

Kitsap County Assessor

Narrative for Eating & Drinking - Club Valuation

Appraisal Date 1/1/2011, Tax Year 2012
Updated 10/11/11 by CM43

Valuation Summary

Approach Used - The income approach was used. The exception was properties where land value exceeded the income value; in this case the cost approach was applied. The cost approach was also used on properties with residentially zoned land and exempt properties. Careful consideration should be given to condition, effective age, and associated depreciation of structures when utilizing the cost approach.

Analysis and Conclusion Summary - Limited sales and income data was available. Three rent questionnaires from bar properties and three from restaurants were received in Area 1. No lease listings were documented. One sale was documented in Area 1. One sale listing of a property with both a restaurant and bar component countywide was discovered. The bar income model was adopted for this property type.

Property Type Overview

Population - Three properties were identified in the Area 1 neighborhoods. 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. Insufficient land adjustments were considered if the land to building ratio fell below one-third of the median.

Economic Conditions - There is some evidence that the general eating and drinking property types have been affected by the continued downturn in the economy. Sales and listing numbers are down from prior years.

Rating System - Five income classes were developed in Area 6 and were adopted for Area 1. 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.)

Model Calibration

Preliminary Ratio - One bar sale had a ratio of 64%.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates - 01/01/08 - 03/31/11 - One valid sale from the range of sale dates. See sale document attached.

Current Sale Listings - No listings were discovered from Area 1.

Market Sales Rates - Limited market data, sales were insufficient to develop a market approach.

Income Approach Data and Analysis

Rent Data - Three rent questionnaires for bar properties were received, one was a recurring rent. Two C and one D class rent was reported. Three restaurant rents were also received. Class A, B and E rates were interpolated from other classes and the restaurant rates. The model was calibrated using the six available sales from the prior year and the one sale from Area 1.

Vacancy Data - Historically low vacancy is noted. No vacancy data from clubs was documented. The vacancy rates for bar properties were adopted.

Expense Data - No expense data from clubs was documented. Expenses for bar properties ranged from 20% to 24% with a median and average of 22%. Expenses were calibrated using sales from Area 6 and adopted for Area 1. Bar rates were adopted.

Narrative for Eating & Drinking – Club Valuation (continued)

Cap Data - 4.57% and 6.57% from two 2008 eating and drinking property type sales countywide. PricewaterhouseCooper listed 4th quarter 2010 national net lease at 8.69%, Pacific Northwest average at 7.85%, and average band of investment at 9.19%. Realty Rates 4th quarter 2010 listed national restaurant rates at 11.84%. Two 2011 listings indicated cap rates of 8.47% and 8.40%. Model cap rates are stratified and range from 8.10% to 11.00%. Cap rates were calibrated using sales from Area 6 and Area 1. Bar cap rates were adopted.

Current Lease Listings - No lease listings were documented.

Model Validation

Final Ratio Analysis - With application of the newly adopted model the one sale had a ratio of 88% (not including the subsequent new construction).

Sources

Internet

<http://cba.epropertydata.com/pub/index.cfm>

<http://www.windermerecommercial.com/>

<http://www.rerc.com>

Publications

Marshall & Swift Valuation Service

PricewaterhouseCooper - 4th Quarter 2010 Survey

Other - None

Eating & Drinking - Club - 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: These properties usually have some food service, but not as extensive as a typical freestanding restaurant so the bar model was adopted
 Lack of cooking facilities, wiring, plumbing - consider retail for highest and best use
 If strip is a retail strip use retail

Tax Year 2012
Eating & Drinking - Bar - Restaurant - Club
Sales from 01/01/08 to 03/31/11

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	Units	Excise	Validity Code Description	Sale Date	Sale Price	Trended Sale Price	Assessed Value	Ratio/Sale Price	Ratio/Trended Sale Price
1	8401104 - Central Kitsap	582 - Tavern	052401-3-068-2005	Ninteeth Hole Tavern	3,110	08EX01355	R - Imps added	03/07/08	\$655,000	\$581,066	\$512,110	0.78	0.88

Not Used

2	8401104 - Central Kitsap	580 - Restaurants	052401-3-032-2008	Seabeck Pizza-Chico Way	716	11EX00877	M - Other	02/24/11	\$250,000				
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10 Eating & Drinking		Bar	Rest	Not Used	Club		
A	RENT	20.00	30.00		20.00		
A	VAC	5.00	7.00		5.00		
A	EXPEN	22.00	22.00		22.00		
A	CAP	8.10	8.25		8.10		
A	MKT	0.01	0.01		0.01		
B	RENT	18.00	19.00		18.00		
B	VAC	5.00	7.00		5.00		
B	EXPEN	22.00	22.00		22.00		
B	CAP	8.10	8.25		8.10		
B	MKT	0.01	0.01		0.01		
C	RENT	10.25	14.50		10.25		
C	VAC	5.00	7.00		5.00		
C	EXPEN	28.00	28.00		28.00		
C	CAP	9.00	9.10		9.00		
C	MKT	0.01	0.01		0.01		
D	RENT	8.75	10.25		8.75		
D	VAC	5.00	7.00		5.00		
D	EXPEN	30.00	30.00		30.00		
D	CAP	11.00	11.50		11.00		
D	MKT	0.01	0.01		0.01		
E	RENT	7.25	8.50		7.25		
E	VAC	5.00	7.00		5.00		
E	EXPEN	30.00	30.00		30.00		
E	CAP	11.00	11.50		11.00		
E	MKT	0.01	0.01		0.01		

Local Income Survey

Property Type Eating & Drinkin

Sub Type Bar

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
7/27/2010	\$14.09	0%	\$14.09	24%	\$10.70
10/28/2008	\$13.43	0%	\$13.43	24%	\$10.20
7/27/2010	\$9.54	0%	\$9.54	20%	\$7.67

Local Income Survey

Sub Type Restaurant

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
7/27/2010	\$42.02	0%	\$42.02	2%	\$40.99
7/27/2010	\$28.41	0%	\$28.41	22%	\$22.16
3/7/2011	\$17.35	0%	\$17.35	22%	\$13.55