

Kitsap County Assessor

Narrative for Multifamily Model

Appraisal Date 1/1/2011, Tax Year 2012

Updated 09/27/2011 by CM20

Valuation Summary

Approach Used – Cost approach for standalone projects zoned residential or MU-Mixed Use. Income approach for projects zoned commercial or for units associated with other income producing projects.

Analysis and Conclusion Summary – Thirty rents, twenty vacancies and twenty-eight expenses were documented between 2008 and early 2011. A total of four valid sales occurred in 2007 through early 2011.

Property Type Overview

Population – The Silverdale Area 1 revaluation has a large population of multifamily properties. These properties are identified as an SFR (single family residence) that has been remodeled into two or more units, properties originally built as duplexes, triplexes, fourplexes, sixplexes, and eightplexes on individual parcels or in groups of less than twenty units total in one project. Most are stand alone, but some are incorporated with other income producing properties as in individual apartments associated with mini-warehouses, mobile home parks, or lodging or multiple apartments located on upper levels and associated with main level retail and office spaces.

Economic Conditions – The recent downturn in the economy was evident in limited number of sales from 2007 through early 2011.

Rating System – Rents, sales, property types, condition, and location were used to establish five classifications of multifamily properties. Class A is the highest rank which generates the most rental income and Class E is the lowest rank which generates the most modest rental income.

Model Calibration

Preliminary Ratio Analysis – The four valid untrended sales returned a median ratio of 84% with a COD (Coefficient of Dispersion) of 23.36.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 01/01/2007 – 04/05/2011

A total of four sales were identified in the Area 1 revaluation region.

Current Sale Listings – No listings were identified.

Market Sales Rates – Not developed.

Income Approach Data and Analysis

The income approach was applied to multifamily projects located in commercial zoning or was associated with other income producing improvements (mini-warehouse, mobile home parks, etc.)

Rent Data – Rent data documented from income questionnaires was sufficient to develop an income approach. A total of twenty-five rents were documented.

Narrative for Multifamily Model (continued)

Vacancy Data – Vacancy data documented from income questionnaires was sufficient to develop an income approach. A total of twenty vacancies were documented. Vacancy rates from PriceWaterhouseCooper, Marcus & Millichap and Apartment Insights ranged between 5.04% and 8.0% with a median of 6.20%.

Expense Data – Expense data documented from income questionnaires and Kitsap County Board of Equalization appeals was sufficient to develop an income approach. A total of twenty-eight expenses were documented. No expenses were documented from regional or national publications.

Cap Data – Limited local sales made developing cap rates difficult. Cap rates from PriceWaterhouseCooper, Marcus & Millichap and Apartment Insights ranged between 5.85% and 8.03% with a median of 6.90%. Cap rates were stratified by class.

Current Lease Listings – Not researched.

Income Rates – See attached Model Rates.

Cost Approach

The cost approach was applied to multifamily projects that were located in residentially zoned areas. These are considered pre-existing non-conforming properties as they may not adhere to the current zoning requirements of the area but are allowed since they were constructed under previous zoning criteria. Values are calculated from Marshall & Swift cost tables.

Model Validation

Final Ratio Analysis – Sales were trended -4% per year. Upon application of the new model, the four valid sales returned a median ratio of 90% with a COD of 2.90.

Sources

Publications –

PriceWaterhouseCooper 4Q2010 - National Apartments
PriceWaterhouseCooper 3Q2010 - National Apartments
PriceWaterhouseCooper 4Q2010 - Regional Apartments - Pacific
PriceWaterhouseCooper 3Q2010 - Regional Apartments - Pacific/Seattle
PriceWaterhouseCooper 1Q2011 - National Apartments
PriceWaterhouseCooper 1Q2011 - Regional Apartments - Pacific/Seattle
PriceWaterhouseCooper 4Q2009 - Regional Apartments - Seattle
PriceWaterhouseCooper 3Q2009 - Regional Apartments - Seattle
Marcus & Millichap 2011 Investment Outlook
Marcus & Millichap 2011 National Apt Report Outlook
Marcus & Millichap 2010-4Q National Apt Report-Seattle
PriceWaterhouseCooper & Urban Land Institute Emerging Trends In Real Estate 2011
2011 Apartment Insights - 1Q - Kitsap
2010 Apartment Insights 4Q - Kitsap
2010 Apartment Insights - 3Q – Kitsap

