

Kitsap County Assessor

Narrative for Area 3 Apartment Model Valuation

Appraisal Date 1/1/2013, Tax Year 2014

Updated 03/25/2013 by CM20

Valuation Summary

Approach Used – Income approach calibrated to sales.

Analysis and Conclusion Summary – Twelve countywide sales were reviewed to calibrate the income approach. Rents, income, and expenses from sales questionnaires as well as listings and advertisements were collected from the Area 3 revaluation region. Interviews with property managers during the inspection added additional information. Rents from 69% of Area 3 South projects were documented and two vacancies and eight expenses were received. A sales approach based on value per unit was not developed due to a lack of Area 3 sales. The cost approach is not considered the best approach to value, however it was developed to test uniformity between projects and serves as a supporting valuation for the Area 3 apartment complexes. The sales list is attached.

Property Type Overview

Population – The Port Orchard revaluation area (Area 3 South) has a population of 13 apartment properties. The Kingston/North Kitsap area (Area 3 North) has a population of three apartment properties. Apartments are multifamily housing consisting of approximately 20 or more units per project. Configuration generally consists of 8 to 18 units per building. For a project consisting of less than 20 units, see the Multifamily Model.

Land to Building Ratio – The median land to building ratio plus one average deviation is 3.50:1. This ratio is used to determine excess land. Review of zoning requirements such as total lot coverage or parking requirements, as well as topography, must also be considered before calculating excess land.

Economic Conditions – Apartment sales have been sporadic over the past four years. A total of twelve valid sales in four years have occurred countywide. The outlook for apartments is considered good; future sales will reflect how well the recovery of this property type progresses. Current vacancies are low and rents appeared to be increasing.

Rating System – Rents, property types, amenities, condition and location were used to establish five classifications of apartment 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. Apartments are also separated into studio/small 1 bedroom, 1 bedroom/1 bath, 2 bedroom/1 bath, 2 bedroom/2 bath, 3 bedroom, and 4 bedroom configurations.

Model Calibration

Preliminary Ratio Analysis – Twelve countywide sales with no adjustment for time or location had a median ratio of 80% with a coefficient of dispersion (COD) of 19.88.

Market Sales Approach Data and Analysis

Regional Sales - Range of Sales Dates – 01/01/2009 – 03/31/2013

A total of twelve countywide sales were identified over this four year period. Properties from outside the Area 3 South revaluation were adjusted for location. Re-sales between 2005 and 2012 were reviewed for trend ratios. Four properties resold during this time period (122401-4-022-2009, 3721-000-001-0001, 3719-001-020-0505, 3804-008-004-0209) which calculated annual trends of -0.46%, -5.81%, -21.33%, and +2.76%. Conservative trend rates were adopted; sales from 2009 were trended at -6% annually, sales from 2010 were trended at -4% annually, sales from 2011 were trended -6% annually and sales from 2012 were not trended. Sales of

Narrative for Apartment Valuation (continued)

similar apartment complexes from King County, Snohomish County, and Pierce County were reviewed for range of value by unit.

Current Sale Listings – Two listings were reviewed from Kitsap County. Woodcreek Apartments in Poulsbo (242601-2-008-2005) is listed for \$67,763 per unit with a quoted cap rate of 7.87%. Robinswood in Kingston (262702-1-045-2008) is listed for \$63,889 per unit with a quoted cap rate of 8.03%.

Market Sales Rates – Price per unit as calculated from the limited number of sales correlated closely with the income model. Un-trended price per unit ranged between \$25,000 to \$102,083.

Income Approach Data and Analysis

Rent Data – Rent data documented from income questionnaires, internet listings, and manager interviews was sufficient to develop an income approach. Rents from 69% of the projects were documented. Unit rents were developed without parking amenities. Rents for garages and carports are added as separate income streams. Rents from Area 2 were applied to Area 3 North, no change was applied to Area 3 South.

Vacancy Data – Vacancy data documented from income questionnaires and manager interviews during revaluation inspections was sufficient to develop an income approach. Local vacancies generally ranged from 3%-10%. Apartment Insights Fourth Quarter 2012 has Kitsap County vacancies at 5.50%, and Port Orchard vacancies at 6.59%. Integra Realty Resources 2nd quarter 2012 has Seattle Suburban areas at 4.50%. The Landlord Times from September 2012 has Kitsap County vacancy at 5.73%. Vacancies from Area 2 were applied to Area 3 North, no change was applied to Area 3 South.

