

Kitsap County Assessor

Narrative for Warehouse – Warehouse Less Than 30% Valuation

Warehouse Greater Than 30% Valuation

Appraisal Date 1/1/2010, Tax Year 2011

Updated 8/9/10 by CM43

Valuation Summary

Approach Used – Income approach. The exception are properties where the land value exceeds the income approach value, in this case the cost approach is applied.

Analysis and Conclusion Summary - Two warehouse categories were defined based on the ratio of finished office/retail space to warehouse space. One type has a ratio of less than 30% finished space to warehouse space and the other has a ratio greater than 30% finished space. A total of 15 rent questionnaires were received, 12 were for the less than 30% type. Three lease listings were found for the less than 30% type. For the greater than 30% type three rent questionnaires were received and no lease listings were documented. A majority of the listings and questionnaires were for triple net leases while the model is for full service. A total of four sales and five sale listings were documented. The median land to building ratio for this property type was 5.94:1 with an average absolute deviation of 5.55. Additional land value was added to the income stream on properties that exceeded an 11.49:1 ratio. The income model was calibrated using the four sales from Area 6.

Property Type Overview

Population – There were 73 properties identified in Area 6 as less than 30% warehouse types and 19 properties identified as greater than 30% warehouse types. Numerous other property types utilized the model for a part of their value.

Economic Conditions – One listing noted during the re-inspection cycle recently lowered the asking price by 5.76%. Some impact from the recent downturn in the economy is assumed.

Rating System - Five income classes were developed for each of the two categories. Property characteristics 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. One A, six B, two C, two D, and one E class rent was reported for the less than 30% type. Class C rates for this category were interpolated from other classes as rent data was inconsistent. For the greater than 30% category two C and one E class rent was received. Due to limited data the rates were interpolated between classes and the two categories. The model was calibrated using the four available sales with consideration also given to the five listings.

Model Calibration

Preliminary Ratio Analysis – Four sales with ratios ranging from .43 to .87, median of .67, and a C.O.D. of 29.82.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 04/17/07 – 09/10/08 – Four valid sales from 2006 through 2009. No valid sales were documented for 2006 and 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 – Five listings in Area 6 were documented.

Market Sales Rates - Rates were developed for the five classes and two types as described above. Rates for the less than 30% category range from \$114.00 to \$31.00. Rates for the greater than 30% category range from \$151.00 to \$39.00.

Income Approach Data and Analysis

Rent Data – A total of 15 rent questionnaires were received, 12 were for the less than 30% category.

Vacancy Data – Questionnaires listed a total of 13 vacancies. Ten were for the less than 30% category and indicated a range from 0% to 27% with an average of 8.48% and a median of 3.5%. Vacancy for the greater than 30% category ranged from 0% to 20.8% with an average of 6.93% and a median of 0%. Some vacancy was noted during physical inspections. Higher than average or median vacancy was used to reflect current market conditions, the rates were calibrated using sales.

Expense Data – Questionnaires listed a total of 14 expenses with 11 for the less than 30% category. A range of 0% to 29.36% with an average of 8.7% and a median of 10.53% was documented for the less than 30% category. Expenses for the greater than 30% category ranged from 0% to 12.63% with an average of 4.36% and a median of .46%. 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 – One local sale with vacancy and expenses estimated resulted in a cap rate of 8.35%, Korpacz 4th Quarter 2009 National Warehouse Market Cap Rate – 8.73%, and National Association of Realtors May 2010 West Average Cap Rate – 8.60%. Average of three rates is 8.56% and median is 8.60%. Cap rates were calibrated using sales.

Current Lease Listings - Three lease listings were documented ranging from \$8.40 to \$10.20 per square foot.

Income Rates - Five classes for each of the two categories were developed. The less than 30% rates ranged from \$13.50 to \$4.80 per square foot. The greater than 30% rates ranged from \$16.90 to \$5.70 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 .43 – .87 to .84 - .94. The median changed from .67 to .85. The COD went from 29.82 to 3.18.