Internet –

www.commercialmls.com
<http://www.apartmentinsights.com/>

Other –

Kitsap County Board of Equalization appeals

Multifamily Model Definition

Class	Access	Land Influence	Condition	Amenities	Effective Age
A	Quiet street	Nice views or waterfront, minimal road noise, quiet neighborhood.	Recently updated or new homes- windows replaced, updated wiring/plumbing, modern interior, good paint & floor coverings	Garage, storage area, washer/dryer in unit, dishwasher, ample parking	0-10 years
B	Light street traffic	Possibly some view, minimal road noise.	Updated/well maintained, functional, good paint & floor coverings	Covered parking, in unit washer/dryer hook-up or nice shared laundry, ample parking	10-30 years
C	Moderate street traffic	Average lot	Functional, somewhat dated, minimal repairs needed	On street & limited parking area, shared laundry	30-50 years
D	Heavy street traffic	Small lot, some road noise	Dated, limited updating, some repairs needed	On street parking, shared coin-op laundry	50-70 years
E	Heavy street traffic, difficult access	Minimal lot utility, much road noise	Dated, functional problems, very original, needs repairs	Limited street parking, no laundry facility	70-100+ years

Note:	Originally built as a single family residence which has since been converted to a multi-family dwelling.
	Buildings constructed as a rooming house (rental unit is a bedroom with a private or shared bathroom, no individual kitchen amenities).
	Buildings constructed as apartment units but have a single family residence appearance to them.
	Duplexes, four-plexes, six-plexes, and eight-plexes on individual parcels or in groups with less than ten units total per parcel.
	Complexes with ten to twenty or more units without apartment amenities can still be categorized as multifamily.
	No additional amenities such as clubhouses, tennis courts, playground areas are associated with the multifamily classification.
	Individual apartment units associated with mini-warehouses, mobile home parks, lodging, marinas, CSWG or other income producing properties.

RESIDENTIAL ZONING	USE COST APPROACH
COMMERCIAL ZONING	USE INCOME APPROACH

Multifamily Sales

-4%

#	Neighborhood	PC	Parcel Number	Project Name	Units	ZONE	EXCISE	VC	Sale Date	Sale Price	Trended Sale Price	2012 Value	Ratio
1	9401190	123	092501-4-020-2005	2 Duplexes - Schold Rd	4	UL	07EX08681	V	11/30/07	480,000	420,612	403,320	0.96
2	9401190	121	172501-2-023-2006	Duplex-split zoning Old Frontier Rd	2	IND/UL	11EX00318	V	01/20/11	210,000	210,414	186,330	0.89
3	8401102	132	4463-000-009-0003	Bay Vista	12	NC	11EX01740	V	04/05/11	839,005	847,556	749,950	0.88
4	8401101	123	5095-000-003-0002	Fourplex on Trident	4	UH	07EX04271	V	06/08/07	500,000	428,548	392,520	0.92

