

Kitsap County Assessor

Narrative for Lodging - Room < 15 Years, Room > 15 Years, and Extended Stay

Appraisal Date 1/1/2011, Tax Year 2012

Updated 3/9/11 by CM27

Valuation Summary

Approach Used – The income approach is the primary approach used for this occupancy.

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 sale prices of comparable properties. Kitsap County lacks sufficient, recent sales.

The income approach is the best method for valuing these properties. The income model was developed with local market rents, vacancy, and national publications. The current model was calibrated with data collected during our mail survey, site visits, local sales, and national publications.

Property Type Overview

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

The land to building ratio for the county averages 1,000 square feet to one hotel unit. The hotels exceeding the typical land to building ratio were encumbered by steep slopes or ravines. Any expansion would require additional parking and the topography of the remaining site may not be usable for parking. For accounts having separate land accounts, we were able to remove the land with the application of our land table. One account in Bremerton is unique and shares the land account with other floors in the building.

Economic Conditions – Market information from sources such as Kidder Mathews, Marcus and Millichap, Hotel Valuation Services (HVS), and Smith Travel Research indicated sales activity had resumed. An HVS article printed in January stated the hotel industry had taken a 180 degree turn in the preceding 24 months. Positive year over year growth began in January of 2010.

An oversupply in the Bremerton area has created a decrease in occupancy. We have adjusted for this in our model with an additional vacancy adjustment for the area.

Model Calibration

Preliminary Ratio Analysis – No valid sales of Kitsap County hotels occurred in 2009, or 2010. Three sales occurred in 2008. The ratio for those sales prior to trending was 81%, and after trending the sale price, the ratio was 88%.

Market Sales Approach Data and Analysis

Regional Sales – Range of Sales Dates – 01/01/2007- 03/15/2011, seven valid sales occurred in 2007 and 2008. The hotel market, similar to all other property types, experienced a decline in revenue during the economic downturn.

We reviewed sales from King, Pierce, Snohomish, and Thurston County, each of those areas had a lack of current valid sales.

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

Income Approach Data and Analysis

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

Rent Data – We received one response to our survey letter. Additional income data was found in appeal petitions resulting in a sample of eight from 2009, 2010 and 2011.

Vacancy Data – Vacancy data from the local market was obtained from one survey letter, and income data supplied in appeals. National publications support our vacancy rate. Integra Realty Resources (IRR) publication cites 57.1% occupancy. Hotel News Now (HNN) average daily rates were compared to revenue per available room resulting in a 57.5% occupancy rate. Kidder Mathews reports Washington occupancy at 62.11%.

Expense Data – Expense data was found in the same location as rent and vacancy. We had sufficient data from our rent survey to develop an expense ratio.

Capitalization (cap) Data – Local sales March 2007 9.85%, April 2007 7.1%, and January 2008 10.1%. IRR cites 2010 cap areas for full service at 6.8% and limited services at 4.9%. HVS published an article in January of 2011 citing four years of cap rates; 2007 at 9%, 2008 12.5%, 2009 at 6.6% and 2010 at 5.6%. Reuters reported statistics from US Realty Consultants (USRC) for full service at 8.4%.

Current Lease Listings – Hotel listings can be found on many travel websites and often a hotel or chain maintain their own sites. Advertised room rates for 12 hotels were found on two travel web sites.

Personal Property Adjustment – Personal property is deducted from the capitalized net operating income.

Model Validation

Final Ratio Analysis – No time trend specific to lodging property type was developed due to a lack of recent sales. We applied the trend developed with all improved properties in Kitsap County to the sales prices for comparison. The resulting ratio was a 92%.

Sources

Internet –

www.kiddermathews.com
www.hotelnewsnow.com
www.marcusmillichap.com
www.hvs.com
www.expedia.com
www.travelocity.com
www.irr.com
www.hotels.com

Model Definition Lodging

Effective Age *	Type of Unit	Class	Ranking Description - An overview	Location
Refreshed within last 5 years, generally meets demands of today's customer. Consider lower category for lack of modern look (1970's yellow curtains), or inability to meet needs of current market (such as lack of internet)	Single/ Double	A	3+ Star - These upper 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, Clearwater Hotel.	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
Refreshed within last 5 years, generally meets demands of today's customer. Consider lower category for lack of modern look (1970's yellow curtains), or inability to meet needs of current market (such as lack of internet)	Single/ Double	B	3 Star or 2+ Star - These limited-service midscale 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, Best Western Island Crossing, Guesthouse Inn	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
Refreshed within last 5 years, generally meets demands of today's customer. Consider lower category for lack of modern look (1970's yellow curtains), or inability to meet needs of current market (such as lack of internet)	Single/ Double	C	2+ Star or 2 Star - These limited-service midscale to economy 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, Oxford Inn, The Flagship Inn, Comfort Inn, Super 8 Motel, Midway Inn, Baymont Inn and Suites, Quality Inn.	Good proximity to freeway or major traffic routes
Consider condition of project and consider intended services.	Single/ Double	D	1+ Star / 1 Star - These economy 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, Chieftain Motel, Blue Water Inn (Smiley's) Motel, Vista Motel	Good proximity to freeway or major traffic routes. Might be in blighted or declining areas.
	Single/ Double	E		Blighted or declining areas
Refreshed within last 5 years, generally meets demands of today's customer. Consider lower category for lack of modern look (1970's yellow curtains), or inability to meet needs of current market (such as lack of internet)	Extended Stay	B	3 Star or 2+ Star - These limited-service midscale 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	Possible Waterfront, water/mountain view, territorial view; or Proximity to government service areas who contract from out of area.
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Consider condition of project and consider intended services.	Extended Stay	D	1+ Star / 1 Star - These economy 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, Blue Water Inn (Smiley's) Motel, Chieftain Motel, Vista Motel	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.

