

Kitsap County Assessor

Narrative for Warehouse - >30

Appraisal Date 1/1/2009, Tax Year 2010

Updated 6/30/09 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 have a ratio of greater than thirty percent finished office/retail space to warehouse space.

Analysis and Conclusion Summary – Two groups in this property type were newly defined based on the ratio of finished office/retail space to warehouse space. One group has a ratio of less than thirty percent finished space to warehouse space and the other has a ratio greater than thirty percent finished space. Eight rent questionnaires were received for the greater than thirty percent group. Four sales were documented. Typical land to building ratio was 5.35:1. Additional land value was added to the income stream on properties that exceeded this ratio.

Property Type Overview

Population – One hundred fifteen properties (includes both groups) were identified in the area five neighborhoods.

Economic Conditions – Two re-sales of this property type occurred countywide from May 2005 through January 2008. These re-sales indicated annual increases of 7.98% and 12.86% with an average and median of 10.42%. These sales do 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, ratio of finished to warehouse space, unit size, wall height, location, access, and parking. Class A rates were interpolated from other classes. Three B, three C, one D, and one E class rent were reported. Class E rent was interpolated from the one reported rent and the other classes. The model was calibrated using the four available sales.

Sources

Publications – Korpacz 4th Quarter 2008

Model Calibration

Preliminary Ratio Analysis – Four sales with ratios ranging from .62 to 1.08, average .82, median .80, and COD of 17.52

Market Sales Approach Data and Analysis

Local Sales - Range of Sales Dates – 02/28/05 – 10/31/08 - Four 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 \$153.10 to \$35.81 per square foot.

Income Approach Data and Analysis

Rent Data - Eight rent questionnaires received, one listing was documented; five recurring reported rents indicate a range of change from .83 to 1.68 with an average increase of 1.11 and a median increase of 1.02.

Vacancy Data - Historically low vacancy has been noted. Five vacancies listed on questionnaires, range of 0% to 10% with an average of 2% and a median of 0%. A higher vacancy was used to reflect current market conditions and was calibrated using sales.

Expense Data – Four expenses from rent questionnaires, range of 9% to 14% with an average of 11% and a median of 11%. Since maintenance and repair costs tend to increase as structures age, expense percentages rose along with the typical age for each class. Expenses were calibrated using sales.

Cap Data – Two sales – one less than thirty percent - 7.71% and one greater than thirty percent - 5.97%, Korpacz 4th Quarter 2008 cap rate – 6.73%, and Korpacz 4th Quarter 2008 cap rate plus six month average - 7.20%. Average of four rates is 6.90% and the median is 6.97%.

Current Lease Listings – One lease listing was documented with a rate of \$6.46 per square foot annually.

Income Rates – Five classes were developed ranging from \$14.62 per square foot to \$4.80 per square foot.

Model Validation

Final Ratio Analysis – With application of the newly adopted model the sales ratios went from a range of .62 – 1.08 to .72 - .97. The average changed from .85 to .82. The median changed from .89 to .81. The COD went from 11.24 to 11.38.

With both groups are combined the newly applied model resulted in a change of ratio range from .62 – 1.08 to .72 - .97. The average changed from .85 to .84. The median changed from .88 to .84. The COD went from 11.24 to 9.23.

Rate Development Comments

Model: 302009 **Prop type:** Mfg/Warehouse

Nbrhd: 8100501 **Sub-type:**

Label: Whse >30

Entered by: CM43

Entered dt: 6/18/2009

General note:

Newly defined two groups of warehouses, one with less than 30% finished space and one with greater than 30% finished space for tax year 2010. Model definitions describe characteristics of properties within each income class.

Rent: 8 rent questionnaires received, 1 listing, 5 recurring reported rents indicate a change from .835 to 1.68 with an average increase of 1.11 and a median increase of 1.02.

