Commercial Benchmarks

Joe Hapgood, CAE
David Tinsley
Steve Storff
Dale Alyea

About Our Panel of Experts

- 81 years of combined valuation experience
- Willingness to share information and knowledge with each of you
- Opportunity today to ask questions and learn from “the experts”
- Introduction of panelists

David Tinsley

- Cleveland County Assessor
- Has served a total of 29 years in the Assessor's Office
- Recently Appointed Assessor upon Denise Heavner's retirement
- Member of IAAO since 1987
- Past President of Oklahoma Chapter, IAAO
- Current Oklahoma Representative for IAAO

David Tinsley

- IAAO Accredited with over 300 classroom hours
- State Advanced Accreditation
- Holds a Certified Senior Inspector license from the National Association of Property Inspectors
- Hobbies include golf and reading westerns

Steve Storff

- Chief Commercial Appraiser, Oklahoma County Assessor's Office
- Hired in October, 1983 by George Keyes & Jeff Spelman (Almost 26 years experience)
- Assigned to Commercial Dept. throughout career with the County
- Has served as supervisor of CM dept. since June, 1995

Steve Storff

- Duties include inspection and appraisal of various classes of CM property
- Okla. County has about 21,000 CM/Industrial parcels, broken into about 100 different classifications
- Steve has lived in N.E. OKC for most of his life (Jones H.S. Graduate, 1975)
- Married to his wife Loretta for 25 years

Steve Storff

- Steve has three daughters, Erin (21), who has a daughter of her own (MaKenzi), and twins Alison and Lindsay (17)
- He enjoys “Hacking away at the golf ball” (Direct quote– Hey, at least he’s *honest* about it!)
- Daughter Alison barrel races and keeps them busy with that sport
- Granddaughter MaKenzi is great fun also!

Dale Alyea

- Chief Commercial Appraiser, Tulsa County
- Learned to appraise single family homes and condominiums in South Orange County California in the early eighties
- After moving to Oklahoma in 1988, worked as a fee appraiser for the Oklahoma Appraisal Company, before coming to work for the Tulsa County Assessor's Office in June 1989

Dale Alyea

- As an appraiser for Tulsa County, collected residential data for about a year before becoming a member of the residential land crew
- In 2004 transferred to the Commercial Department and in 2005 became the department supervisor

Dale Alyea

- Oklahoma State Certified Residential Appraiser
- Has taken 9 IAAO classes to date
- Hobbies: Coin collecting, playing poker and avoiding yard work
- *Question to Dale: Do you collect the coins from the people you play poker with?*
- *Comment: Avoiding yard work is one of my favorite hobbies also!*

Commercial Property Statistics

- Commercial property represents only 124,033 of 2,125,766 total parcels in the state, or 5.83% of overall parcels (RS, AG, CM Locally Assessed)
- However, Commercial property represents $4.025 billion of 17.48 billion total, or 23.03% of overall value (RS, AG, CM Locally Assessed)
- Significant from a value standpoint
- Need to make efforts to improve valuation of commercial property

Commercial Benchmarks

- What is a “Benchmark?” (Webster’s)
  - A point of reference from which measurements may be made
  - Something that serves as a standard by which others may be measured or judged
  - A standardized problem or test that serves as a basis for evaluation or comparison

Scope of Class

- Assembled panel of experts from three large counties where commercial market data is more plentiful
- Will share information on typical commercial properties prevalent in many counties

Scope of Class

- Goal is to give some “rules of thumb” for comparison purposes
- Can use to see if commercial values you have established make sense in relation to “Benchmarks”

Scope of Class

- We'll cover several types of commercial property:
- Fast Food
  - McDonald's
  - Sonic
- Motels
  - Independents
  - Lower End Chain
  - Mid-Level Chain

Scope of Class

- Apartments
  - Low Quality
  - Mid-Range
- Convenience Stores
  - Independents
  - Mid-Range Chain

Scope of Class

- “Top Ten” Lists:
- Top ten things to watch out for when reviewing taxpayer income/expense data
- Top ten things to focus on when reviewing a commercial appraisal
- Top ten reasons to adjust a commercial value

Fast Food Benchmarks

Fast Food Benchmarks

- Franchise cost and site data
- Franchise expense data (initial and ongoing royalty and advertising)
- Use as quick check of RCN numbers from CAMA system for Cost Approach
- Keep franchise expense data available to refer to when reviewing taxpayer income/expense information for accuracy

Fast Food Franchise Cost Data

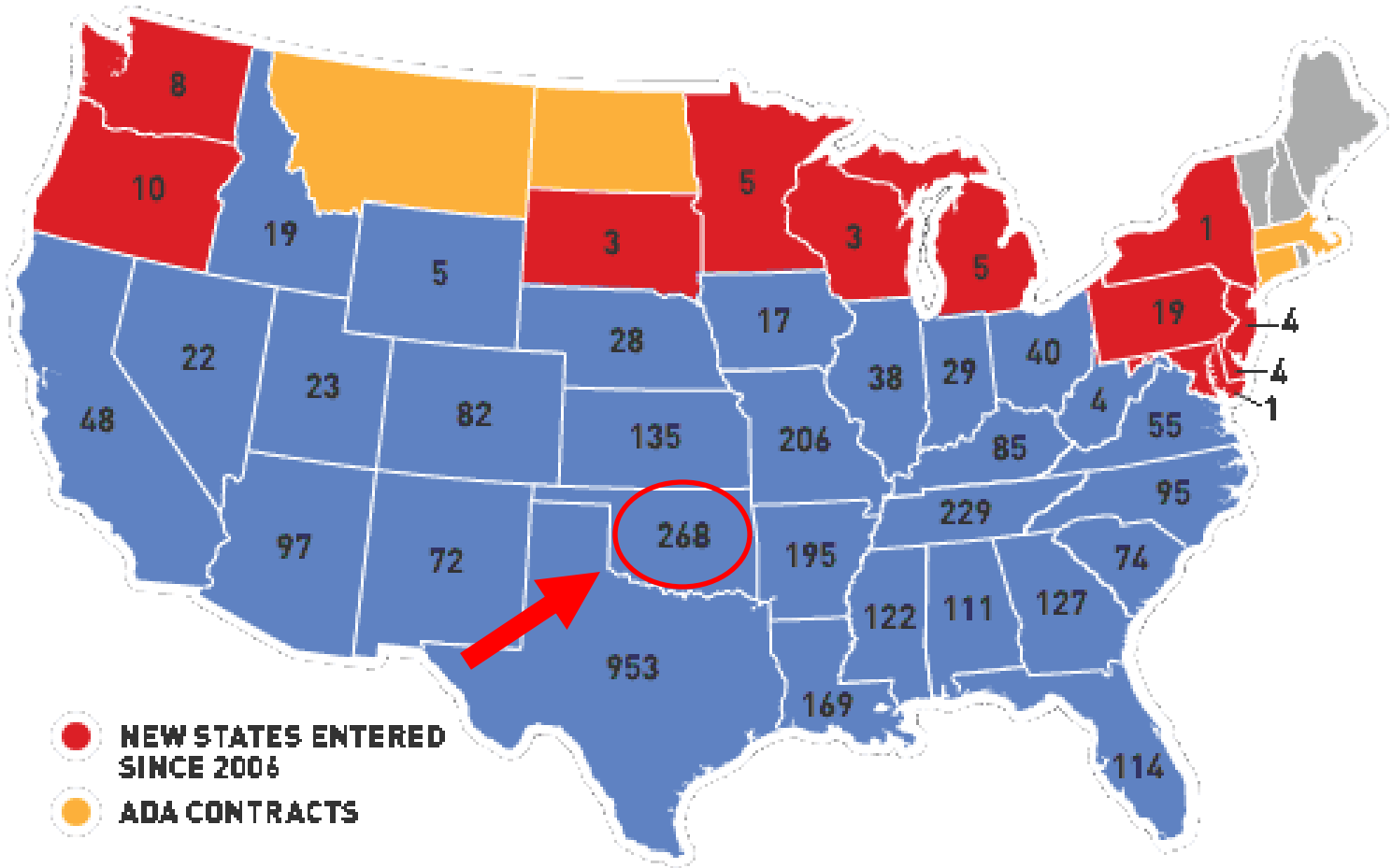
- Multitude of data available on Internet
- Franchise sections of corporate web sites
- Information Available on:
  - Typical site requirements
  - Typical building size, cost ranges
  - personal property costs
  - Other expense information relevant to valuation