Sources

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

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

Other - None

Warehouse Less Than 30% Model Definition

Class	Construction	Exterior Finish	Interior Finish	Age/Condition	Office/Retail %	Unit Size	Wall Height	Location	Access	Parking
A	Heavy steel and/or concrete frame, fireproof construction	Good quality finish and fenestration, resembles office or retail at main entrance, mix of concrete, brick, tile, concrete fiber, or stucco	Good quality finished office/retail space, warehouse area probably insulated and can be heated, heavy concrete slab	New or recent complete renovation, very little or no deferred maintenance or obsolescence, all major short-lived items are like new, high curb appeal	20 - 30% office and/or showroom/retail space	Smaller office and warehouse spaces, could be within larger structure, may be under 1,000 SF	Very tall - wall height over 18 feet	At or very near main highway or in well designed industrial park close to main highway	Wide paved driveway/road, accommodates larger trucks/trailers, easy access, lighted intersection or entry lane onto main road	Ample paved parking and turning space for customers and freight movers
B	Steel or concrete frame, fire resistant construction	Better than typical quality finish and fenestration, resembles good warehouse or low quality office/retail at entrance, may have mix of concrete, brick, tile, wood, or stucco exterior	Better than typical quality finished, insulated, and heated office/retail space, warehouse area may be heated, concrete floor	7 to 15 year effective age, little deferred maintenance evident, but not everything is new, no obsolescence evident, appearance and utility better than typical	10 - 20% office and/or showroom/retail space	Smaller office and warehouse spaces, could be within larger structure	Tall - wall height 16 to 18 feet	On major arterial or in well designed industrial park with nearby highway access	Wide paved driveway/road, accommodates larger trucks/trailers, easy access to main road	Ample paved parking for customers, sufficient space for freight movers
C	Wood, steel, or concrete block, fire resistant construction	Typical finish and plain fenestration, resembles warehouse, concrete, wood, stucco, or metal exterior	Plain drywall, insulation, and heat in office/retail space, unheated and uninsulated warehouse area with 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	5 - 10% office and/or showroom/retail space	Smaller office and average warehouse spaces, could be within larger structure	Average - wall height 16 to 14 feet	On or very near a main arterial, may be in a smaller industrial park	Typical paved driveway/road, accommodates larger trucks	Sufficient paved parking for customers and freight movers
D	Wood or pole frame, combustible construction	Little fenestration, less than typical quality warehouse, plain metal or wood siding	Minimally or inexpensively finished office/retail space, no heat or insulation in warehouse space	25 - 35 year effective age, deterioration is somewhat worse than normally expected, some obvious deferred maintenance and functional obsolescence, appears worn	0 - 5% office and/or showroom/retail space	Larger than typical office and warehouse spaces	Lower than average - wall height 14 to 12 feet	Away from main arterial	Narrow driveway/road, paved or maintained gravel, difficult large truck access	Limited off street paved or maintained gravel parking for customers, limited to no parking or turn around for freight movers
E	Pole frame, combustible construction	Inexpensive metal or plywood sheet covering with little to no fenestration	No finished office/retail space, may have office area open to warehouse space, no heat or insulation	35+ years, obvious deferred maintenance and functional obsolescence, deterioration much worse than normal, some major components need repair or replacement, substandard utility, unappealing	No office and/or showroom/retail space	Very large warehouse/office spaces	Low - wall height under 12 feet	Side street, may be unpaved	Narrow driveway or narrow dirt/gravel access, very difficult or impossible large truck access	Very limited or no off street parking for customers and freight movers, may not be paved or maintained

