case the cost approach was applied. Properties in this class are freestanding structures (not part of a strip type development with multiple uses.)

Analysis and Conclusion Summary – Limited sales and income data was available. Seven rent questionnaires were received. No listings were found. Six sales were documented. Typical land to building ratio was 6.97:1. Additional land value was added to the income stream on properties that exceeded this ratio.

Property Type Overview

Population – Thirty-seven properties were identified in the area five neighborhoods.

Economic Conditions – Four re-sales of this property type occurred countywide from January 2004 through July 2008. These re-sales indicated annual increases of 12.39%, 18.36%, 19.80%, and 36.16%. These sales did not appear to reflect the recent downturn in the economy; however the 2008 sales were not trended in the analysis.

Rating System – Five income classes were developed. Property characteristics that were considered in choosing an income class were type of construction, finish and fenestration, effective age/condition, unit size, wall height, parking, and location (waterfront/view, main arterials.) Class A and E rates were interpolated from other classes. Five B, one C, and one D class rent was reported. The model was calibrated using the six available sales.

Sources

Publications – Korpacz 4th Quarter 2008

Model Calibration

Preliminary Ratio Analysis – Six sales with ratios ranging from .48 to .99, average .71, median .67, and COD of 21.20.

Market Sales Approach Data and Analysis

Local Sales - Range of Sales Dates – 05/31/05 – 07/16/08 - Six valid sales from 2005 through 2008, limited market data, sales were insufficient to develop a complete market approach, used income approach correlated to available market data and adjusted for current market conditions.

Current Sale Listings – None documented.

Market Sales Rates – Rates were developed for the five classes as described above ranging from \$194.85 to \$71.32.

Income Approach Data and Analysis

Rent Data - Seven rent questionnaires received, no listings; four recurring reported rents indicate a range of change from .66 to 1.48 with a median of 1.23 and an average of 1.15.

Vacancy Data - Historically low vacancy is noted. Six vacancies listed on questionnaires, range of 0% to 10% with a median of 0% and an average of 1%. Vacancy rate was calibrated using sales.

Expense Data – Seven expenses from rent questionnaires, range of 0% to 37.4% with a median of 18% and an average of 13%. Expenses were calibrated using sales.

Cap Data – Two sales – 4.43% and 6.37%, Korpacz 4th Quarter 2008 net lease market cap rate – 7.85%, median of three rates is 6.37%, average of three rates is 6.22%.

Current Lease Listings – None documented.

Income Rates – Five classes developed ranging from \$17.08 per square foot to \$8.27 per square foot.

Model Validation

Final Ratio Analysis – With application of the newly adopted model the sales ratios went from a range of .48 - .99 to .52 - .96. The median changed from .67 to .85. The average changed from .71 to .82. The COD went from 21.20 to 10.06.

Rate Development Comments

Model: 302009 **Prop type:** Eating & Drinking
Nbrhd: 8100501 **Sub-type:**
Label: Rest

Entered by: CM43
Entered dt: 6/29/2009

General note:

Limited data, seven rents received, six sales. Countywide four resales from 2004 to 2008 indicate a range of increase from 12.39% to 36.16% annually with a median of 19.08% and an average of 21.68%.

Rent: Seven rent questionnaires received, no listings documented, four recurring reported rents indicate a change ranging from .664 to 1.476 with an average increase of 1.15 and median increase of 1.23.

A	17.08	Interpolated from other classes
B	14.95	Five rents, median \$14.72, average \$14.85, calibrated using sales
C	12.54	One rent, used median
D	10.43	One rent, used median
E	8.27	Interpolated from other classes

Vacancy: Six vacancies reported ranging from 0% to 10%, average 1%, median 0%.

A	5.0%
B	5.0%
C	5.0%
D	5.0%
E	5.0%

Model: 302009
Nbrhd: 8100501

Prop type: Eating & Drinking
Sub-type:
Label: Rest

Expense: Seven expenses reported ranging from 0% to 37.4%, average 13%, median 18%.
Calibrated using sales.

A	13%
B	13%
C	20%
D	25%
E	25%

Cap: Two restaurant sales resulted in cap rates of 4.43% and 6.37%. Fourth quarter 2008 Korpacz net lease market cap rate 7.85%. Median of three rates is 6.37% and average is 6.22%.

A	7.10%	Adopted B class
B	7.10%	Calibrated using sales
C	7.75%	Calibrated using sales
D	8.10%	Calibrated using sales
E	8.10%	Adopted D class

Sale: Six sales, limited market data, sales were insufficient to develop a complete market approach, used income approach correlated to available market data and adjusted for current market conditions.

A	194.85
B	170.55
C	120.51
D	89.91
E	71.32

Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Eating & Drinking
Nbrhd: 8100502 **Sub-type:**
Label: Rest

Entered by: CM43
Entered dt: 6/29/2009

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C	5.0%
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E	5.0%

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Nbrhd: 8100502 **Sub-type:**
Label: Rest

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Calibrated using sales.