Expense Data – Expense data documented from income questionnaires was sufficient to develop an income approach. A total of seven expenses documented from the revaluation area and were compared to information received from prior years for other areas. The expense data supported the current expense percent utilized. Realty Rates 4th Quarter 2012 National Class A & B lists expense rates at 43.06%. Expenses were stratified by class. Expenses from Area 2 were applied to Area 3 North; no change was applied to Area 3 South.

Cap Data – Cap rates were developed from local sales and listings and indicated a median of 7.00%. Cap rates ranged between 4.17% and 8.19%. Additional information was analyzed from regional and nationwide publications. Korpacz 4th Quarter 2012 Pacific Region has cap rates at 5.21%. Integra Realty Resources 2nd quarter 2012 has Seattle Suburban areas at 5.00%. CBRE Cap Rate Survey August 2012 has Seattle Class C Apartments between 5.75% - 6.25%. Realty Rates 4th Quarter 2012 National Class A & B lists cap rates at 8.15%. Cap rates were stratified by class. Cap rates from Area 2 were applied to Area 3 North, no change was applied to Area 3 South.

Current Lease Listings – Lease listings from the internet, income surveys, as well as information documented from apartment complex managers were reviewed.

Model Validation

Final Ratio Analysis – Upon application of the new income model and area adjustments, the median ratio from the income approach for the twelve sales is 93% with a COD of 16.67. The cost approach returns a median ratio of 119% with a COD of 21.95.

Narrative for Apartment Valuation (continued)

Sources

Internet -

apartmentinsights.com
wellington.prospectportal.com/silverdale-silverdale/madison-at-the-wellington-wellington
santaferidgeapts.com/
forrent.com/apartment-community-profile/1008086.php
commercialmls.com/
pwc.com
vitorinogroup.com/assets/marketing/2011%20Investment%20Outlook.pdf
apartmentguide.com/apartments/Washington/Silverdale
reserveatbucklinhill.com/
madisonridgetop.com
rent.com/
mynewplace.com
doblermanagement.com/properties/index.php?propertyid=101&name2=silverdale_ridge
irr.com/

Publications –

Integra Realty Resources
Korpacz
CBRE
Realty Rates
Apartment Insights
The Landlord Times

Apartment Model Definition

Class	Land Influence	Condition	Effective Age	Amenities	APARTMENT AMENITIES												PROJECT AMENITIES										AREA			
					Duplex/Townhouse Configuration	Elevator	Fireplace	Dishwasher	Garbage Disposal	Microwave	Internet	Quality Finishes	Indoor-Pool	Outdoor-Pool	Sauna/Spa	Tennis or Racket	Clubhouse	Fitness	Bus Center	Media Room	W/D in Unit	Shared Laundry	Extra Storage for Rent	Garages	Carports	Extra Parking	Play Areas	Pets	Close in Location	Waterfront or Views
A	Nice views or waterfront, quiet neighborhood	New or recently updated-windows replaced, updated wiring/plumbing, modern interior, good paint & floor coverings	0-10 years	Garage, storage area, washer/dryer in unit, dishwasher, pool, sauna, fitness center, business center, media room	Y	Maybe	Y	Y	Y	Y	Y	Y	Y	Maybe	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Maybe
B	Some views, minimal/no traffic noise	Updated/well maintained, functional, good paint & floor coverings	10-20 years	Covered parking, washer/dryer in unit, fitness center, outdoor pool, sauna	Y	Maybe	Y	Y	Y	Maybe	Y	Maybe	Maybe	Maybe	Y	Y	Maybe	Maybe	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Maybe
C	Average neighborhood, light traffic noise	Functional, somewhat dated, minimal repairs needed	20-35 years	Covered parking or ample open parking area, shared laundry, small fitness center	N	Maybe	Maybe	Y	Maybe	N	Y	N	N	Maybe	Maybe	Maybe	Y	Y	N	N	N	Y	Maybe	N	Maybe	N	Y	Maybe	Y	N
D	Declining neighborhood, moderate traffic noise	Dated, limited updating, some repairs needed	35-50 years	Limited parking, shared laundry, no exterior common areas	N	N	N	Y	Maybe	N	Y	N	N	N	N	N	Maybe	N	N	N	N	Y	Maybe	N	N	N	Maybe	Maybe	Maybe	N
E	Blighted neighborhood, much traffic noise	Dated, functional problems, very original, needs repairs	50+ years	Limited parking, small shared or no laundry facility. No exterior common areas	N	N	N	N	N	N	Y	N	N	N	N	N	Maybe	N	N	N	N	Y	N	N	N	N	Maybe	Maybe	Maybe	N
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

If all else is equal, but the configuration is a duplex or townhouse, consider increasing one grade.

Count manager's unit in the income stream.