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

Warehouse Greater Than 30% Model Definition

Class	Construction	Exterior Finish	Interior Finish	Age/Condition	Office/Retail %	Unit Size	Wall Height	Location	Access	Parking
A	Heavy steel and/or concrete frame, fireproof construction	Good quality finish and fenestration, resembles office or retail at main entrance, mix of concrete, brick, tile, concrete fiber, or stucco	Good quality finished office/retail space, warehouse area probably insulated and can be heated, heavy concrete slab	New or recent complete renovation, very little or 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	Smaller office and warehouse spaces, could be within larger structure, may be under 1,000 SF	Very tall - wall height over 18 feet	At or very near main highway or in well designed industrial park close to main highway	Wide paved driveway/road, accommodates larger trucks/trailers, easy access, lighted intersection or entry lane onto main road	Ample paved parking and turning space for customers and freight movers
B	Steel or concrete frame, fire resistant construction	Better than typical finish and fenestration, resembles good warehouse or low quality office/retail at entrance, may have mix of concrete, brick, tile, wood, or stucco exterior	Better than typical quality finished, insulated, and heated office/retail space, warehouse area may be heated, concrete floor	7 to 15 year effective age, little deferred maintenance evident, but not everything is new, no obsolescence evident, appearance and utility better than typical	45 - 50% office and/or showroom/retail space	Smaller office and warehouse spaces, could be within larger structure	Tall - wall height 16 to 18 feet	On major arterial or in well designed industrial park with nearby highway access	Wide paved driveway/road, accommodates larger trucks/trailers, easy access to main road	Ample paved parking for customers, sufficient space for freight movers
C	Wood, steel, or concrete block, fire resistant construction	Typical finish and plain fenestration, resembles warehouse, concrete, wood, stucco, or metal exterior	Plain drywall, insulation, and heat in office/retail space, unheated and uninsulated warehouse area with 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	40 - 45% office and/or showroom/retail space	Smaller office and average warehouse spaces, could be within larger structure	Average - wall height 16 to 14 feet	On or very near a main arterial, may be in a smaller industrial park	Typical paved driveway/road, accommodates larger trucks	Sufficient paved parking for customers and freight movers
D	Wood or pole frame, combustible construction	Little fenestration, less than typical quality warehouse, plain metal or wood siding	Minimally or inexpensively finished office/retail space, no heat or insulation in warehouse space	25 - 35 year effective age, deterioration is somewhat worse than normally expected, some obvious deferred maintenance and functional obsolescence, appears worn	35 - 40% office and/or showroom/retail space	Larger than typical office and warehouse spaces	Lower than average - wall height 14 to 12 feet	Away from main arterial	Narrow driveway/road, paved or maintained gravel, difficult large truck access	Limited off street paved or maintained gravel parking for customers, limited to no parking or turn around for freight movers
E	Pole frame, combustible construction	Inexpensive metal or plywood sheet covering with little to no fenestration	No finished office/retail space, may have office area open to warehouse space, no heat or insulation	35+ years, obvious deferred maintenance and functional obsolescence, deterioration much worse than normal, some major components need repair or replacement, substandard utility, unappealing	30 - 35% office and/or showroom/retail space	Very large warehouse/office spaces	Low - wall height under 12 feet	Side street, may be unpaved	Narrow driveway or narrow dirt/gravel access, very difficult or impossible large truck access	Very limited or no off street parking for customers and freight movers, may not be paved or maintained

NOTE: Consider using auxiliary 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 Model Rates

MSN

302010

NEIGHBORHOOD 8401606 - 8401607, 8402601 - 8402691

14 Warehouse		Whse <30	Whse >30	AptStgUnit	AuxStg		
A	RENT	13.50	16.90	1,200.00	1.00		
A	VAC	18.00	13.00	10.00	18.00		
A	EXPEN	15.00	15.00		15.00		
A	CAP	8.00	8.00	10.00	8.00		
A	MKT	114.00	151.00	0.01	1.00		
B	RENT	12.00	15.25	900.00	1.00		
B	VAC	18.00	13.00	10.00	18.00		
B	EXPEN	15.00	15.00		15.00		
B	CAP	8.10	8.10	10.00	8.10		
B	MKT	100.00	135.00	0.01	1.00		
C	RENT	8.50	10.35	360.00	1.00		
C	VAC	18.00	13.00	10.00	18.00		
C	EXPEN	20.00	20.00		20.00		
C	CAP	8.50	8.50	10.00	8.50		
C	MKT	63.00	82.00	0.01	1.00		
D	RENT	7.20	8.60	120.00	1.00		
D	VAC	18.00	13.00	10.00	18.00		
D	EXPEN	25.00	25.00		25.00		
D	CAP	9.00	9.00	10.00	9.00		
D	MKT	48.00	60.00	0.01	1.00		
E	RENT	4.80	5.70		1.00		
E	VAC	18.00	13.00		18.00		
E	EXPEN	25.00	25.00		25.00		
E	CAP	9.25	9.25		9.25		
E	MKT	31.00	39.00		1.00		

Income and Vacancy Summary (Public)