Count	4
Median	0.90
Mean	0.91
AAD	0.03
COD	2.90

Income Model Rates

MSN

302011

NEIGHBORHOOD ALL AREA 1

27 Multifamily		0 Br	1 Br/1	2 Br/1	2 Br/2	3 Br	4 Br
A	RENT	10,700.00	12,600.00	12,600.00	12,600.00	14,850.00	14,850.00
A	VAC	7.00	7.00	7.00	7.00	7.00	7.00
A	EXPEN	25.00	25.00	25.00	25.00	25.00	25.00
A	CAP	7.25	7.25	7.25	7.25	7.25	7.25
A	MKT	102,941.00	121,221.00	121,221.00	121,221.00	142,867.00	142,867.00
B	RENT	8,700.00	10,200.00	10,200.00	10,200.00	11,700.00	11,700.00
B	VAC	7.00	7.00	7.00	7.00	7.00	7.00
B	EXPEN	25.00	25.00	25.00	25.00	25.00	25.00
B	CAP	7.25	7.25	7.25	7.25	7.25	7.25
B	MKT	83,700.00	98,131.00	98,131.00	98,131.00	112,562.00	112,562.00
C	RENT	6,900.00	8,100.00	8,100.00	8,100.00	9,300.00	9,300.00
C	VAC	7.00	7.00	7.00	7.00	7.00	7.00
C	EXPEN	25.00	25.00	25.00	25.00	25.00	25.00
C	CAP	7.25	7.25	7.25	7.25	7.25	7.25
C	MKT	66,383.00	77,928.00	77,928.00	77,928.00	89,472.00	89,472.00
D	RENT	6,300.00	7,200.00	7,200.00	7,200.00	8,280.00	8,280.00
D	VAC	7.00	7.00	7.00	7.00	7.00	7.00
D	EXPEN	30.00	30.00	30.00	30.00	30.00	30.00
D	CAP	7.50	7.50	7.50	7.50	7.50	7.50
D	MKT	54,684.00	62,496.00	62,496.00	62,496.00	71,870.00	71,870.00
E	RENT	5,500.00	7,000.00	7,000.00	7,000.00	7,350.00	7,350.00
E	VAC	15.00	15.00	15.00	15.00	15.00	15.00
E	EXPEN	35.00	35.00	35.00	35.00	35.00	35.00
E	CAP	7.50	7.50	7.50	7.50	7.50	7.50
E	MKT	40,517.00	51,567.00	51,567.00	51,567.00	54,145.00	54,145.00

Local Income Survey

Property Type Multifamily

Sub Type	2Br/2				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
9/4/2008	\$9,666.67	10%	\$8,700.00	45%	\$4,785.00

Sub Type	M 1Br/1				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$9,000.00	0%	\$8,999.10	24%	\$6,839.32
3/14/2011	\$9,000.00	0%	\$8,999.10	24%	\$6,839.32
3/14/2011	\$9,000.00	0%	\$8,999.10	24%	\$6,839.32
3/14/2011	\$7,800.00	2%	\$7,644.00	33%	\$5,155.88
12/20/2010	\$6,900.00	8%	\$6,325.23	35%	\$4,134.17
12/21/2010	\$6,722.00	5%	\$6,385.90	56%	\$2,835.34
3/14/2011	\$6,300.00	2%	\$6,174.00	33%	\$4,164.36
3/14/2011	\$6,000.00	17%	\$5,000.40	29%	\$3,538.78
12/21/2010	\$5,522.20	5%	\$5,246.09	56%	\$2,329.26
1/1/2011	\$5,416.67	14%	\$4,636.13	57%	\$2,009.30
1/1/2009	\$5,416.67	24%	\$4,106.92	78%	\$918.72
1/1/2010	\$5,416.67	23%	\$4,180.04	56%	\$1,823.75

Sub Type	M 2Br/1				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$10,200.00	0%	\$10,198.98	23%	\$7,896.05
3/14/2011	\$9,900.00	0%	\$9,899.01	24%	\$7,523.25
3/14/2011	\$9,900.00	0%	\$9,899.01	24%	\$7,523.25
3/14/2011	\$9,900.00	0%	\$9,899.01	24%	\$7,523.25
3/14/2011	\$9,900.00	2%	\$8,820.00	33%	\$5,949.09
12/20/2010	\$9,000.00	8%	\$8,250.30	35%	\$5,392.40
3/14/2011	\$9,000.00	17%	\$7,500.60	29%	\$5,308.17
3/14/2011	\$8,700.00	17%	\$7,250.58	40%	\$4,367.02
3/14/2011	\$8,700.00	2%	\$8,526.00	33%	\$5,750.79
12/21/2010	\$5,822.00	5%	\$5,530.90	56%	\$2,455.72

Sub Type	M 2Br/2				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$9,000.00	17%	\$7,500.60	0%	\$7,499.85
3/14/2011	\$9,000.00	0%	\$8,999.10	0%	\$8,998.20

Sub Type	M 3Br				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$13,200.00	0%	\$13,198.68	24%	\$10,031.00
3/14/2011	\$11,340.00	17%	\$9,450.76	40%	\$5,692.19
3/14/2011	\$9,900.00	17%	\$8,250.66	29%	\$5,838.99

Sub Type	M Studio				
Date	PGI/Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
3/14/2011	\$8,400.00	0%	\$8,399.16	24%	\$6,383.36
3/14/2011	\$6,600.00	17%	\$5,500.44	29%	\$3,892.66