

Kitsap County Assessor

Narrative for Area 5 - Bremerton and Central Kitsap East

Appraisal Date 1/1/2015 Tax Year 2016

Property Type: Apartment

Updated 10/27/2015 by CM20

Area Overview

Area 5 encompasses downtown Bremerton, East Bremerton, West Bremerton, Highway 303 from Riddell to Waaga Way, Auto Center, and commercial sites located in Tracyton, Fairgrounds, and Illahee.

Area 5 has 60 parcels developed with apartment buildings. Apartments are found in the following neighborhoods: 8100501, 8100502, 8100505, 8401508, 9100522, 9100541, 9100542, 9100543, 9100591, 9100592, 9401591, 9401592.

Property Type Overview

Apartment buildings are comprised of multiple self-contained housing units. High-rise apartments have three or more floors and generally have interior hallway access to units and elevators. Garden apartments are low-rise apartment buildings, are typically designed with three or fewer floors, and generally have exterior access from a shared stairway. Apartment units occupy one level, while a townhouse configuration is multiple levels. The apartment complex can contain multiple buildings with additional features such as: landscaping, playgrounds, dog parks, garages, carports, clubhouses, swimming pools, tennis courts or sports courts, business centers, media rooms, or community rooms.

The majority of apartment complexes in Bremerton, 50 parcels out of 60, were built since 1960. The three decades of the 70's, 80's, and 90's saw the development of 38 parcels into apartment complexes, mainly garden apartments. Three projects have been built since 2000.

Land to Building Ratio: The national land to building ratio for this property type is 2-4:1. The countywide land to building ratio for this property type is: n/a.

The land to building ratio is used to determine excess or surplus land. Review of zoning requirements such as total lot coverage or parking requirements, as well as topography and easements, must also be considered before calculating value for this land.

Apartment complexes are typically developed to the highest allowable ratio.

Economic Overview: The market for apartments appears to be improving. Vacancy is low, and sales are increasing. New construction of apartment complexes in Area 5 has been very limited but new projects are currently under construction.

Valuation Summary

Approach Used: Income

The three approaches to value were considered.

The cost approach was given little consideration in the appraiser's final analysis. Cost approach components such as replacement cost new, effective age, and depreciation are difficult to accurately calculate in a mass appraisal model.

A market/sales comparison approach uses sale prices of comparable properties to calculate value. The market/sales approach was not applied as Kitsap County lacks sufficient, recent sales.

The income approach was selected as the best method for valuing these properties. The data used to develop our current model data was collected from our mail survey, site visits, local sales, national publications, and data supplied for review or appeal.

Model Calibration

Preliminary Ratio Analysis: Analysis of 4 sales resulted in a mean ratio of 74%, a median ratio of 72%, and a coefficient of dispersion (COD) of 12.33%.

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Market/Sales Comparison Approach Data and Analysis

Sales: Range of Sale Dates: 1/1/2012 to 3/31/2015. A total of 4 local sales, and 0 regional sales, and 0 national sales were used in the sales analysis. Additional information is provided on the sales analysis data sheet.

Kitsap County attempts to review, analyze, and validate via telephone, mail, or in person interviews, all commercial sales within the county for inclusion or exclusion in our market/sales approach.

Market/Sales Rates: Sales ranged from \$45,900 to \$70,000 per units.

There were insufficient sales to develop a market approach.

Income Approach and Data Analysis

Values were calculated using a full service income model.

Income and expense information was collected from mailed surveys, property representatives, on-site visits, and market research (publications, newsletters, websites, etc.)

Analysis of rents indicated an adjustment for townhouse and duplex style units was required. An increase of 15% has been applied to the townhouse and duplex population. Vacancy across the entire population was low, the model uses 5% to 10%. Expenses are reviewed locally and countywide. Typical expenses range between 45% and 55% and fall in line with industry standards.

Rent Data: The Assessor validated rents from 48% of the market. Typical reported rents had a range of \$5,520 to \$18,000. We selected \$5,015 to \$14,352 for our model.

Vacancy Data: Typical reported vacancy had a range of 0% to 50%. We selected 5% to 10% for our model.

Expense Data: Typical reported expense had a range of 30% to 61%. We selected 45% to 55% for our model.

Capitalization Rate (Cap) Data: Typical sale cap rates ranged from 5.25% to 11.34%. We selected 6.5% to 8.5% for our model.

Cap rates calculated from Kitsap County countywide apartment sales ranged between 5.25% and 11.34% with a median of 7.29%. Review of national publications reflected a range between 4.50% and 8.50%. National publications were reviewed and emphasis was placed on information relevant to the west or Pacific region, or the Seattle/Tacoma/Kitsap areas.