<i>Warehouse</i>	<i>Warehouse</i>						
Neighborhood	Quality	Date:	PGI/Unit:	Vacancy:	EGI per Unit:	Expense %:	NOI per Unit:
8402691	A	8/9/2010	\$10.20	0.01%	\$10.20	0.01%	\$10.20
8402603	B	8/9/2010	\$8.40	20.00%	\$6.72	15.26%	\$5.69
8402604	B	7/28/2010	\$7.19	7.00%	\$6.69	29.36%	\$4.72
8402604	B	7/28/2010	\$9.00	0.01%	\$9.00	0.15%	\$8.99
8402604	B	11/9/2009	\$10.95	0.01%	\$10.95	0.01%	\$10.95
8402604	B	9/29/2009	\$7.52	0.01%	\$7.52	10.53%	\$6.73
8402604	B	9/29/2009	\$13.63	0.01%	\$13.62	0.01%	\$13.62
8401606	C	8/9/2010	\$9.04	0.01%	\$9.04	14.29%	\$7.74
8401606	C	7/28/2010	\$9.51	10.00%	\$8.56	13.90%	\$7.37
8402601	C	10/5/2009	\$4.02	0.01%	\$4.02	15.00%	\$3.41
8402604	C	12/1/2009	\$11.11	0.01%	\$11.11	0.01%	\$11.11
8401606	D	8/9/2010	\$7.82	0.01%	\$7.82	10.10%	\$7.03
8402605	D	8/9/2010	\$6.09	27.00%	\$4.45	22.37%	\$3.45
8402605	E	11/16/2009	\$8.53	20.80%	\$6.76	0.01%	\$6.76
8402605	E	11/16/2009	\$4.80	20.80%	\$3.80	0.01%	\$3.80

Tax Year 2011
Warehouse - Warehouse Less Than 30%, Warehouse Greater Than 30%
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	8402691 - SK SKIA UGA	637 - General Warehouse	5215-000-033-0001	Port of Bremerton 3707 Sentinel Peak	08EX05284	L - Lease property	09/10/08	\$2,800,000	\$2,370,920	0.85
2	8402605 - Gorst	637 - General Warehouse	322401-4-108-2002	Gorst-Hwy 16 Warehouse	08EX04162	X - Exempt property	07/16/08	\$245,000	\$230,180	0.94
3	8402603 - Rural Port Orchard	637 - General Warehouse	292402-3-066-2008	Warehouse - Mile Hill & add'l land	08EX02536	V - Valid sale	04/30/08	\$300,000	\$256,810	0.86
4	8401606 - Brownsville Highway	637 - General Warehouse	352501-1-114-2006	Praxair, Fastenal	07EX02715	D - Not economic unit	04/17/07	\$1,899,000	\$887,650	0.84
4	8401606 - Brownsville Highway	637 - General Warehouse	352501-1-115-2005	Warehouse Dawn Drive	07EX02715	D - Not economic unit			\$708,480	

Count	4
Lowest	0.84
Highest	0.94
Median Ratio	0.85
Avg Abs Dev	0.027
COD	3.18

Listings

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	Excise	Valid Code - Description	Sale Date	List Price	Assessed Value	Ratio
7	8402603 - Rural Port Orchard	637 - General Warehouse	5392-000-012-0001	IES Controls PO Ind Park	XXX	XXX	XXX	\$1,390,000	\$1,450,790	1.04
8	8402603 - Rural Port Orchard	637 - General Warehouse	5392-000-012-0001	IES Controls PO Ind Park	XXX	XXX	XXX	\$1,470,000	\$1,450,790	0.99
9	8402691 - SK SKIA UGA	637 - General Warehouse	5215-001-003-0005	5538 Cruiser Loop Rd	XXX	XXX	XXX	\$572,500	\$613,330	1.07
10	8402691 - SK SKIA UGA	637 - General Warehouse	5215-001-003-0104	5536 Cruiser Loop Rd	XXX	XXX	XXX	\$672,500	\$613,330	1.07
11	8402691 - SK SKIA UGA	637 - General Warehouse	See two accounts above	5536 and 5538 Cruiser Loop Rd	XXX	XXX	XXX	\$1,144,000	\$1,226,660	1.07

*Note: Sale one is building only.

*Note: Sale two land value exceeds income approach, use cost approach, \$44,530 paving added after sale, total current assessed value is \$274,710.

*Note: Sale four lot 114 includes 1,225 square foot canopy valued as auxiliary storage.

*Note: Listing seven and eight are same property, latest listing is number seven.