Tax Year 2012

Lodging <15 Years, >15 Years, Extended, and >15 Years Location Adjustment

Sales from 01/01/2008 to 03/01/2011

No.	Nbhd	Account Number	Project Name	Unit	Excise	Validity Code	Sale Date	Sale Price	Trended Sale Price	Assessed Value	Ratio	Ratio
1	8100503	162401-4-052-2008	Oyster Bay Inn	77	08EX04985	V	8/26/2008	5,370,000	4,858,060	3,723,190	0.69	0.77
2	8402604	362401-2-059-2001	Vista Motel	28	08EX00173	V	1/11/2008	1,200,000	1,055,200	972,660	0.81	0.92
3	8100503	3748-001-009-0000	Quality Inn	66	08EX03608	W	6/20/2008	3,399,000	3,049,658	3,339,330	0.98	1.09
	8100503	3748-001-019-0107	Quality Inn	37	08EX03608	W	6/20/2008					

Count: 3 3
 Lowest: 0.69 0.77
 Highest: 0.98 1.09
 Median Ratio: 0.81 0.92
 Average Dev.: 0.10 0.11
 C.O.D.: 11.93 11.59

No resales of lodging were found. Due to lack of information we used the trend developed with all property types.

Income Model Rates

Neighborhood 0
 Model Serial # 302011
 Property Type Lodging
 Rent Class A

	<15 Room	>15 Room	Extended	PP ADJ	RoomLoc
RENT	41,975.00	32,850.00	60,225.00		
VAC	45.00	45.00	45.00		
EXPEN	65.00	65.00	65.00		
CAP	9.50	9.50	9.50		
MKT	0.01	0.01	0.01		

Rent Class B

	<15 Room	>15 Room	Extended	PP ADJ	RoomLoc
RENT	38,325.00	30,295.00	51,100.00		
VAC	45.00	45.00	45.00		
EXPEN	65.00	65.00	65.00		
CAP	9.50	9.50	9.50		
MKT	0.01	0.01	0.01		

Rent Class C

	<15 Room	>15 Room	Extended	PP ADJ	RoomLoc
RENT	34,675.00	27,375.00	40,150.00	1.00	27,375.00
VAC	45.00	45.00	45.00		65.00
EXPEN	65.00	65.00	65.00		65.00
CAP	9.50	9.50	9.50	100.00	9.50
MKT	0.01	0.01	0.01	0.01	0.01

Rent Class D

	<15 Room	>15 Room	Extended	PP ADJ	RoomLoc
RENT	31,025.00	21,900.00	31,025.00		21,900.00
VAC	50.00	50.00	50.00		65.00
EXPEN	65.00	65.00	65.00		65.00
CAP	9.50	10.50	10.50		10.50
MKT	0.01	0.01	0.01		0.01

Rent Class E

	<15 Room	>15 Room	Extended	PP ADJ	RoomLoc
RENT	27,375.00	18,250.00	21,900.00		
VAC	50.00	50.00	50.00		
EXPEN	65.00	65.00	65.00		
CAP	10.50	10.50	10.80		
MKT	0.01	0.01	0.01		

Local Income Survey

Property Type Lodging

Sub Type <15 Year

Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
11/1/2010	\$32,105.40	35%	\$20,868.51	75%	\$5,279.73

Sub Type >15 Year

Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
12/31/2008	\$32,528.80	50%	\$16,264.40	70%	\$4,879.32
12/31/2009	\$31,948.45	58%	\$13,418.35	83%	\$2,281.12
12/31/2007	\$31,466.64	45%	\$17,306.65	67%	\$5,711.19
3/10/2011	\$22,743.15	52%	\$10,916.71	1%	\$10,807.54
5/20/2009	\$20,540.63	0%	\$20,538.57	32%	\$13,966.23
5/20/2009	\$19,417.48	50%	\$9,708.74	45%	\$5,339.81
12/31/2008	\$18,994.70	0%	\$18,992.80	62%	\$7,236.26
12/31/2009	\$15,944.13	0%	\$15,942.53	48%	\$8,337.94
7/12/2007	\$15,789.47	0%	\$15,787.89	69%	\$4,894.25
12/31/2010	\$14,157.40	0%	\$14,155.98	57%	\$6,030.45
12/31/2008	\$10,922.73	0%	\$10,921.64	64%	\$3,931.79
7/30/2008	\$8,730.16	0%	\$8,729.29	85%	\$1,309.39
3/10/2011	\$6,893.50	0%	\$6,892.81	42%	\$3,997.83
10/31/2010	\$6,274.29	0%	\$6,273.66	66%	\$2,133.04
12/31/2009	\$0.01	65%	\$0.00	0%	\$0.00