Small projects (in the range of 20 units or less) with limited interior and no exterior or common area amenities, move to multifamily model.

Age restricted apartments may have limited exterior amenities, but many interior amenities including hair salons and mini-marts.

Multi-story age restricted apartments SHOULD have an elevator. If not, consider dropping upper units a grade.

Check unit size and rents per unit.

- A 18+
- B 14-18 Check effective age & maintenance
- C 10-14 Check effective age & maintenance
- D <10
- E <10 May have deferred maintenance

Income Model: 302013

Property Type: Apartment

Neighborhood: 9402390 Area 3 South

	0Br	1Br/1	2Br/1	2Br/2	3br	4br
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Class A

Rent	10,450.00	11,182.00	12,445.00	13,205.00	13,823.00	13,823.00
Vac %	5.00	5.00	5.00	5.00	5.00	5.00
Exp %	55.00	55.00	55.00	55.00	55.00	55.00
Cap Rate	7.00	7.00	7.00	7.00	7.00	7.00
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class B

Rent	7,410.00	7,790.00	9,595.00	10,070.00	11,590.00	11,590.00
Vac %	5.00	5.00	5.00	5.00	5.00	5.00
Exp %	50.00	50.00	50.00	50.00	50.00	50.00
Cap Rate	7.500	7.500	7.500	7.500	7.500	7.500
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class C

Rent	6,460.00	6,555.00	8,366.00	9,063.00	10,422.00	10,422.00
Vac %	5.00	5.00	5.00	5.00	5.00	5.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	7.75	7.75	7.75	7.75	7.75	7.75
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class D

Rent	5,938.00	6,745.00	7,695.00	8,075.00	9,286.00	9,286.00
Vac %	10.00	10.00	10.00	10.00	10.00	10.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	7.75	7.75	7.75	7.75	7.75	7.75
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class E

Rent	4,978.00	5,225.00	5,957.00	6,251.00	7,173.00	7,173.00
Vac %	10.00	10.00	10.00	10.00	10.00	10.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	8.00	8.00	8.00	8.00	8.00	8.00
Market	0.01	0.01	0.01	0.01	0.01	0.01

Income Model: 302013

Property Type: Apartment

Neighborhood: 9400390 Area 3 North

	0Br	1Br/1	2Br/1	2Br/2	3br	4br
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Class A

Rent	9,177.00	9,832.00	11,012.00	12,470.00	13,476.00	16,845.00
Vac %	6.00	6.00	6.00	6.00	6.00	6.00
Exp %	50.00	50.00	50.00	50.00	50.00	50.00
Cap Rate	7.00	7.00	7.00	7.00	7.00	7.00
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class B

Rent	8,810.00	9,564.00	10,435.00	10,985.00	12,847.00	16,059.00
Vac %	7.00	7.00	7.00	7.00	7.00	7.00
Exp %	47.00	47.00	47.00	47.00	47.00	47.00
Cap Rate	7.500	7.500	7.500	7.500	7.500	7.500
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class C

Rent	7,866.00	8,494.00	9,439.00	10,068.00	11,326.00	14,158.00
Vac %	8.00	8.00	8.00	8.00	8.00	8.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	7.75	7.75	7.75	7.75	7.75	7.75
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class D

Rent	6,555.00	7,079.00	7,997.00	8,596.00	9,714.00	12,143.00
Vac %	10.00	10.00	10.00	10.00	10.00	10.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	7.75	7.75	7.75	7.75	7.75	7.75
Market	0.01	0.01	0.01	0.01	0.01	0.01

Class E

Rent	5,899.00	6,371.00	7,197.00	7,736.00	8,742.00	10,928.00
Vac %	10.00	10.00	10.00	10.00	10.00	10.00
Exp %	45.00	45.00	45.00	45.00	45.00	45.00
Cap Rate	8.00	8.00	8.00	8.00	8.00	8.00
Market	0.01	0.01	0.01	0.01	0.01	0.01

Local Income Survey

Property Type: Apartment

Sub Type: A 1Br/1

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$13,980.00	5%	\$13,281.00	0%	\$13,234.52
\$9,300.00	5%	\$8,835.00	0%	\$8,834.12
\$8,640.00	0%	\$8,639.14	0%	\$8,638.27
\$7,560.00	14%	\$6,480.43	52%	\$3,110.61
\$7,500.00	0%	\$7,499.25	30%	\$5,249.48
\$7,440.00	15%	\$6,324.00	52%	\$3,051.33
\$7,176.00	0%	\$7,175.28	0%	\$7,174.56
\$7,020.00	5%	\$6,685.15	63%	\$2,473.50
\$6,720.00	5%	\$6,384.00	46%	\$3,447.36