A	14.62	Interpolated from rents received on other classes
B	11.25	Sample 3, used median
C	8.59	Sample 3, used median
D	6.43	Sample 1, used median
E	4.80	Sample 1 and interpolated from rents received on other classes

Vacancy: 5 vacancies from rent questionnaires, range 0% to 10%, median 0%, average 2%, used 12% to reflect current market conditions.

A	12.0%
B	12.0%
C	12.0%
D	12.0%
E	12.0%

Model: 302009
Nbrhd: 8100501

Prop type: Mfg/Warehouse
Sub-type:
Label: Whse >30

Expense: 4 expenses from rent questionnaires, range 9% to 14%, median 11%, average 11%, since maintenance and repair costs tend to increase with effective age, expense percentage rose with typical age of class.

- | | | |
|----------|-----|---|
| A | 15% | None, used low end, class tends to be new or renovated structures |
| B | 15% | Sample 2, range 12-14%, average 13%, median 13%, calibrated using sales |
| C | 20% | Sample 1 - 9%, calibrated using sales |
| D | 25% | None, used high end, class tends to be older/un-renovated, calibrated using s |
| E | 25% | Sample 1 - 10%, used high end, class tends to be old/un-renovated structures |
-

Cap: 1 sale greater than 30% finished space - 5.97%, 1 sale - less than 30% finished space - 7.71%, Korpacz 4th Qtr 2008 - 6.73%, Korpacz 4th Qtr 2008 + 6 mo. average - 7.20%, average 6.90%, median 6.97%.

- | | | |
|----------|-------|---------------------------------|
| A | 7.00% | Interpolated from other classes |
| B | 7.25% | Calibrated using sales |
| C | 7.75% | Calibrated using sales |
| D | 8.00% | Calibrated using sales |
| E | 8.25% | Interpolated from other classes |
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Sale: 4 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.

- | | |
|----------|--------|
| A | 153.10 |
| B | 114.04 |
| C | 73.15 |
| D | 51.99 |
| E | 35.81 |
-

Cost: Not developed.

Rate Development Comments

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Nbrhd: 8100502 **Sub-type:**

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Cost: Not developed.

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Nbrhd: 8100503 **Sub-type:**

Label: Whse >30

Entered by: CM43

Entered dt: 6/18/2009

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Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Mfg/Warehouse

Nbrhd: 8100504 **Sub-type:**

Label: Whse >30

Entered by: CM43

Entered dt: 6/18/2009

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| C | 73.15 |
| D | 51.99 |
| E | 35.81 |
-

Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Mfg/Warehouse

Nbrhd: 8100506 **Sub-type:**

Label: Whse >30

Entered by: CM43

Entered dt: 6/18/2009

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Prop type: Mfg/Warehouse
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Cost: Not developed.

Rate Development Comments

Model: 302009 **Prop type:** Mfg/Warehouse

Nbrhd: 8100507 **Sub-type:**

Label: Whse >30

Entered by: CM43

Entered dt: 6/18/2009

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Cost: Not developed.

