

Kitsap County Assessor
Narrative for Eating & Drinking - Restaurant Valuation
Appraisal Date 1/1/2010, Tax Year 2011
Updated 8/4/10 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 is 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. Four rent questionnaires were received and one lease listing was found. Six sales were documented (two include a bar portion and one is a club) and three properties listed for sale were discovered. The median land to building ratio for this property type was 5.15:1 countywide with an average absolute deviation of 3.40. Additional land value was added to the income stream on properties that exceeded an 8.55:1 ratio.

Property Type Overview

Population – Twenty-one properties were identified in the Area 6 neighborhoods.

Economic Conditions – Three properties that sold in 2006 and 2007 are currently listed for sale. The asking prices are 14%, 17%, and 42% less than the previous sale price. The property listed for 42% less than the previous selling price is bank owned. From this data it appears this property type has been affected by the recent downturn in the economy.

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.) One A, one B, and two C class rents were reported. Class D and E rates were interpolated from other classes and bar rates. The model was calibrated using the six available sales.

Model Calibration

Preliminary Ratio Analysis – Six sales with ratios ranging from .53 to 1.22, median of .70, and a C.O.D. of 35.35.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 09/20/06 – 12/23/08 – Six valid sales from 2006 through 2009. No sales were documented for 2009 in Area 6. 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 – Three listings in Area 6 were documented.

Market Sales Rates - Rates were developed for the five classes as described above ranging from \$281.00 to \$55.00.

Income Approach Data and Analysis

Rent Data - Four rent questionnaires were received.

Vacancy Data – Historically low vacancy is noted. No vacancy was listed on income questionnaires received. Little vacancy noted during physical inspections. Vacancy rate was calibrated using sales.

Expense Data – Four expenses ranged from 0% to 25.88% with a median and average of 13% rounded. Expenses were calibrated using sales.

Cap Data - 4.43% from a 2008 sale and 6.37% from a 2007 sale, Korpacz 4th Quarter 2009 net lease market cap rate – 8.94%, median of three rates is 6.37%, average of three rates is 6.58%. Cap rates were calibrated using sales.

Current Lease Listings – One lease listing was documented for \$13.44 per square foot.

Income Rates – Five classes were developed ranging from \$30.00 to \$7.50 per square foot. The rates were calibrated using sales.

Model Validation

Final Ratio Analysis - With application of the newly adopted model the sales ratios went from a range of .53 – 1.22 to .55 – 1.08. The median changed from .70 to .89. The COD went from 35.35 to 14.36.

Sources

Internet – <http://cba.epropertydata.com/pub/index.cfm>
<http://www.windermerecommercial.com/>
<http://www.bradleyscottinc.com/>

Publications – Marshall & Swift Valuation Service
Korpacz Real Estate Investor Survey Fourth Quarter 2009

Other – None

Eating & Drinking - Restaurant - Model Definition

Class	Construction	Exterior Finish	Interior Finish	Age/Condition	Unit size	Wall Height	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: Properties usually have extensive food service, are freestanding structures, and may have a separate drinking lounge area
 Some lounge areas may need to be valued using bar
 Lack of cooking facilities, wiring, plumbing - consider retail for highest and best use
 If property is a retail strip use retail