Local Income Survey

Sub Type: A 2Br/1

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$15,432.00	5%	\$14,660.40	35%	\$9,529.26
\$11,364.00	0%	\$11,362.86	0%	\$11,361.73
\$10,620.00	0%	\$10,618.94	0%	\$10,617.88
\$9,600.00	17%	\$7,999.68	52%	\$3,839.85
\$9,000.00	5%	\$8,550.00	44%	\$4,752.09
\$8,700.00	0%	\$8,699.13	30%	\$6,089.39
\$8,388.00	0%	\$8,387.16	0%	\$8,386.32
\$8,340.00	13%	\$7,255.80	52%	\$3,500.92
\$7,860.00	5%	\$7,485.08	63%	\$2,769.48
\$7,800.00	7%	\$7,254.00	46%	\$3,917.16

Local Income Survey

Sub Type: A 2Br/2

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$17,088.00	5%	\$16,233.60	35%	\$10,551.84
\$12,168.00	0%	\$12,166.78	0%	\$12,165.57
\$10,920.00	0%	\$10,918.91	0%	\$10,917.82
\$10,500.00	5%	\$9,975.00	0%	\$9,974.00
\$9,540.00	5%	\$9,063.00	27%	\$6,615.99

Local Income Survey

Sub Type: A 3Br

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$17,880.00	5%	\$16,986.00	35%	\$11,040.90
\$13,020.00	0%	\$13,018.70	0%	\$13,017.40
\$11,400.00	0%	\$11,398.86	0%	\$11,397.72
\$11,400.00	5%	\$10,830.00	27%	\$7,905.90
\$10,380.00	0%	\$10,378.96	0%	\$10,377.92
\$10,200.00	5%	\$9,690.00	44%	\$5,385.70
\$10,080.00	5%	\$9,606.24	63%	\$3,554.31

Income Listing Survey

Apartment

A 1Br/1

PGI/Unit:	Vacancy:	Expense %:	NOI per Unit:
\$11,892.00	0.01%	0.01%	\$11,892.00
\$9,600.00	0.01%	0.01%	\$9,600.00
\$8,820.00	0.01%	0.01%	\$8,820.00
\$8,376.00	0.01%	0.01%	\$8,376.00
\$8,100.00	0.01%	0.01%	\$8,100.00
\$7,908.00	0.01%	0.01%	\$7,908.00
\$7,908.00	0.01%	0.01%	\$7,908.00
\$7,680.00	0.01%	0.01%	\$7,680.00
\$7,500.00	0.01%	0.01%	\$7,500.00
\$7,188.00	0.01%	0.01%	\$7,188.00
\$6,720.00	0.01%	0.01%	\$6,720.00

Apartment

A 2Br/1

PGI/Unit:	Vacancy:	Expense %:	NOI per Unit:
\$16,344.00	0.01%	0.01%	\$16,344.00
\$11,028.00	0.01%	0.01%	\$11,028.00
\$10,200.00	0.01%	0.01%	\$10,200.00
\$9,900.00	0.01%	0.01%	\$9,900.00
\$9,288.00	0.01%	0.01%	\$9,288.00
\$9,108.00	0.01%	0.01%	\$9,108.00
\$8,880.00	0.01%	0.01%	\$8,880.00
\$8,388.00	0.01%	0.01%	\$8,388.00
\$8,376.00	0.01%	0.01%	\$8,376.00
\$8,208.00	0.01%	0.01%	\$8,208.00

Income Listing Survey

Apartment

A 2Br/2

PGI/Unit:	Vacancy:	Expense %:	NOI per Unit:
\$15,516.00	0.01%	0.01%	\$15,516.00
\$12,180.00	0.01%	0.01%	\$12,180.00
\$10,740.00	0.01%	0.01%	\$10,740.00
\$10,380.00	0.01%	0.01%	\$10,380.00
\$10,320.00	0.01%	0.01%	\$10,320.00
\$9,912.00	0.01%	0.01%	\$9,912.00
\$9,780.00	0.01%	0.01%	\$9,780.00
\$9,432.00	0.01%	0.01%	\$9,432.00
\$9,384.00	0.01%	0.01%	\$9,384.00
\$9,324.00	0.01%	0.01%	\$9,324.00