Income Model Value Range: The income approach calculates a range of values from \$29205 to \$108551 per units.

Model Validation

Final Ratio Analysis: Analysis of 4 sales resulted in a mean ratio of 97%, a median ratio of 98%, and a coefficient of dispersion (COD) of 4.39%.

Sources

Kitsap County Board of Equalization appeal documentation.

Washington State Board of Tax appeal documentation.

Kitsap County income and expense surveys.

Kitsap County sales questionnaires.

The Dictionary of Real Estate Appraisal, Appraisal Institute, Third Edition, 1993

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Property Appraisal and Assessment Administration, IAAO, 1990

Glossary for Property Appraisal and Assessment, IAAO, 1997

LoopNet -loopnet.com

Commercial Brokers Association -commercialmls.com

Apartment Insights Washington - 3rd Quarter 2014 Tacoma 50+ - Kitsap

CBRE - 1st Half 2014 Cap Rate Survey - Multifamily Suburban Seattle Class B & Class C

Dupre + Scott - Spring 2014 - Kitsap

Integra Realty Resources - 2014 Mid-Year Viewpoint - Seattle Multi-Family Suburban Class B

Kidder Mathews - 3rd Quarter 2014 - Seattle Apartment

Marcus & Millichap - 2015 National Apartment Report - Seattle-Tacoma

National Apartment Association - 2014 Survey Operating Income & Expenses - Garden Properties

PWC-Korpacz - First Quarter 2015 - Pacific Region Apartments

Realty Rates - 4th Quarter 2014 Market Survey Nationwide - Class A & B Apartments 90+ Units

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	Carpools	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	Maybe	Y	Y	Y	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	Y	Y	Maybe	Maybe	Y	N	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	Y	Maybe	N	N	N	Y	Maybe	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	Y	N	N	N	N	Y	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: 302015
Property Type: Apartment
Neighborhood: All Area 5 Neighborhoods

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

Rent	10,434.00	10,986.00	12,158.00	12,852.00	14,352.00	
Vac %	5.00	5.00	5.00	5.00	5.00	
Exp %	55.00	55.00	55.00	55.00	55.00	
Cap Rate	6.50	6.50	6.50	6.50	6.50	
Market	0.01	0.01	0.01	0.01	0.01	

Class B

Rent	8,976.00	9,435.00	10,540.00	11,560.00	12,781.00	
Vac %	5.00	5.00	5.00	5.00	5.00	
Exp %	50.00	50.00	50.00	50.00	50.00	
Cap Rate	6.750	6.750	6.750	6.750	6.750	
Market	0.01	0.01	0.01	0.01	0.01	

Class C

Rent	8,190.00	8,713.00	9,223.00	10,200.00	11,943.00	
Vac %	5.00	5.00	5.00	5.00	5.00	
Exp %	45.00	45.00	45.00	45.00	45.00	
Cap Rate	7.25	7.25	7.25	7.25	7.25	
Market	0.01	0.01	0.01	0.01	0.01	

Class D

Rent	6,524.00	7,183.00	7,863.00	8,096.00	8,989.00	
Vac %	5.00	5.00	5.00	5.00	5.00	
Exp %	45.00	45.00	45.00	45.00	45.00	
Cap Rate	7.75	7.75	7.75	7.75	7.75	
Market	0.01	0.01	0.01	0.01	0.01	

Class E

Rent	5,015.00	7,119.00	7,693.00	8,154.00	8,560.00	
Vac %	10.00	10.00	10.00	10.00	10.00	
Exp %	45.00	45.00	45.00	45.00	45.00	
Cap Rate	8.50	8.50	8.50	8.50	8.50	
Market	0.01	0.01	0.01	0.01	0.01	

Local Income Survey

Property Type: **Apartment**

Sub Type: **A Studio**

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$7,500.00	4%	\$7,200.00	33%	\$4,824.00
\$5,400.00	15%	\$4,590.00	51%	\$2,272.05