Why Consult Franchise Info.?

- Quick “down & dirty” check of cost data for use in cost approach to value
- “Benchmark” for comparison to your RCN figures and values for real and personal property
- Can compare your figures to typical ranges for real and personal property to see if they make sense

Sonic Locations

- There are 268 Sonics in Oklahoma



The above map highlights states where Sonic Drive-Ins are located as of May 31, 2009.

Sonic Cost Data

- Web Address: http://www.sonicdrivein.com/business/franchise/own.jsp
- Franchise Terms
  - 20 years, plus 10-year renewal
  - Franchise fee of $45,000
  - Royalty fees 4% - 5%
  - Advertising fees 5.9%

Sonic Cost Data

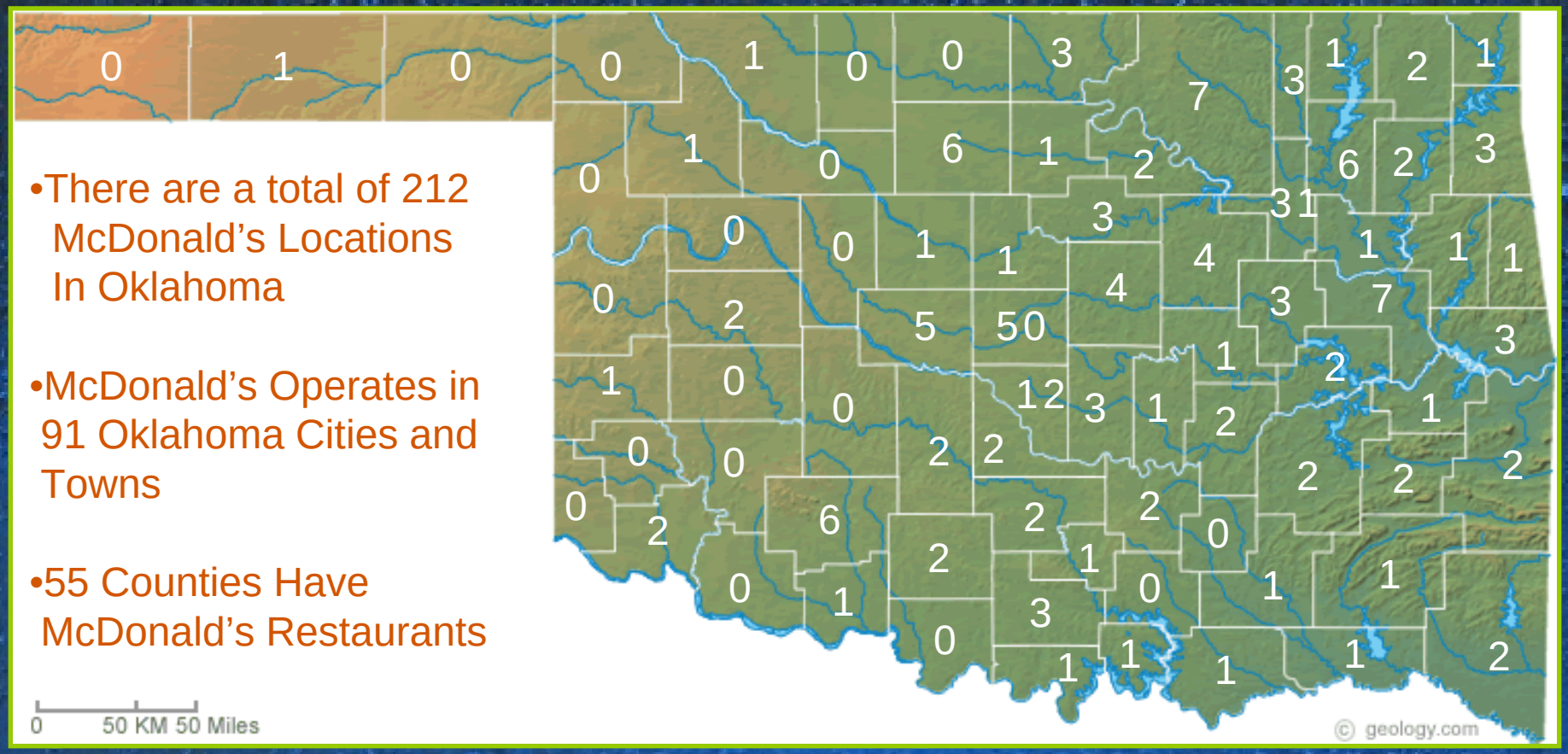
- Total initial investment ranging from $710,000 to $3,000,000
- Costs in more rural counties would tend toward the low end of this range ($710,000)
- Includes initial franchise fee, construction costs, landscaping, initial stock, personal property, equipment

Sonic Cost Data

- Typical Sonic layout with 24 to 36 stalls requires a site of approximately ¾ acre

McDonald's Locations

- Numbers By County:



- There are a total of 212 McDonald's Locations In Oklahoma
- McDonald's Operates in 91 Oklahoma Cities and Towns
- 55 Counties Have McDonald's Restaurants

0 50 KM 50 Miles

McDonalds Cost Data

- http://www.aboutmcdonalds.com/mcd/franchising/us_franchising/purchasing_your_franchise/new_restaurants.html
- Franchise terms
  - 25 years
  - Franchise fee of $45,000
  - Service Fee of 4% of monthly sales
  - Monthly base rent or rent based on percentage of monthly sales

McDonalds Cost Data

- Total initial investment costs from $950,900 to $1,797,700
- Size of restaurant facility, pre-opening expenses, inventory, selection of kitchen equipment, signage, style of décor and landscaping affect new restaurant costs
- Low end of range good starting point for smaller rural locations ($950,900)
- Costs above are building AND personal property, also initial franchise cost