Warehouse >30 Model Definition

CLASS	CONSTRUCTION	EXTERIOR FINISH	INTERIOR FINISH	AGE/CONDITION	OFFICE/RETAIL	UNIT SIZE	WALL HGT	LOCATION	ACCESS	PARKING
A	Heavy Steel Frame, Fireproof Construction	Good quality finish and fenestration, resembles office or retail at main entrance, mix of concrete, brick, tile, wood, or stucco	Drywall and finished ceilings in most areas, good quality finished office/retail space, heating system, insulation, floor covering, trim, heavier concrete flooring	New or recent complete renovation, in excellent to very good condition, very little to no deferred maintenance or obsolescence, all major short-lived items are like new, high curb appeal	50% or more office and/or showroom/retail space	May have smaller office and warehouse spaces, could be within larger structure, may be under 500 SF	Very tall - wall height over 18 foot	At or very near main highway or in well designed industrial park close to main highway	Wide paved driveway/road, accommodates larger trucks/trailers	Ample paved parking and turning space for consumers and freight movers
B	Wood, Steel, or Reinforced Concrete Frame, Fire Resistant Construction	Good quality finish and fenestration, resembles better quality warehouse or lower quality office at entrance, mix of concrete, brick, tile, wood, or stucco	Drywall, good quality finished, insulated, and heated office/retail space, concrete floor	7 to 15 year effective age, little deferred maintenance evident, but not everything is new, no obsolescence evident, appearance and utility above the standard	45 - 60% office and/or showroom/retail space	May have smaller office and warehouse spaces, could be within larger structure	Tall - wall height 16 to 18 foot	On major arterial or in well designed industrial park with nearby highway access	Wide paved driveway/road, accommodates larger trucks/trailers	Ample paved parking for consumers, sufficient space for freight movers
C	Wood, Steel, or Concrete Frame, Fire Resistant Construction	Typical finish and plain fenestration, resembles warehouse, concrete, wood, stucco, or metal with mix of other exterior	Drywall, insulation, and heat in office/retail space, concrete floor	15 to 25 year effective age, some deferred maintenance and/or functional obsolescence evident but major components still function and have utility, not unappealing	35 - 50% office and/or showroom/retail space	May have smaller office spaces and average warehouse spaces, could be within larger structure	Average - wall height 16 to 14 foot	On or very near a main arterial or in industrial park	Typical paved driveway/road, accommodates larger trucks	Sufficient paved parking for consumers and freight movers
D	Pole Frame, Combustible or Fire Resistant Construction	Little fenestration, less than typical quality warehouse, plain metal, wood, concrete, or stucco	Minimally or inexpensively finished office/retail space with remaining space unfinished shell	25 - 35 year effective age, deterioration is somewhat worse than normally expected, some obvious deferred maintenance and/or functional obsolescence, appears worn	30 - 45% office and/or showroom/retail space	Larger than typical office and warehouse spaces	Lower than average - wall height 14 to 12 foot	Away from main arterial	Typical to narrow driveway/road, paved or gravel, difficult large truck access	Limited off street parking for consumers, limited to no parking or turn around for freight movers, may be gravel
E	Pole Frame, Combustible Construction	Inexpensive metal or plywood sheet covering with little to no fenestration	Unfinished walls and ceilings in most areas, very poorly finished to no finish office/retail space, unheated shell	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	25 - 35% office and/or showroom/retail space, may overlap into 0 - 30% if close and other characteristics warrant	Very large warehouse/office spaces	Low - wall height 12 foot and under	Away from main arterial, narrow street	Narrow driveway or narrow gravel access, very difficult or impossible large truck access	Very limited or no off street parking for consumers and freight movers, may be gravel

NOTE: Consider using auxilliary storage to track square footage of spaces with limited use such as undeveloped basements with low ceilings or leaks, unfinished attic space, carports, etc.

Income and Vacancy Summary (Public)

<i>Warehouse</i>		<i>Warehouse</i>					
Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8100504	B	6/17/2009	\$6.67	0.01%	\$6.67	0.01%	\$6.67
8100504	B	6/17/2009	\$11.25	0.01%	\$11.25	13.72%	\$9.71
8100504	B	6/17/2009	\$7.08	0.01%	\$7.07	0.01%	\$7.07
8100504	B	6/17/2009	\$11.36	0.01%	\$11.36	-12.00%	\$12.72
8100504	B	9/12/2008	\$7.77	0.01%	\$7.77	16.42%	\$6.50
8100504	B	6/17/2009	\$13.39	0.01%	\$13.39	0.01%	\$13.39
8100504	B	6/17/2009	\$7.95	0.01%	\$7.95	16.67%	\$6.63
8100504	B	6/17/2009	\$9.14	0.01%	\$9.13	0.01%	\$9.13
8100505	B	9/12/2008	\$8.59	100.00%	\$0.00	5.00%	\$0.00
8100501	C	8/22/2008	\$9.70	100.00%	\$0.00	0.01%	\$0.00
8100502	C	6/15/2009	\$8.30	10.00%	\$7.47	9.00%	\$6.80
8100502	C	5/26/2009	\$4.80	0.01%	\$4.80	0.01%	\$4.80
8100503	C	9/1/2008	\$7.30	0.01%	\$7.30	8.00%	\$6.72
8100504	C	9/12/2008	\$8.43	3.70%	\$8.12	3.00%	\$7.88
8100504	C	9/12/2008	\$8.59	0.01%	\$8.58	0.01%	\$8.58
8100504	C	9/12/2008	\$4.00	8.00%	\$3.68	16.54%	\$3.07
8100504	C	6/17/2009	\$6.80	0.01%	\$6.80	0.01%	\$6.80
8100504	C	6/17/2009	\$6.60	0.01%	\$6.60	38.00%	\$4.09
8100504	C	6/17/2009	\$12.96	0.01%	\$12.95	0.01%	\$12.95
8100504	C	6/17/2009	\$9.19	25.00%	\$6.89	24.67%	\$5.19
8100504	C	6/17/2009	\$4.20	8.00%	\$3.87	16.50%	\$3.23
8100507	C	8/29/2008	\$2.33	0.01%	\$2.33	0.01%	\$2.33

