

Kitsap County Assessor

Narrative for Converted SFR – SFR-Conv Valuation

Appraisal Date 1/1/2009, Tax Year 2010

Updated 6/18/09 by CM20

Valuation Summary

Approach Used – Income Approach.

Analysis and Conclusion Summary - Single Family Residences (SFRs) located in commercially zoned areas fall into three categories. Those that are still used as homes and are classified as **SFR**, those that are associated with other income producing properties and used as rentals (usually with limited income) and have a limited interim use are classified as **SFR-IU**, and those properties that still have an outward appearance of a house, but the interior has been remodeled to the extent it will never be used as a residence again (no kitchens, no full baths, reconfiguration of some interior rooms) and are classified as **Conv-SFR**.

Bremerton has a limited number of houses converted to this **Conv-SFR** use. A vast majority of these properties are still owner occupied so limited income information is available. With the limited data available, office and retail rates were reviewed and adopted after being reduced one class.

Property Type Overview

Population – Bremerton has a large population of single family residences (SFRs) located in commercially zoned areas. Most are stand alone, but some are incorporated with other income producing properties.

Economic Conditions – The recent downturn in the economy was evident in limited number of sales from 2007 and 2008 when compared to 2006.

Rating System – The four sales represented three classes of property, one Class A, two Class B, and one Class C. A total of five classes were developed, Class D and Class E valued at after reviewing retail and office rates reduced by one class.

Model Calibration

Preliminary Ratio Analysis – The median ratio of the four sales was 80% with a COD of 10.90.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 10/04/06 – 01/26/09

Only four sales of the **Conv-SFR** classification were found from 2006, 2007, 2008 and early 2009. This limited data was inadequate to develop a market approach.

Current Sale Listings – Limited listings were available on this property type.

Market Sales Rates – Insufficient data to develop market sales rates.

Income Approach Data and Analysis

Rent Data – Four rents were documented from income questionnaires received from taxpayers. This was insufficient information to develop a rent rate. Rates were developed using both Office and Retail rates (principal of substitution) reduced one grade and adjusted to the four sales.

Vacancy Data – Vacancy rates were adopted from Retail. Used 10%.

Expense Data – Expense rates were adopted from Retail. Used 35%

Cap Data – Korpacz 4th Qtr 2008 quoted 7.56%, Marcus & Millichap 2008 quoted 7.60%. Used 7.56%.

Current Lease Listings – None found.

Income Rates – The following rates were developed after reviewing the four rents received along with rents of office and retail spaces.

SFR-CONV					
				1.45	3.25
	E	D	C	B	A
Rent	5.00	8.00	11.00	15.95	35.75
VC	10%	10%	10%	10%	10%
Exp	35%	35%	35%	35%	35%
Cap	7.56%	7.56%	7.56%	7.56%	7.56%
NOI	2.93	4.68	6.44	9.33	20.91
\$/SF	38.69	61.90	85.12	123.42	276.64
Sales			98.51	145.25	326.44
Ratio			86%	85%	85%

Model Validation

Final Ratio Analysis – The median ratio from the four sales is 86% with a COD of 1.25.

Sales of Converted SFRs

Trended 2006 and 2007 sales only -12.00%

0	Nbhd	LRSN	Acres	Land SF	Excise#	Sale Date	Price	Trended Price	VC	E-W	Zone	Use	Inc Class	New COML Land Val	Bldg SF	\$/sf of SFR	2010 Income Approach	Additional Income	Ratio	Dev Frm Median	2009 Value	2009 Ratio	2009 Dev from Median
1	8100504	1156769	0.35	15,246	07EX03561	05/15/07	302,500	243,028	V	WB	FC	CONV	C	63,120	2,467	98.51	209,989		0.86	0.007	200,880	0.83	0.025
2	8100501	1426600	0.14	6,098	06EX09043	10/04/06	575,000	419,797	E	WB	DC	CONV	A	149,440	1,286	326.44	355,755		0.85	0.009	351,570	0.84	0.036
3	8100506	2172559	0.17	7,405	09EX00337	01/26/09	251,000	251,000	V	EB	WWRC	CONV	B	138,480	1,728	145.25	213,274		0.85	0.007	194,970	0.78	0.025
4	8100504	1126606	0.13	5,663	08EX04529	08/04/08	275,000	275,000	V	EB	NB	CONV	B	142,750	1,300	149.63	160,449	80,476	0.88	0.019	147,850	0.54	0.264

SFR-CONV					
	E	D	C	B	A
Rent	5.00	8.00	11.00	15.95	35.75
VC	10%	10%	10%	10%	10%
Exp	35%	35%	35%	35%	35%
Cap	7.56%	7.56%	7.56%	7.56%	7.56%
NOI	2.93	4.68	6.44	9.33	20.91
\$/SF	38.69	61.90	85.12	123.42	276.64
Sales			98.51	145.25	326.44
Ratio			86%	85%	85%

Median	0.86
Mean	0.86
AveDev	0.011
Count	4
COD	1.25

Median	0.80
Mean	0.74
AveDev	0.087
Count	4
COD	10.90

Trend Information: Due to the downturn in the economy, sales from 2008 and 2009 appear steady or declining, while the 2006 and 2007 sales represented the height of the market. Therefore, sales from 2006 and 2007 were trended down 12% per year to the statutory date of appraisal of January 1, 2009. All other sales were left untrended. Resales of commercial property were very limited, so the 12% downward trend was adopted from residential sales in Bremerton.

Model: 302009
Nbrhd: 8100501

Prop type: Converted SFR
Sub-type:
Label: SFR- Conv

Expense: Expense rates were adopted from Retail. Used 35%.

A 35%
B 35%
C 35%
D 35%
E 35%

Cap: Korpacz 4th Qtr 2008 quoted 7.56%, Marcus & Millichap 2008 quoted 7.60%. Used 7.56%.

A 7.56%
B 7.56%
C 7.56%
D 7.56%
E 7.56%

Sale: Four sales. Market rates calculated from NOI and CAP and compared to sales.

A 276.64
B 123.42
C 85.12
D 61.90
E 38.69

Cost: