

Kitsap County Assessor

Narrative for Lodging – Room < 15 years, Room > 15 years, and Extended Stay

Appraisal Date 1/1/2010, Tax Year 2011

Updated 6/17/10 by CM27

Valuation Summary

Approach Used - The income approach.

Model was developed for the 1/1/2009 assessment date for taxes payable in 2010. Due to lack of current market data we adjusted capitalization (cap) rates resulting in a -5% to -8% value change consistent with most commercial areas in the county.

Analysis and Conclusion Summary - The three approaches to value were considered.

The cost approach is difficult to calibrate. Components such as replacement cost new and depreciation are difficult to calculate due to rapidly changing costs of labor and materials, a variety of obsolescence items including mechanical or power supply, changing demands, and other unaccounted for items. The cost approach is given little consideration in the appraiser's final analysis.

A market or sales approach uses sales prices of comparable properties. Kitsap County lacks sufficient, recent sales.

The income approach is the best method for valuing these properties. Local income survey data and income data supplied with appeal documents are consistent with current model rates. The income model was developed with local market rents, vacancy, and national publications.

Capitalization (CAP) rate data from the local market is not available due to lack of sales. Market survey publications cite continued CAP rate increases. Model CAP rates were adjusted upward.

Property Type Overview

Population – Kitsap County has approximately 26 parcels with hotel use.

Economic Conditions - Market information was obtained from sources such as Korpacz, Marcus and Millichap, and Smith Travel Research. All year end market reports cited a reduction in average room rates and room occupancy, although no firm reduction amount was found.

Survey data supplied in the publications indicated capitalization (CAP) rates had continued to increase in 2009.

Rating system – General guidelines are available in the documentation folder.

Model Calibration

Preliminary Ratio Analysis – No hotel sales occurred in 2009.

Market Sales Approach Data and Analysis

County Wide Sales - Range of Sales Dates – 01/01/2005- 03/31/2010, eight valid sales were found.

Market Sales Rates – Not developed due to lack of current sales.

Income Approach Data and Analysis

Rent Data – A letter was sent to local businesses requesting income, vacancy, and expense data. We supplemented this data with interviews during our field inspections, internet listings, and publications.

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Vacancy Data – Vacancy data was supplied on the survey letter responses, and noted during physical inspections.

Expense Data – Expense data was also supplied on survey letter, lease listings were also reviewed. Expenses include a component for personal property.

Capitalization (cap) Data – Local sales March 2007 9.85%, April 2007 7.1% and January 2008 10.1% PKF Hospitality Investment Survey, April 2010 cites trailing 12 months at 10.25%.

Current Lease Listings – Hotel listings can be found on many travel websites and often the hotel or chain maintain their own sites.

Model Validation

Final Ratio Analysis - No sales for a ratio analysis were available.

Sources

Internet - www.gvakm.com, www.hotelnewsnow.com, www.marcusmillichap.com, www.strglobal.com.

Publications - PKF Hospitality Investment Survey, Korpacz.

Other

Model Definition Lodging

Effective Age *	Type of Unit	Class	Ranking Description - An overview	Location
<15 year AND >15 year	Single/ Double	A	<p>3 Star - These midscale establishments place a greater emphasis on style, comfort and personalized service than hotels with lower star ratings. The full-service properties usually feature traditional lobby décor, baggage assistance, on-site dining, room service and a gift shop. Additional on-site amenities -- such as a business center or fitness center -- may also be available. Examples: Holiday Inn, Radisson, Doubletree, Quality Inn, Holiday Inn Express, Hampton Inn, Silverdale Hotel, Oxford Suites, Best Western Island Crossing, Clearwater Hotel.</p>	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
	Single/ Double	B	<p>3 Star or 2+ Star - These limited-service establishments offer more than the basic level of accommodations and are ideally suited for the value-conscious traveler. Additional features may include on-site dining, a residential look and feel in the lobby, larger-sized guestrooms, and a fitness or business center. Guestrooms are comfortably appointed and may offer a few extras, such as additional space or a dedicated desk or work area. These properties are usually located within walking distance of shopping or dining facilities. Examples: Quality Inn, Oyster Bay Inn, Country Inn, Holiday Inn Express</p>	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
<15 year AND >15 year	Single/ Double	C	<p>2+ Star or 2 Star - These limited-service establishments are expected to offer clean, basic accommodations with a few extra features, such as a coffee maker. They may offer some business services but usually lack meeting rooms, baggage assistance and fitness facilities. On-site dining is usually limited to coffee or Continental breakfast; off-site dining is usually located within walking distance. Public access and guest reception may not be available at all hours. Examples: Days Inn, Super 8 Motel, Oxford Inn, The Flagship Inn, Comfort Inn, Blue Water Inn (Smiley's) Motel, Midway.</p>	Good proximity to freeway or major traffic routes
	Single/ Double Single/ Double	D E	<p>1+ Star / 1 Star - These units meet a budget-traveler's basic needs for comfort and convenience. They tend to be located near major attractions or thoroughfares and provide clean guest rooms. Many properties do not have a restaurant on site but are usually located within walking distance of dining establishments. Examples: The Dunes Motel, Chieftan Motel, Vista Motel</p>	Good proximity to freeway or major traffic routes. Might be in blighted or declining areas. Blighted or declining areas
<15 year AND >15 year	Extended Stay	B	<p>3 Star or 2+ Star - These limited-service establishments offer more than the basic level of accommodations and are ideally suited for the value-conscious traveler. Additional features may include on-site dining, a residential look and feel in the lobby, larger-sized guestrooms, and a fitness or business center. Guestrooms are comfortably appointed and may offer a few extras, such as additional space or a dedicated desk or work area. These properties are usually located within walking distance of shopping or dining facilities. Examples: Quality Inn, Oyster Bay Inn, Country Inn, Holiday Inn Express</p>	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
	Extended Stay	C	<p>2+ Star or 2 Star - These limited-service establishments are expected to offer clean, basic accommodations with a few extra features, such as a coffee maker. They may offer some business services but usually lack meeting rooms, baggage assistance and fitness facilities. On-site dining is usually limited to coffee or Continental breakfast; off-site dining is usually located within walking distance. Public access and guest reception may not be available at all hours. Examples: Days Inn, Super 8 Motel, Oxford Inn, The Flagship Inn, Comfort Inn, Blue Water Inn (Smiley's) Motel, Midway.</p>	Good proximity to freeway or major traffic routes. Might be blighted or declining areas.
<15 year AND >15 year	Extended Stay	D	<p>1+ Star / 1 Star - These units meet a budget-traveler's basic needs for comfort and convenience. They tend to be located near major attractions or thoroughfares and provide clean guest rooms. Many properties do not have a restaurant on site but are usually located within walking distance of dining establishments. Examples: The Dunes Motel, Chieftan Motel, Vista Motel</p>	Good proximity to freeway or major traffic routes. Might be blighted or declining areas.

* **Considerations for Effective Age:** New or excellent condition, clean. Typical age and condition. Old or poor condition, obsolete design, visible deferred maintenance.

Income Model Rates

MSN

302010

NEIGHBORHOOD

2 Lodging		<15yr Room	>15yr Room	Extended			
A	RENT	47,450.00	34,675.00	67,525.00			
A	VAC	38.50	49.50	38.50			
A	EXPEN	65.00	65.00	65.00			
A	CAP	10.00	10.50	10.00			
A	MKT	0.01	0.01	0.01			
B	RENT	41,975.00	31,025.00	58,400.00			
B	VAC	38.50	49.50	38.50			
B	EXPEN	65.00	65.00	65.00			
B	CAP	10.00	10.50	10.00			
B	MKT	0.01	0.01	0.01			
C	RENT	38,325.00	27,375.00	47,450.00			
C	VAC	38.50	60.50	38.50			
C	EXPEN	65.00	65.00	65.00			
C	CAP	10.00	10.80	10.25			
C	MKT	0.01	0.01	0.01			
D	RENT	34,675.00	21,900.00	38,325.00			
D	VAC	38.50	60.50	49.50			
D	EXPEN	65.00	65.00	65.00			
D	CAP	10.25	10.80	10.25			
D	MKT	0.01	0.01	0.01			
E	RENT	29,200.00	18,250.00				
E	VAC	38.50	60.50				
E	EXPEN	65.00	65.00				
E	CAP	10.25	10.80				
E	MKT	0.01	0.01				

*Lodging**Motel*

Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8400202	B	12/31/2007	\$31,466.64	45.00%	\$17,306.65	67.00%	\$5,711.19
8400202	B	12/31/2008	\$32,528.80	50.00%	\$16,264.40	70.00%	\$4,879.32
8100503	C	12/31/2008	\$10,922.73	0.01%	\$10,921.64	64.00%	\$3,931.79
8100506	C	:37:11 AM	\$20,540.63	0.01%	\$20,538.57	32.00%	\$13,966.23
8100503	D	:37:46 AM	\$19,417.48	50.00%	\$9,708.74	45.00%	\$5,339.81
8100503	E	7/30/2008	\$8,730.16	0.01%	\$8,729.29	85.00%	\$1,309.39