Note: Includes both less than 15 and greater than 30 groups

8100502	D	6/17/2009	\$2.93	0.01%	\$2.93	3.61%	\$2.82
8100502	D	6/17/2009	\$6.79	10.00%	\$6.11	12.95%	\$5.32
8100502	D	6/17/2009	\$9.60	0.01%	\$9.60	7.31%	\$8.90
8100503	D	6/17/2009	\$3.26	0.01%	\$3.26	12.34%	\$2.86
8100504	D	6/17/2009	\$6.43	0.01%	\$6.43	0.01%	\$6.43
8100504	D	6/23/2009	\$3.33	0.01%	\$3.33	18.38%	\$2.72
8100505	D	9/1/2008	\$5.59	0.01%	\$5.59	31.80%	\$3.81
8100502	E	6/18/2009	\$4.62	0.01%	\$4.61	12.00%	\$4.06
8100502	E	5/26/2009	\$4.35	100.00%	\$0.00	0.01%	\$0.00

Note: Includes both less than 15 and greater than 30 groups

Warehouse Market Data

Nghbrhd	Vicinity	Prop Type	Business Name	Alt. PIN	Account Number	Excise	Sale Price	Sale Date	Land SF	Units	SL Code	\$Unit/SP	Class	Trend SP	Trnd/Unit	Model PGI	Model NOI	Add'l land	Model value	Ratio
8100502	West Bremerton	Warehouse	Delphinus Engineers	1147354	152401-2-168-2004	08EX06389	\$495,000	10/31/08	25,700	6,942	V	\$71.31	>30 D	\$495,000	\$71.31	\$44,637	\$29,460		\$368,256	0.744
8100502	West Bremerton	Warehouse	920 N Wycoff - Warehouse/office	1439322	3735-022-028-0008	08EX05133	\$296,000	08/29/08	19,602	2,592	V	\$114.20	>30 C	\$296,000	\$82.04	\$22,265	\$15,675	\$83,360	\$285,615	0.965
8100506	Wheaton Way	Warehouse	Pole Garage Ivy Rd off Wheaton	1104561	012401-2-143-2000	08EX03760	\$70,000	06/30/08	4,792	720	V	\$97.22	<15 C	\$70,000	\$72.28	\$4,846	\$3,501	\$17,960	\$63,133	0.902
8100504	Auto Center	Warehouse	Sullivan Heating & Cooling	2330058	4546-014-001-0508	07EX08030	\$1,360,000	10/31/07	52,272	8,100	V	\$167.90	>30 B	\$1,384,459	\$163.82	\$91,125	\$68,162	\$57,550	\$997,709	0.721
8100504	Auto Center	Warehouse	Future Heslop Warehouse/Office	1715648	4600-002-037-0009	07EX05022	\$292,000	07/02/07	14,375	8,756	V	\$33.35	<15 D	\$307,338	\$35.10	\$33,448	\$21,323		\$258,461	0.841
8100507	Wheaton Way	Warehouse	Advanced Heating	1493923	3972-000-016-0000	07EX01494	\$650,000	03/05/07	13,503	6,000	W	\$108.33	<15 C	\$706,221	\$62.53	\$40,380	\$27,458	\$331,060	\$685,362	0.970
			Advanced Heating	1493881	3972-000-015-0001	07EX01494			17,424		W					\$225,120				
			Advanced Heating	1493865	3972-000-014-0408	07EX01494			7,405		W					\$105,940				
8100504	Auto Center	Warehouse	Haselwood Shop	1471747	3823-000-003-0006	06EX00303	\$833,500	01/12/06	54,014	8,480	V	\$98.29	<15 B	\$1,004,807	\$111.93	\$75,811	\$54,774	\$55,680	\$811,178	0.807
8100504	Auto Center	Warehouse	EHT Enterprises	1715390	4600-001-021-0009	05EX10173	\$350,000	10/14/05	10,454	5,350	V	\$65.42	<15 C	\$430,927	\$80.55	\$36,006	\$24,484		\$315,919	0.733
8100504	Auto Center	Warehouse	Ambauem Office & Warehouse	2318582	212401-1-127-2008	05EX01541	\$1,150,000	02/28/05	43,560	16,550	V	\$69.49	>30 C	\$1,490,746	\$90.08	\$142,165	\$100,084		\$1,291,404	0.866