McDonalds Cost Data

- 35,000 square feet minimum site size
- Typical site is around 50,000 square feet +/-
- Require corner or corner wrap with signage on two major streets
- Signalized intersection
- Ability to build up to 4,500 square feet of building at any time
- Parking to meet all applicable codes
- Ability to build to a minimum height of 23’-4”

McDonald's Site Plan:

KFC Cost Data

- http://www.yumfranchises.com/fran_process/kfc_worksheet.asp?brand=kfc

KFC Site Information

- Typical Site Size:
  - 150-175 Wide
  - 175-200 Deep
- Well-traveled, major street
- Good ingress, egress

KFC Cost Data

• Initial Franchise Fee	$45,000
• Development Service Fee	(Varies)
• Real Property	$400K-$1M
• Construction & Leasehold Improvements	$575K-$915K
• Equipment/Signage	$216K-$366K
• Opening Advertising	$5,000

KFC Cost Data

• Opening Inventory	$10,000
• Utility Deposits & Business Licenses	$7,000
• Initial Training	$3,900-$10K
• Misc. Opening Costs	$5,000-$15K
• Additional Funds (3 mos.)	$13K-$18K
• **TOTAL**	**$1.379M-$2.391M**

Long John Silvers & Taco Bell Cost Data

- Available on YUM brands web site also
- Very similar to KFC costs (only slight variance)
- Similar site requirements also

Fast Food Market Data

- Cleveland County Data Summary:
- Typical expense ratio of around 25%
- Cap rates ranged from 9% - 9.5%
- Personal Property 30% - 40% of real property

Fast Food Market Data

- Cleveland County Fast Food Market Data:
- Total of Three Sales
- Range, Total Sales Price: $400,000 To $700,000
- Range, Sale Price Per Foot GFA $127.00 To $276 / Sq. Ft.

Fast Food Market Data

- Cleveland County Fast Food Market Data:
- Median Sales Price, All Sales: $526,000
- Range In Square Foot of GFA: 2,529 to 3,209 Sq. Ft.
- Median Price Per Square Foot of GFA $180 / Sq. Ft.
- Ages of Imps. 34, 33, and 6 Years Old (Both older properties have been remodeled)

Fast Food Market Data

- Oklahoma County Data Summary:
- Cap rate range is from 9.2 to 11.2
- Sales are mainly independents and former chain buildings

Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Independents & Former Chain Buildings*
- Total of 33 Sales
- Range, Total Sales Price: $35,000 To $1,185,000
- Range, Sale Price Per Foot GFA $26.02 To $398.19 / Sq. Ft.

Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Independents & Former Chain Buildings*
- Median Sales Price, All Sales: $300,000
- Range In Square Foot of GFA: 830 to 3,959 Sq. Ft.
- Median Price Per Square Foot of GFA $143.56 / Sq. Ft.
- Median Age of Improvements: 30 Years Old (Built 1979)

Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Chain Buildings*
- Total of 26 Sales
- Range, Total Sales Price: $220,000 To $1,755,000
- Range, Sale Price Per Foot GFA $90.13 To $762.34 / Sq. Ft.

Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Chain Buildings*
- Median Sales Price, All Sales: $454,500
- Range In Square Foot of GFA: 1,166 to 5,590 Sq. Ft.
- Median Price Per Square Foot of GFA $224.86 / Sq. Ft.
- Median Age of Improvements: 21 Years Old (Built 1988)

Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Drive-Ins, **Former** Chains (Sonic, Del Rancho)*
- Total of 7 Sales
- Range, Total Sales Price: $36,500 To $173,800
- Range, Sale Price Per Foot GFA $33.86 To $151.13 / Sq. Ft.

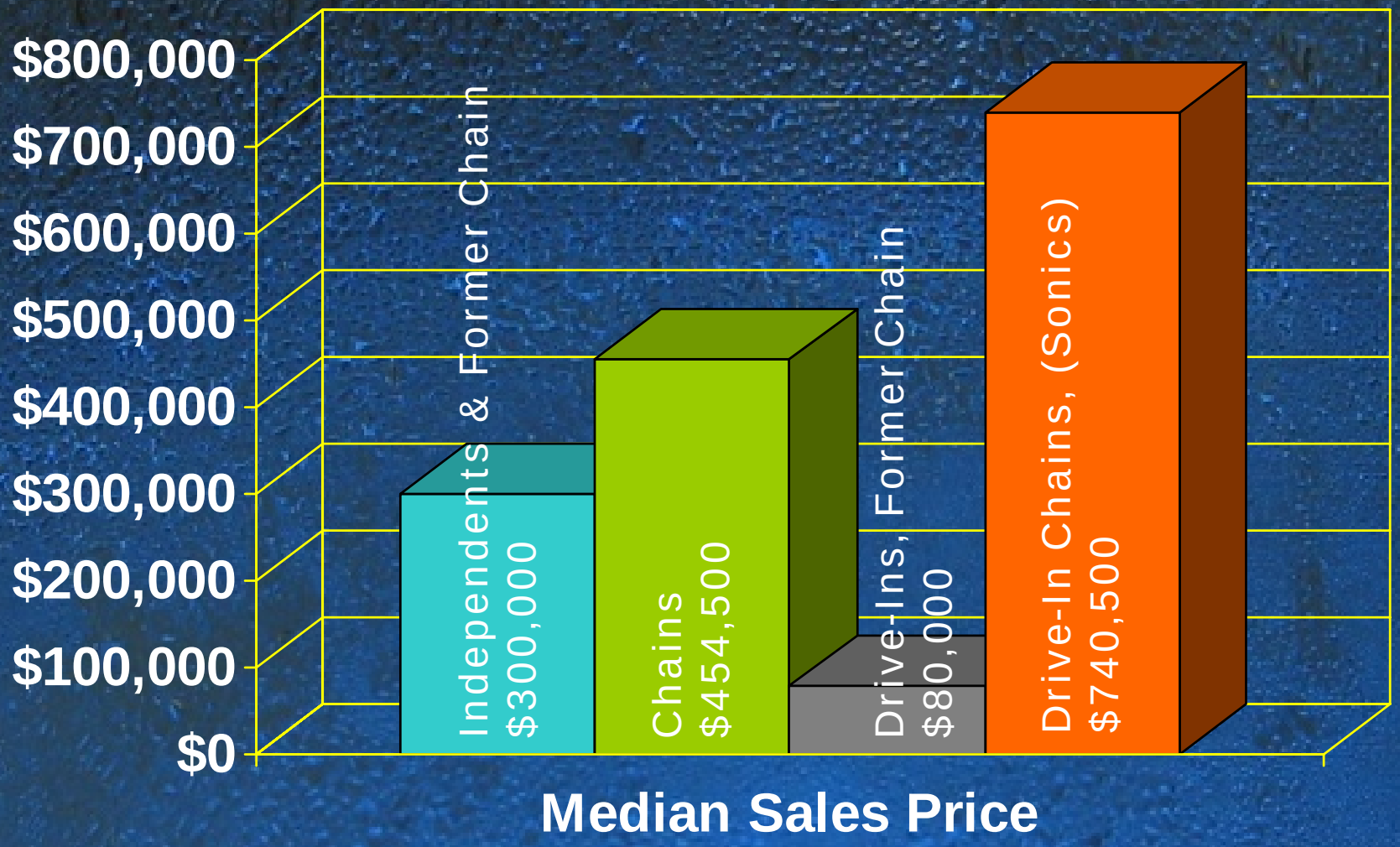
Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Drive-Ins, **Former** Chains (Sonic, Del Rancho)*
- Median Sales Price, All Sales: $80,000
- Range In Square Foot of GFA: 512 to 1,192 Sq. Ft.
- Median Price Per Square Foot of GFA $87.89 / Sq. Ft.
- Median Age of Improvements: 35 Years Old (Built 1974)