Apartment

A 3Br

PGI/Unit:	Vacancy:	Expense %:	NOI per Unit:
\$23,844.00	0.01%	0.01%	\$23,844.00
\$12,900.00	0.01%	0.01%	\$12,900.00
\$12,144.00	0.01%	0.01%	\$12,144.00
\$12,108.00	0.01%	0.01%	\$12,108.00
\$11,988.00	0.01%	0.01%	\$11,988.00
\$11,904.00	0.01%	0.01%	\$11,904.00
\$11,892.00	0.01%	0.01%	\$11,892.00
\$11,700.00	0.01%	0.01%	\$11,700.00
\$11,508.00	0.01%	0.01%	\$11,508.00
\$11,100.00	0.01%	0.01%	\$11,100.00
\$10,968.00	0.01%	0.01%	\$10,968.00
\$10,548.00	0.01%	0.01%	\$10,548.00

Income Listing Survey

Apartment

A Studio

PGI/Unit:	Vacancy:	Expense %:	NOI per Unit:
\$8,160.00	0.01%	0.01%	\$8,160.00
\$8,028.00	0.01%	0.01%	\$8,028.00
\$7,908.00	0.01%	0.01%	\$7,908.00
\$7,188.00	0.01%	0.01%	\$7,188.00

**Tax Year 2014
Apartments
Sales from 01/1/2009 - 03/31/2013**

No.	Neighborhood	PC	Account Number	Project Name	Units	Excise	VC	Sales Date	Sale Price	Trended Sale Price	Model Value	Trended Ratio
1	9400390	134	4316-047-001-0209	Kingston Harbor Apartments	20	12EX05210	V	09/19/12	\$ 1,200,000	\$ 1,200,000	\$ 987,828	0.82
2	9100542	135 910	022401-3-065-2001 022401-3-036-2007	SHADOW CREEK APTS.	32	12EX05584	D	10/11/12	\$ 2,800,000	\$ 2,800,000	\$ 1,673,726	0.60
3	9401691	137	262501-2-008-2004	Village Fair Apts	120	09EX04758	V	09/02/09	\$ 9,225,000	\$ 7,377,978	\$ 7,008,201	0.95
4	8100507	137	3913-009-006-0005	Narrow Apts.	50	09EX05000	V	09/15/09	\$ 3,195,000	\$ 2,562,127	\$ 2,209,669	0.86
5	8401103	137 137	102501-3-036-2006 102501-3-037-2005	Tree Top Apts	270	09EX05646	X	10/15/09	\$ 20,800,000	\$ 16,782,466	\$ 17,113,615	1.02
6	9402300	137	4601-000-001-0103	East Hill Apts	96	10EX02800	E	06/03/10	\$ 4,800,000	\$ 4,303,430	\$ 4,524,108	1.05
7	9100541	137	3721-000-001-0001	Erland Point Apts	148	10EX02971	X	06/10/10	\$ 9,950,000	\$ 8,928,285	\$ 8,719,655	0.98
8	8100507	131 132 121	122401-4-022-2009 122401-4-023-2008 122401-4-029-2002	Winified APARTMENTS	20	11EX05876	D	10/31/11	\$ 766,910	\$ 712,827	\$ 898,026	1.26
9	8401101	133	172501-4-044-2007	Sunrise Vista	18	12EX01986	V	04/30/12	\$ 1,050,000	\$ 1,007,367	\$ 884,677	0.88
10	8100501	137	3804-008-004-0209	Olympic Court West Aparts	50	12EX07253		12/07/12	\$ 2,295,000	\$ 2,285,191	\$ 2,067,337	0.90
11	8100503	134 910	3719-001-020-0505 3719-001-023-0304	Bayview West Apts	24	09EX00474	W	01/30/09	\$ 2,450,000	\$ 1,872,874	\$ 1,299,683	0.69
12	8100501	136	3768-000-021-0001	South Court APTS	46	11EX05053	X	09/26/11	\$ 1,150,000	\$ 1,062,285	\$ 1,442,431	1.36

VC	Validity Code
D	Not an economic unit
E	Estate
V	Valid
W	With other property
X	Exempt

Neighborhood	Modifier
8100501 - Downtown Bremerton	1.00
8100503 - Kitsap Way	1.00
8100507 - East Bremerton	1.00
8401101 - Silverdale	1.10
8401103 - Ridgetop	1.10
9100541 - West Bremerton Uplands Cit-COM	1.00
9100542 - East Bremerton Uplands Cit-COM	1.00
9400390 - Kingston UGA COM	1.00
9401691 - Central Kitsap UGA West-COM	1.00
9402300 - Port Orchard COM	1.00

Count: 12
Lowest: 0.60
Highest: 1.36
Median Ratio: 0.93
Average Dev: 0.15
C.O.D. 16.67

PC	Property Class
121	Duplex
131	5-9 Units
132	10-14 Units
133	15-19 Units
134	20-29 Units
135	30-39 Units
136	40-49 Units
137	50+ Units
910	Undeveloped Land