Income Model Rates

MSN

302010

NEIGHBORHOOD 8401606 - 8401607, 8402601 - 8402691

	10 Eating & Drinking	Bar	Rest	Not Used	Club		
A	RENT	19.50	30.00		19.50		
A	VAC	5.00	5.00		5.00		
A	EXPEN	20.00	20.00		20.00		
A	CAP	8.10	8.10		8.10		
A	MKT	183.00	281.00		183.00		
B	RENT	14.50	19.50		14.50		
B	VAC	5.00	5.00		5.00		
B	EXPEN	20.00	20.00		20.00		
B	CAP	8.10	8.10		8.10		
B	MKT	136.00	183.00		136.00		
C	RENT	11.00	14.50		11.00		
C	VAC	5.00	5.00		5.00		
C	EXPEN	25.00	25.00		25.00		
C	CAP	8.75	8.75		8.75		
C	MKT	89.00	118.00		89.00		
D	RENT	7.50	11.00		7.50		
D	VAC	5.00	5.00		5.00		
D	EXPEN	30.00	30.00		30.00		
D	CAP	9.10	9.10		9.10		
D	MKT	55.00	80.00		55.00		
E	RENT	6.00	7.50		6.00		
E	VAC	5.00	5.00		5.00		
E	EXPEN	30.00	30.00		30.00		
E	CAP	9.10	9.10		9.10		
E	MKT	44.00	55.00		44.00		

Eating & Drinking Restaurant

Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8402604	A	9/28/2009	\$30.42	0.01%	\$30.42	0.01%	\$30.42
8401606	B	8/4/2010	\$18.43	0.01%	\$18.43	0.01%	\$18.43
8402604	C	11/17/2009	\$20.11	0.01%	\$20.11	12.80%	\$17.54
8402604	C	10/1/2009	\$11.10	0.01%	\$11.10	0.01%	\$11.10

Income and Vacancy Summary (Public)

Eating & Drinking

Bar

Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8402601	C	8/3/2010	\$10.40	0.01%	\$10.40	13.87%	\$8.96
8402601	C	7/27/2010	\$9.38	0.01%	\$9.37	7.29%	\$8.69
8402601	D	7/27/2010	\$7.50	0.01%	\$7.50	7.29%	\$6.95
8402603	D	8/3/2010	\$6.40	0.01%	\$6.40	12.26%	\$5.62

Tax Year 2011
Eating & Drinking - Bar, Restaurant, Club
Sales From 09/20/06 to 10/12/07

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	Excise	Valid Code - Description	Sale Date	Sale Price	Assessed Value	Ratio
1	9402690 - Port Orchard - COM	720 - Public Assembly	4033-000-004-0009	Clubhouse- Mitchell Ave.	08EX07155	V - Valid	12/23/09	\$350,000	\$319,990	0.91
2	8402603 - Rural Port Orchard	580 - Restaurants	4689-004-002-0000	House of Soul-Sitce	07EX07633	V - Valid	10/12/07	\$950,000	\$521,450	0.55
3	8402604 - SE Port Orchard Cornl	580 - Restaurants	302402-4-042-2002	Clubhouse Grill	07EX04614	V - Valid	06/20/07	\$1,200,000	\$1,089,000	0.91
4	8402601 - Downtown Port Orchard	580 - Restaurants	4027-003-001-0004	Beach Side Bar and Grill	07EX04382	V - Valid	06/12/07	\$525,000	\$453,240	0.86
5	8402601 - Downtown Port Orchard	580 - Restaurants	4650-009-006-0208	Los Cabos - Bay Street	07EX04079	V - Valid	05/31/07	\$950,000	\$693,790	0.73
6	8402604 - SE Port Orchard Cornl	580 - Restaurants	4625-000-008-0009	Puerto Vallarta	06EX08546	V - Valid	09/20/06	\$1,954,000	\$2,116,920	1.08

Count	6
Lowest	0.55
Highest	1.08
Median Ratio	0.89
Avg Abs Dev	0.127
COD	14.36

Listings

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	List Price	Assessed Value	Ratio
1	8402604 - SE Port Orchard Cornl	580 - Restaurants	302402-4-042-2002	Clubhouse Grill	\$995,000	\$1,089,000	1.09
2	8402603 - Rural Port Orchard	580 - Restaurants	4689-004-002-0000	House of Soul-Sitce	\$549,000	\$521,450	0.95
3	8402601 - Downtown Port Orchard	580 - Restaurants	4027-003-001-0004	Beach Side Bar and Grill	\$450,000	\$453,240	1.01

*Note: Listing number one states asking price is \$300,000 less than full appraisal indicates.
 *Note: Sale one and three have lounge/bar areas that are valued using the tavern rate.