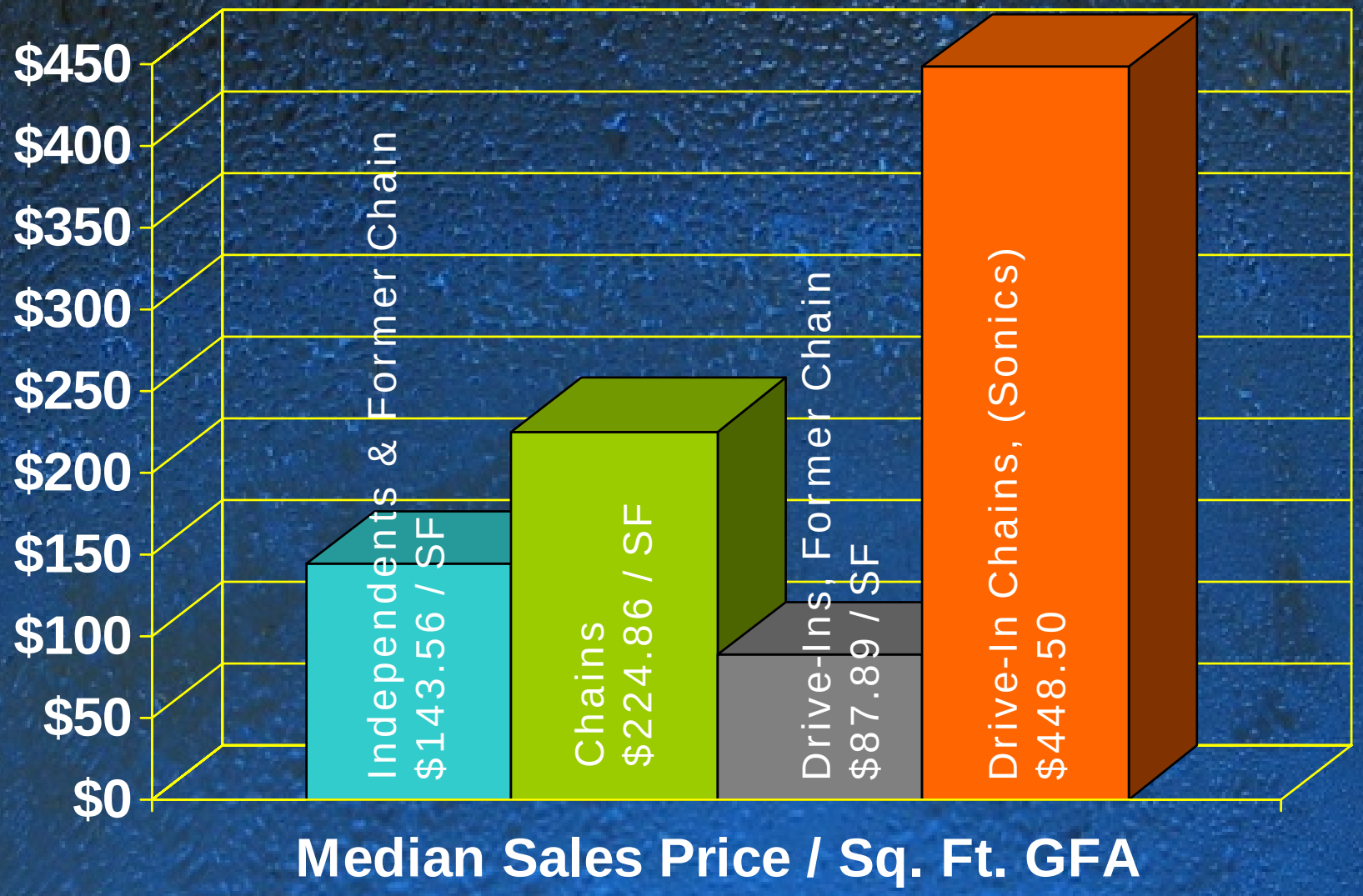
Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Drive-In Chains (Sonic)*
- Total of 7 Sales
- Range, Total Sales Price: $200,000 To $985,000
- Range, Sale Price Per Foot GFA $181.82 To $691.71 / Sq. Ft.

Oklahoma County Fast Food Median Sales Price Comparison Stratified By Property Type:



Oklahoma County Fast Food Median Sales Price/Sq.Ft. GFA Comparison Stratified By Property Type:



Fast Food Market Data

- Oklahoma County Fast Food Market Data:
- *Drive-In Chains, (Sonic)*
- Median Sales Price, All Sales: $740,500
- Range In Square Foot of GFA: 1,100 to 1,767 Sq. Ft.
- Median Price Per Square Foot of GFA $448.50 / Sq. Ft.
- Median Age of Improvements: 13 Years Old (Built 1996)

Fast Food Market Data

- Tulsa County Data Summary:
- Leases for fast food properties, typically are triple net. This means expense to the owner is limited.
- Some vacancy and collection loss at two to three percent should be allowed and from three to five percent for management expense.
- Overall cap rate of 8.5% to 10% would depend on location, age, condition and other risk factors associated with the subject property.

Fast Food Market Data

- Tulsa County Data Summary, Continued:
- In the vast majority of appeals involving fast food properties, the sale of other fast food properties was deemed to be the most reliable indicator of value.
- The cost approach was done to support the sales comparison approach; however, if the property was new, just one to four years old, the cost approach often provided the best indication of value.

