

# **Kitsap County Assessor**

## **Narrative for Warehouse - Warehouse Less Than 30% Valuation**

## **Warehouse Greater Than 30% Valuation**

**Appraisal Date 1/1/2011, Tax Year 2012**

*Updated 10/12/11 by CM43*

### **Valuation Summary**

**Approach Used** - The income approach was used. The exception was properties where the land value exceeded 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 category has a ratio of less than 30% finished space to warehouse space and the other has greater than 30% finished space. Six rent questionnaires were received, three for each category. Three lease listings were found, two for the less than 30% and one for the greater than 30% category. Many of the listings and questionnaires were for triple net leases while the model is for full service. Three sales in Area 1 were documented and one sale listing was discovered. The income model was calibrated using the three sales from Area 1.

### **Property Type Overview**

**Population** - There were 34 warehouse properties identified in Area 1. Numerous other property types utilized the model for a part of their value. The median land to building ratio for this property type was 6.46:1 with an average absolute deviation of 4.81. Additional land value was added to the income stream on properties that exceeded an 11.27:1 ratio. Insufficient land adjustments were considered if the land to building ratio fell below one-third of the median.

**Economic Conditions** - One sale listing noted during the re-inspection cycle was asking 5% more than the purchase price in September 2009. Some impact from the ongoing 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 construction type, finish and fenestration, effective age/condition, ratio of finished office/retail space to warehouse space, unit size, wall height, location, access, and parking.

### **Model Calibration**

**Preliminary Ratio Analysis** - Three sales had ratios ranging from 68% to 108%, a median of 102%, and a COD of 12.98.

### **Market Sales Approach Data and Analysis**

**Regional Sales - Range of Sales Dates** - 01/01/08 - 03/31/11 - See attached sale document.

**Current Sale Listings** - One listing in Area 1 was documented.

**Market Sales Rates** - With the limited amount of market data no rates were developed.

### **Income Approach Data and Analysis**

**Rent Data** - A total of six rent questionnaires were received, three for each category.

**Vacancy Data** - Only two questionnaires listed vacancies. Both were for the greater than 30% category and ranged from 2% to 10% with a median of 6%. Some vacancy was noted during physical inspections. The vacancy used was higher than the median to better reflect current market conditions as of the date of appraisal. The rates were calibrated using sales.

## **Narrative for Warehouse - Warehouse Less Than 30% Valuation Warehouse Greater Than 30% Valuation (continued)**

**Expense Data** - Four questionnaires listed expenses (other than 0%) ranging from with 3% to 49%. One expense of 14% was reported for the less than 30% category. A range of 3% to 49% with an average of 27% and a median of 30% was documented for the greater than 30% category. 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 in 2010 had an estimated cap rate of 7.76%. The National Association of Realtors 4<sup>th</sup> quarter 2010 report listed an average cap rate of 8.40% for west industrial properties. PricewaterhouseCooper listed 4<sup>th</sup> quarter 2010 national flex at 9.15%, national warehouse at 7.98%, and national net lease at 8.69%. Realty Rates 4<sup>th</sup> quarter 2010 listed average band of investment at 9.19% and national industrial at 9.60%. The median of these rates (excluding the local sale) was 8.92% and the average was 8.85%. Cap rates were calibrated using sales.

**Current Lease Listings** - Three lease listings were documented ranging from \$7.60 to \$9.90 per square foot with triple net terms.

### **Model Validation**

**Final Ratio Analysis** - Application of the new model resulted in a range of ratios from 89% - 96%, a median of 92%, an average of 92%, and a COD of 2.65.

### **Sources**

#### **Internet**

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

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

<http://www.rerc.com>

#### **Publications**

Marshall Valuation Service

PricewaterhouseCooper - 4<sup>th</sup> Quarter 2010 Survey

**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
<b>A</b>	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>B</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
<b>C</b>	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
<b>D</b>	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
<b>E</b>	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 auxilliary 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
<b>A</b>	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>B</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	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
<b>C</b>	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
<b>D</b>	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
<b>E</b>	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.