2007 & 2008 SALES
AVERAGE 0.857
MEDIAN 0.871
COD 10.17
 0.532

Improved since sale

2005 to 2008 SALES
AVERAGE 0.839
MEDIAN 0.841
COD 9.23

LISTING

9100541	W Brem Cit-Com	Warehouse	Spa World Warehouse	1462340	3797-018-010-0001	LISTING	\$285,000		12,197	5,160		\$55.23	<15D			\$26,161	\$6,050	\$214,522	0.753
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Aux storage

NOT USED

8100504	Auto Center	Warehouse	Lile Int'l, Gensco, Sear	1155522	202401-1-004-2007	07EX08665	\$708,497	11/29/07	176,418	49,564	F	\$708,497	<15 B	\$14.29	\$14.29	443,102				MEDIAN >30 0.805
8100504	Auto Center	Warehouse	Coca-Cola Warehouse	2463024	212401-1-128-2007	06EX10341	\$4,800,000	11/15/06	164,656	30,711	T	\$4,800,000	<15 A	\$156.30	\$156.30	364,847				MEDIAN <15 0.841
8100504	Auto Center	Warehouse	Future site of Today repair shop	1978139	212401-4-010-2002	06EX10340	\$4,800,000	11/15/06	162,479	26,960	T	\$4,800,000	<15 B	\$178.04	\$178.04	241,022				0.851

RESALES FOR TREND	Date	Sales Price	\$ increase	Gross increase	Days	Months	Years	% month	% year
2444131	272701-4-092-2004	27-May-05	\$855,000						
		12-Jul-07	\$1,000,000	\$145,000	116.96%	776.00	25.51	2.13	0.66%
1283050	032502-3-020-2002	8-Jan-07	\$2,200,000						
		30-Jan-08	\$2,500,000	\$300,000	113.64%	387.00	12.72	1.06	1.07%

Average 10.42%
Median 10.42%

RENTS	A	B	C	D	E	VAC
<15	\$11.88	\$8.94	\$6.73	\$5.07	\$3.82	85.00%
>30	\$14.62	\$11.25	\$8.59	\$6.43	\$4.80	88.00%
EXPENSES	85.00%	85.00%	80.00%	75.00%	75.00%	
CAP	7.00%	7.25%	7.75%	8.00%	8.25%	

7.71% Sale <15 B
 5.97% Sale >30 B
 6.73% Korpacz 4th Quarter 2008
 7.20% Korpacz 4th Quarter 2008 + 6 month average
6.97% MEDIAN
6.90% AVERAGE