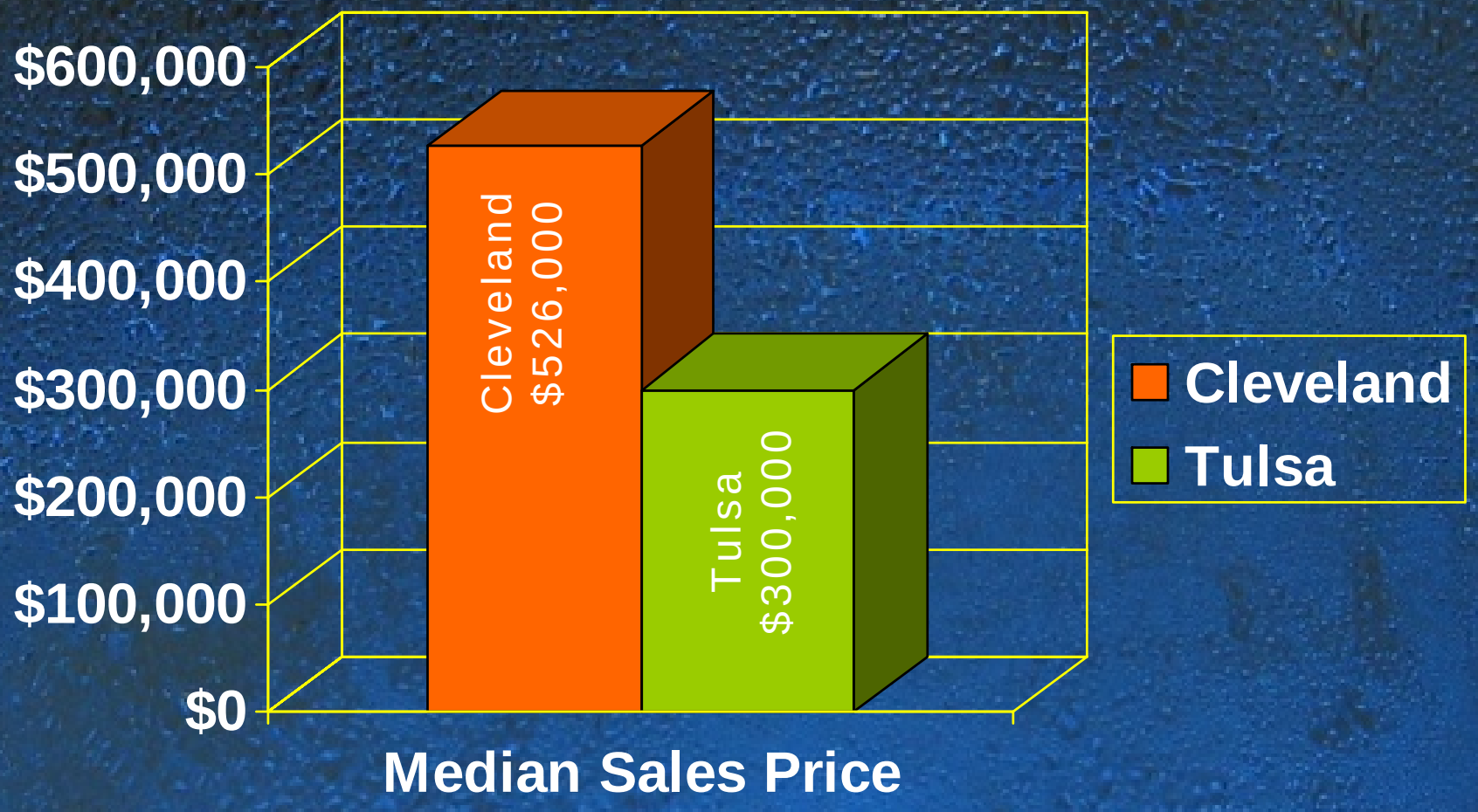
Fast Food Market Data

- Tulsa County Fast Food Market Data:
- Total of 11 Sales
- Range, Total Sales Price: $175,000 To $1,450,000
- Range, Sale Price Per Foot GFA $60.48 To $532.02 / Sq. Ft.

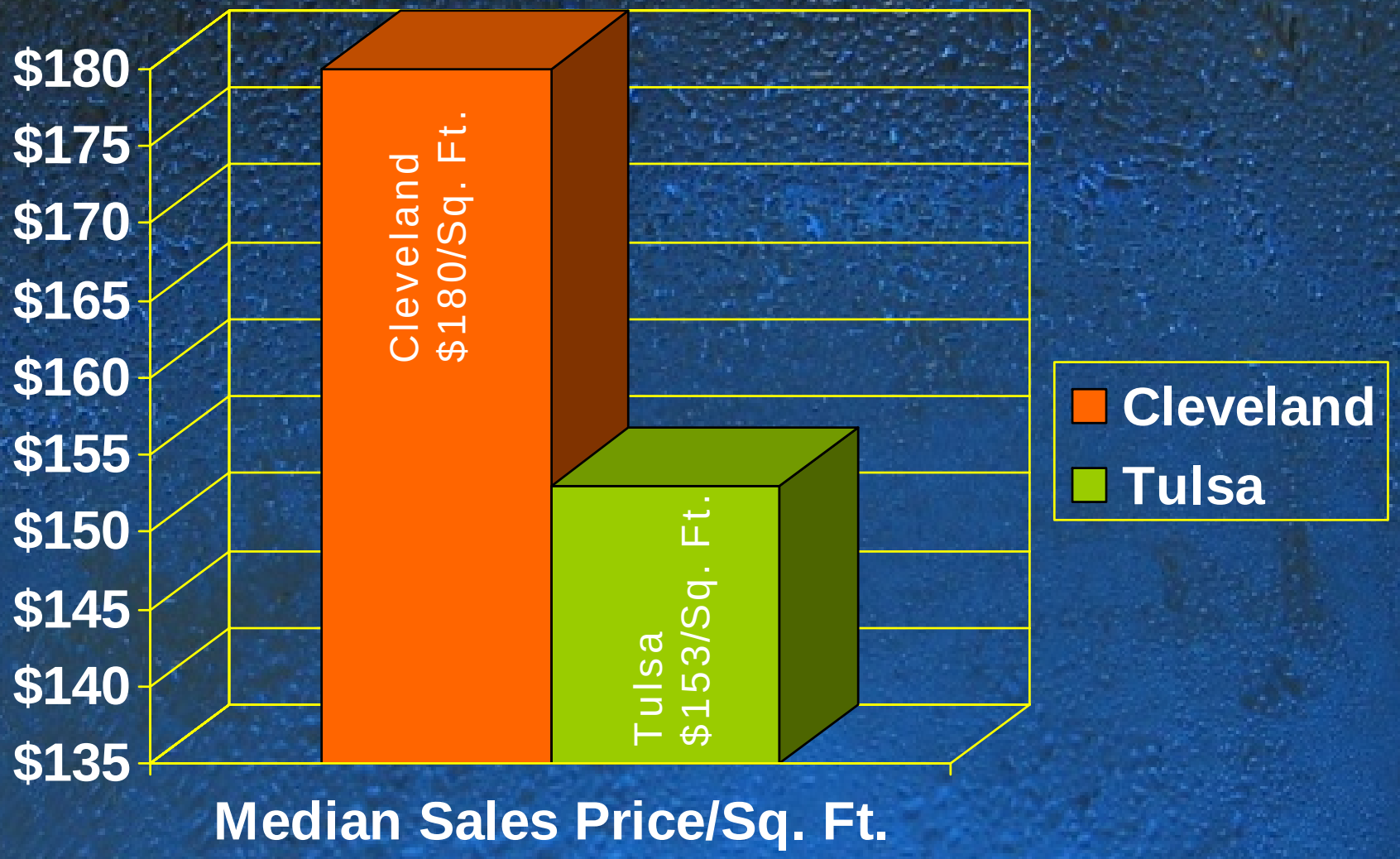
Fast Food Market Data

- Tulsa County Fast Food Market Data:
- Median Sales Price, All Sales: $300,000
- Range In Square Foot of GFA: 1,184 to 11,416 Sq. Ft.
- Median Price Per Square Foot of GFA $152.59 / Sq. Ft.
- Median Age of Improvements: 25 Years Old