**Tax Year 2012**  
**Warehouse - Warehouse Less Than 30% - Warehouse Greater Than 30%**  
**Sales From 01/01/2008 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	637 - General Warehouse	8185-000-002-0008	Meridian Park - Unit B	5,000	10EX03410	V - Valid	07/01/10	\$468,000	\$458,563	\$422,530	0.90	0.92
2	8401104 - Central Kitsap	637 - General Warehouse	192501-2-019-2000	Warehouse & Conv MH	11,656	10EX01282	V - Valid	03/22/10	\$628,000	\$608,386	\$585,770	0.93	0.96
3	8401101 - Silverdale	640 - Repair Services	092501-3-040-2003	Garage/Apt on RC land	4,121	09EX05234	V - Valid	09/24/09	\$380,000	\$360,677	\$320,800	0.84	0.89

NOTE: Sale 1 included a 1,296 square foot manufactured home converted to office space. The assessed value includes the value of the converted manufactured home.

NOTE: Sale 3 is located on Regional Commercial zoned land not typical of industrial use properties. The improvement is currently valued with the auto service - repair model and the residence portion (1,247 square feet) is valued with the multi-family model. Use of property was changed after sale. Assessed value shown is based on using the warehouse model for the portion now valued with the repair model.

<b>Count:</b>	<b>3</b>
<b>Lowest:</b>	<b>0.89</b>
<b>Highest:</b>	<b>0.96</b>
<b>Median Ratio:</b>	<b>0.92</b>
<b>Average Ratio:</b>	<b>0.92</b>
<b>Average Dev.:</b>	<b>0.02</b>
<b>C.O.D.:</b>	<b>2.65</b>

**Listings**

No.	Neighborhood - Vicinity	Property Class	Account Number	Project Name	Units	List Price
4	8401101 - Silverdale	637 - General Warehouse	092501-3-040-2003	Garage/Apt on RC land	4,121	\$400,000

**Income Model:** 302011  
**Property Type:** Warehouse  
**Neighborhood:** 8401101

Whse <30	Whse >30	AptStgUnit	AuxStg		
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**Class A**

Rent	12.80	15.20				
Vacancy %	15.00	15.00				
Expense %	25.00	25.00				
Cap Rate	8.50	8.60				
Market	0.01	0.01				

**Class B**

Rent	11.40	13.70				
Vacancy %	15.00	15.00				
Expense %	25.00	25.00				
Cap Rate	8.600	8.700				
Market	0.01	0.01				

**Class C**

Rent	7.65	9.35	300.00	1.00		
Vacancy %	15.00	15.00	8.00			
Expense %	28.00	28.00	45.00			
Cap Rate	9.00	9.10	7.75	100.00		
Market	0.01	0.01	0.01	0.01		

**Class D**

Rent	6.50	7.75	180.00			
Vacancy %	15.00	15.00	10.00			
Expense %	30.00	30.00	45.00			
Cap Rate	9.20	9.30	7.75			
Market	0.01	0.01	0.01			

**Class E**

Rent	4.35	5.40				
Vacancy %	15.00	15.00				
Expense %	30.00	30.00				
Cap Rate	9.60	9.70				
Market	0.01	0.01				

# Local Income Survey

**Sub Type**      **Whse <30**

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
4/6/2011	\$9.70	0%	\$9.70	0%	\$9.69
4/6/2011	\$9.05	0%	\$9.05	14%	\$7.75
5/15/2008	\$7.48	0%	\$7.47	0%	\$7.47

# Local Income Survey

**Sub Type**      **Whse >30**

Date	PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
4/7/2011	\$12.23	10%	\$11.00	49%	\$5.63
4/7/2011	\$11.74	2%	\$11.54	30%	\$8.10
4/18/2011	\$11.29	0%	\$11.29	3%	\$11.00