Sub Type: **A 1Br/1**

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$9,708.00	0%	\$9,707.03	33%	\$6,503.71
\$9,000.00	2%	\$8,820.00	40%	\$5,292.00
\$8,832.00	6%	\$8,302.08	60%	\$3,320.83
\$8,820.00	10%	\$7,938.00	38%	\$4,948.55
\$8,640.45	0%	\$8,639.59	33%	\$5,788.53
\$8,640.00	1%	\$8,553.60	47%	\$4,533.41
\$8,640.00	1%	\$8,553.60	51%	\$4,199.82
\$8,340.00	13%	\$7,255.80	30%	\$5,079.06
\$8,160.00	19%	\$6,609.60	44%	\$3,701.38
\$8,040.00	15%	\$6,834.00	52%	\$3,293.99
\$7,890.00	7%	\$7,337.70	0%	\$7,336.97
\$7,888.69	11%	\$7,044.60	61%	\$2,747.39
\$7,800.00	5%	\$7,410.00	30%	\$5,187.00
\$7,140.00	10%	\$6,426.00	35%	\$4,176.90
\$7,140.00	5%	\$6,783.00	35%	\$4,408.95
\$7,080.00	0%	\$7,079.99	0%	\$7,079.92
\$6,840.00	5%	\$6,498.00	46%	\$3,508.92
\$5,942.40	5%	\$5,645.28	43%	\$3,217.81
\$5,760.00	13%	\$5,011.20	51%	\$2,480.54

Local Income Survey

Sub Type: A 2Br/1

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$10,080.00	2%	\$9,878.40	40%	\$5,927.04
\$10,044.00	10%	\$9,039.60	38%	\$5,635.29
\$9,840.00	0%	\$9,839.02	33%	\$6,592.14
\$9,708.00	0%	\$9,707.03	33%	\$6,503.71
\$9,660.00	13%	\$8,404.20	30%	\$5,882.94
\$9,540.00	23%	\$7,345.80	44%	\$4,113.65
\$9,540.00	18%	\$7,822.80	47%	\$4,146.08
\$9,468.00	5%	\$8,994.60	30%	\$6,296.22
\$9,300.00	18%	\$7,626.00	51%	\$3,744.37
\$9,300.00	15%	\$7,905.00	52%	\$3,810.21
\$9,090.00	7%	\$8,453.70	0%	\$8,452.85
\$8,916.00	10%	\$8,068.98	49%	\$4,147.46
\$8,700.00	11%	\$7,769.10	61%	\$3,029.95
\$8,580.00	1%	\$8,532.81	0%	\$8,532.72
\$8,340.00	10%	\$7,506.00	35%	\$4,878.90
\$7,872.00	10%	\$7,084.80	51%	\$3,506.98
\$7,860.00	5%	\$7,467.00	35%	\$4,853.55
	0%		50%	
	5%		46%	

Local Income Survey

Sub Type: A 2Br/2

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$10,620.00	10%	\$9,558.00	38%	\$5,958.46
\$10,032.00	0%	\$10,031.00	0%	\$10,029.99
\$9,450.00	7%	\$8,788.50	0%	\$8,787.62
\$9,420.00	11%	\$8,412.06	61%	\$3,280.70
\$8,666.67	8%	\$7,973.33	42%	\$4,624.53

Local Income Survey

Sub Type: A 3Br

PGI per Unit	Vacancy	EGI per Unit	Expense %	NOI per Unit
\$12,317.28	10%	\$11,085.55	38%	\$6,910.73
\$11,340.00	13%	\$9,865.80	30%	\$6,906.06
\$9,842.14	11%	\$8,789.03	61%	\$3,427.72
\$9,780.00	50%	\$4,890.00	0%	\$4,889.95
\$9,768.00	25%	\$7,326.00	49%	\$3,765.56

Tax Year 2016
Apartments
Sales from 01/1/2012 - 03/31/2015

No.	Neighborhood	PC	Account Number	Project Name	Units	Excise	VC	Sales Date	Sale Price	2016 Assessed Value	Ratio
1	9100541	137	3804-008-004-0209	OLYMPIC COURT WEST APTS	50	2012EX07253	V	12/07/12	\$ 2,300,000	\$ 2,208,250	96%
2	8100502	134	3719-001-020-0505	Bayview West Apts 020-05 & 023-03 (parking)	24	2013EX02293	W	04/15/13	\$ 1,297,600	\$ 1,260,510	99%
		460	3719-001-023-0304							\$ 27,820	
3	9100541	134	132401-2-064-2001	Pacific Terrace Apartments	22	2014EX02099	V	04/09/14	\$ 1,065,000	\$ 1,092,770	103%
5	9100541	135	152401-3-049-2007	Marion Court Apartments	35	2014EX06773	V	10/13/14	\$ 2,450,000	\$ 2,168,650	89%

VC	Validity Code	Neighborhood
V	Valid	8100502 - West Bremerton
W	With other property	9100541 - West Bremerton Uplands Cit-COM

PC	Property Class
134	20-29 Units
135	30-39 Units
137	50+ Units
460	Parking

Count: 4
Lowest: 89%
Highest: 103%
Median Ratio: 98%
Mean Ratio: 97%
Average Dev: 0.04
C.O.D. 4.49