Fast Food, Tulsa/Cleveland County Median Sales Price Comparison:



Fast Food Median Sales Price Per Sq. Ft. Of GFA Comparison Tulsa & Cleveland Counties:



Main Appraisal Issues, Fast Food

- Panelist comments on main fast food valuation issues
- Field questions from class

Motel / Hotel Benchmarks

Motel / Hotel Market Data

- Cleveland County Data Summary:
- Expense ratios 50% - 60%
- Occupancy ranges 35% - 40%
- Cap rates 9.5% - 10%
- Personal property 10% - 15% of real property

Hotel / Motel Market Data

- Cleveland County Hotel / Motel Market Data:
- Total of 1 Sale (Days Inn Built 1983)
- Total Sales Price: $3,350,000
- Sales Price Per Room: $46,527
- Sale Price Per Foot GFA $137.85 / Sq. Ft. (Total Square Footage of 24,302)

Hotel / Motel Market Data

- Cleveland County Hotel / Motel Market Data, Days Inn Sale:
- Total Number of Rooms: 72 Rooms
- Age : 26 Years Old

Motel / Hotel Market Data

- Oklahoma County Data Summary:
- Expense ratios range from 55% to 65%
- Occupancy rates range from 55% to 75%
- Capitalization rates range from 9% to 11%
- Personal property ratio to real property ranges from 6% to 8%

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Independents***:
- Total of 6 Sales
- Range Of Sales Prices: $300,000 To $1,425,000
- Range Of Sales Prices Per Room: $22,826 To $40,714
- Range Of Sales Prices Per Foot GFA $38.14 To $78.18 / Sq. Ft.

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Independents***:
- Median Sales Price: $782,500
- Median Sales Price Per Room: $25,771
- Median Sales Price Per Sq. Ft. Of GFA: $51.58 / SF

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Independents***:
- Range in Number of Rooms: 13 To 50 Rooms
- Median Number of Rooms: 30 Rooms
- Range In Square Footage: 6,146 To 29,092 Sq. Ft.
- Median Square Footage: 18,222 Sq. Ft.
- Age Range: 25 To 55 Years Old
- Median Age: 37 Years Old (Built 1972)

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Lower End Chain***:
- Total of 14 Sales
- Range Of Sales Prices: $514,000 To $5,220,000
- Range Of Sales Prices Per Room: $6,425 To $40,536
- Range Of Sales Prices Per Foot GFA $20.10 To $105.66 / SF

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Lower End Chain***:
- Median Sales Price: $2,837,500
- Median Sales Price Per Room: $25,684
- Median Sales Price Per Sq. Ft. Of GFA: $62.60 / SF

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Lower End Chain***:
- Range in Number of Rooms: 50 To 187 Rooms
- Median Number of Rooms: 82 Rooms
- Range In Square Footage: 19,168 To 118,338 Sq. Ft.
- Median Square Footage: 34,967 Sq. Ft.
- Age Range: 5 To 55 Years Old
- Median Age: 36 Years Old (Built 1973)

Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Mid-Level Chain***:
- Total of 12 Sales
- Range Of Sales Prices: $1,780,000 To $8,618,000
- Range Of Sales Prices Per Room: $29,500 To $103,831
- Range Of Sales Prices Per Foot GFA $43.29 To $92.42 / SF

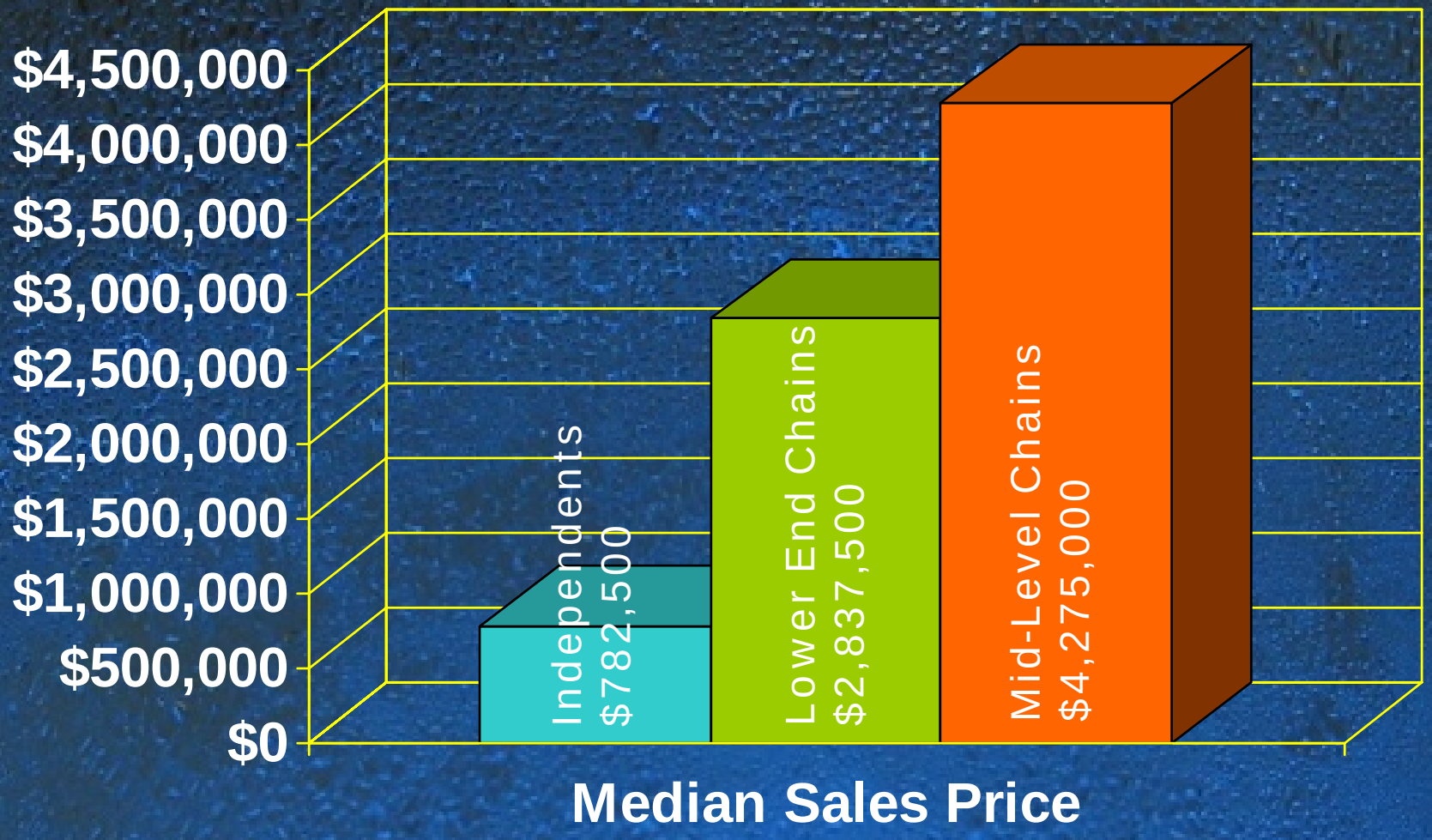
Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Mid-Level Chain***:
- Median Sales Price: $4,275,000
- Median Sales Price Per Room: $52,276
- Median Sales Price Per Sq. Ft. Of GFA: $59.27 / SF