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C	20%
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E	25%

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B	170.55
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E	71.32

Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Eating & Drinking
Nbrhd: 8100503 **Sub-type:**
Label: Rest

Entered by: CM43
Entered dt: 6/29/2009

General note:

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B	5.0%
C	5.0%
D	5.0%
E	5.0%

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Nbrhd: 8100503 **Sub-type:**
Label: Rest

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B	13%
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E	25%

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D	89.91
E	71.32

Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Eating & Drinking
Nbrhd: 8100504 **Sub-type:**
Label: Rest

Entered by: CM43
Entered dt: 6/29/2009

General note:

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B	5.0%
C	5.0%
D	5.0%
E	5.0%

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Nbrhd: 8100504

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B	5.0%
C	5.0%
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Label: Rest

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Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Eating & Drinking
Nbrhd: 8100506 **Sub-type:**
Label: Rest

Entered by: CM43
Entered dt: 6/29/2009

General note:

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C	12.54	One rent, used median
D	10.43	One rent, used median
E	8.27	Interpolated from other classes

Vacancy: Six vacancies reported ranging from 0% to 10%, average 1%, median 0%.

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B	5.0%
C	5.0%
D	5.0%
E	5.0%

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Nbrhd: 8100506 **Sub-type:**
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Cost: Not developed.

Eating & Drinking - Restaurant - Model Definition

CLASS	CONSTRUCTION	EXTERIOR FINISH	INTERIOR FINISH	AGE/CONDITION	UNIT SIZE	WALL HGT	LOCATION	PARKING
A	Heavy Frame, Wood, Steel, Concrete, Metal, or Masonry	Individual design, ornamental exterior, good quality finish and fenestration, mix of textured concrete, brick, tile, wood, metal, or stucco	Good quality finish, insulation, floor covering, wall finish, trim, heat system	New or recent complete renovation, in excellent to very good condition, very little to no deferred maintenance or obsolescence evident, all major short-lived items are like new, high curb appeal	Smaller structures tend to have higher SF rents if all else is equal	Tendency toward higher ceilings and vaulted areas	Waterfront or view amenity available, property may have synergy from surroundings	Ample off street paved parking
B	Wood, Steel, Concrete, Metal, or Masonry	Better than average design, good quality finish and fenestration, mix of concrete, brick, tile, wood, metal, or stucco	Better quality finish, floor covering, wall finish, trim, heat system	7 to 15 year effective age, little deferred maintenance evident, but not everything is new, no obsolescence evident, appearance and utility above the standard	Smaller to average structures tend to have higher SF rents if all else is equal	Tendency toward higher than typical ceilings, could have vaulted areas	High visibility on or near a main highway and/or fronting a major road with high traffic flow, may have synergy from surroundings	Ample off street paved parking
C	Wood, Steel, or Concrete Frame	Average design, typical finish and fenestration, concrete, wood, stucco, or metal with mix of other exterior	Average quality finish, typical floor covering, wall finish, trim, heat system	15 to 25 year effective age, some deferred maintenance and/or functional obsolescence evident but major components still function and have utility, not unappealing	Average or typical size	Typical or average ceiling height	Visible on a main road with average traffic flow, may have some synergy from surroundings	Sufficient off street paved parking
D	Wood or Concrete Frame	Plain design, less than typical finish and fenestration, sheet, metal, wood, concrete, or stucco	Plain, inexpensive finish, floor covering, wall finish, and heat	25 - 35 year effective age, deterioration is somewhat worse than normally expected, some obvious deferred maintenance and/or functional obsolescence, appears worn	Average to large size, larger structures tend to have lower rents per SF if all else is equal	Lower than typical ceiling height	Limited visibility, near a main road, little to no synergy from surroundings	Limited off street parking
E	Wood or pole frame	Simple very plain design, little fenestration and very plain finish, inexpensive exterior sheet, wood, or metal covering	Minimally or poorly finished, inexpensive floor covering, wall finish, and heat	35+ years, older or very obvious deferred maintenance and/or functional obsolescence, deterioration much worse than normal, several major components need repair or replacement, substandard utility, unappealing	Larger structures tend to have lower rents per SF if all else is equal	Low ceiling height	Side street or not visible, low traffic flow, negative synergy	Limited to no off street parking, may be gravel

NOTE: These properties usually have extensive food service, they are freestanding structures, and may have a separate drinking lounge area
Lack of cooking facilities, wiring, plumbing - consider retail for H & B use
If property is a retail strip use retail

Income and Vacancy Summary (Public)

Eating & Drinking

Restaurant

Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8100502	B	6/25/2009	\$12.70	5.00%	\$12.07	20.00%	\$9.66
8100503	B	6/25/2009	\$14.72	0.01%	\$14.72	37.35%	\$9.22
8100503	B	6/25/2009	\$18.40	0.01%	\$18.40	0.01%	\$18.40
8100505	B	6/25/2009	\$13.67	10.00%	\$12.31	30.00%	\$8.61
8100507	B	2/2/2009	\$15.34	0.01%	\$15.34	0.01%	\$15.34
8100507	C	6/29/2009	\$12.54	0.01%	\$12.54	18.35%	\$10.24
8100501	D	6/25/2009	\$10.43	0.01%	\$10.43	17.94%	\$8.56