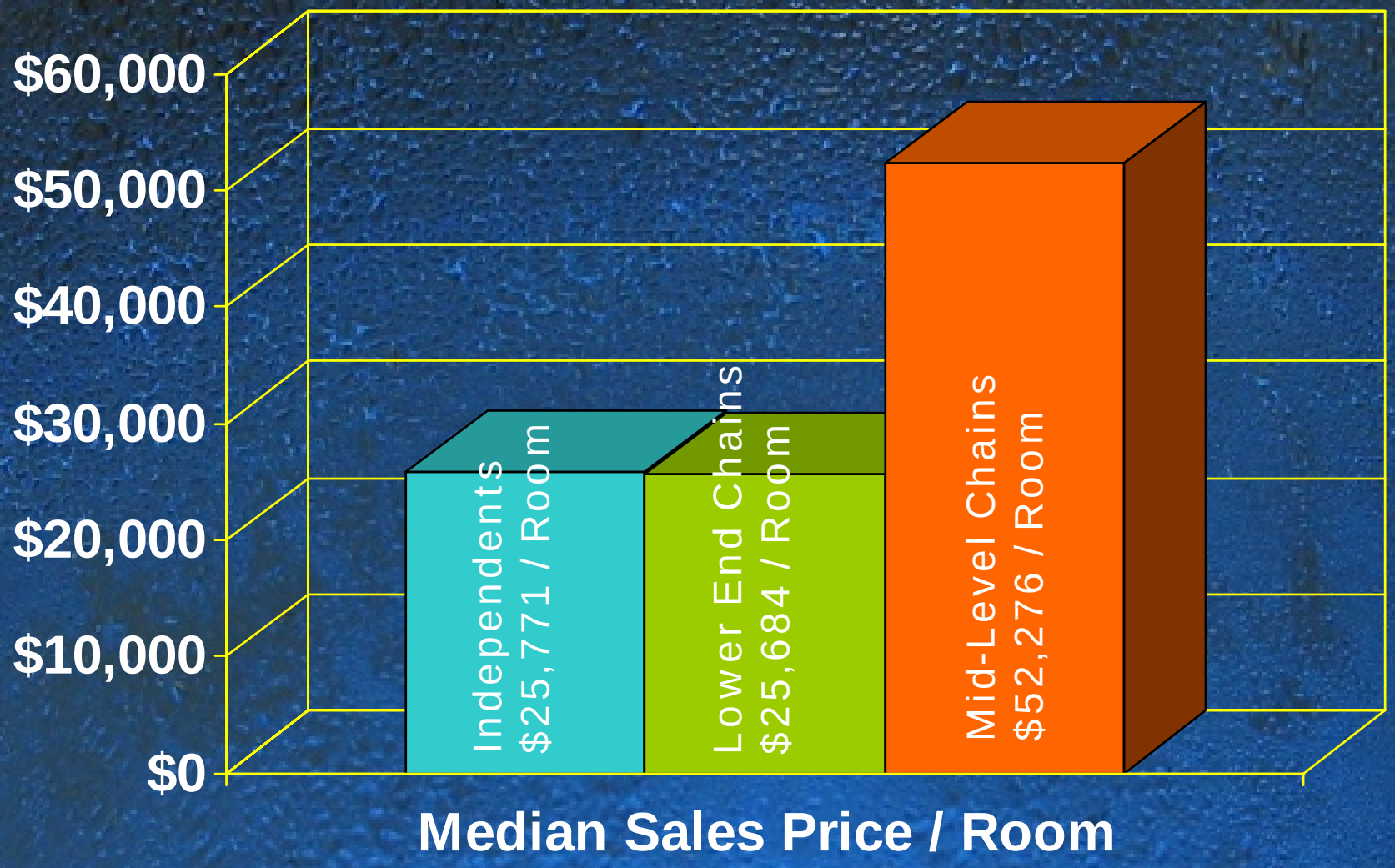
Hotel / Motel Market Data

- Oklahoma County Hotel / Motel Market Data, ***Mid-Level Chain***:
- Range in Number of Rooms: 41 To 200 Rooms
- Median Number of Rooms: 77 Rooms
- Range In Square Footage: 30,837 To 126,832 Sq. Ft.
- Median Square Footage: 41,506 Sq. Ft.
- Age Range: 1 To 49 Years Old
- Median Age: 12 Years Old (Built 1997)

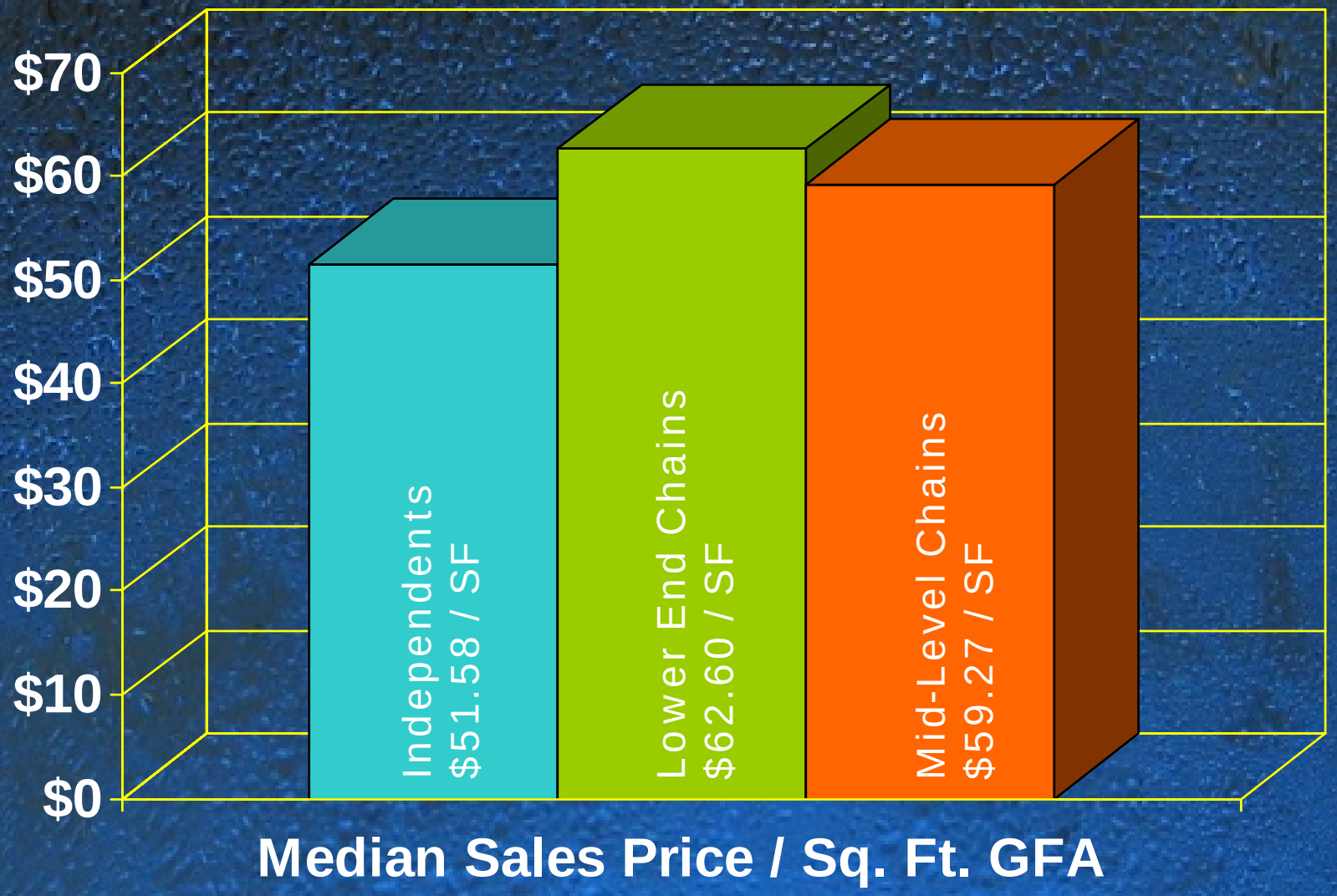
Oklahoma County Hotel/Motel Median Sales Price Comparison Stratified By Property Type:



Oklahoma County Hotel/Motel Median Sales Price/Room Comparison Stratified By Property Type:



Oklahoma County Hotel/Motel Median Sales Price/SF of GFA Comparison Stratified By Property Type:



Motel / Hotel Market Data

- Tulsa County Data Summary:
- For independent and lower end chain type hotels, the total of fixed and variable expenses ranged between 65% and 80% of the effective gross income
- Expenses for mid-level hotels typically ran between 70% and 85% percent of the EGI
- The overall cap rate in 2009 was between 9% and 10.5%

Hotel / Motel Market Data

- Tulsa County Hotel / Motel Market Data:
- Total of 25 Sales
- Range Of Sales Prices: $850,000 To $24,500,000 (High Is An Excellent Quality Embassy Suites Hotel)
- Range Of Sales Prices Per Room: $9,635 To $100,410 (Embassy Suites)
- Range Of Sales Prices Per Foot GFA $13.87 To $146.61 / Sq. Ft. (Fairfield Inn)

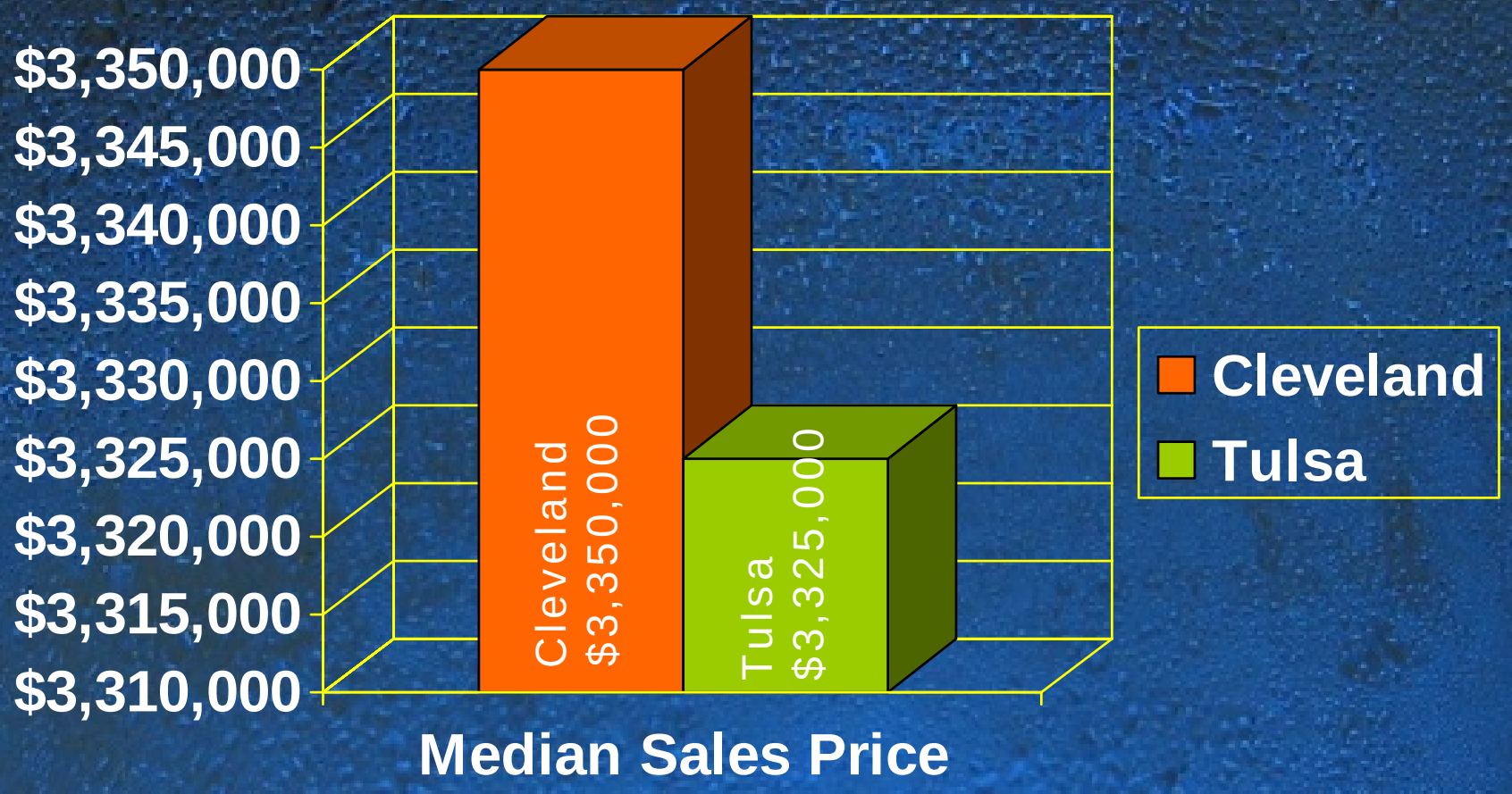
Hotel / Motel Market Data

- Tulsa County Hotel / Motel Market Data:
- Median Sales Price: $3,325,000
- Median Sales Price Per Room: $32,921
- Median Sales Price Per Sq. Ft. Of GFA: $79.67

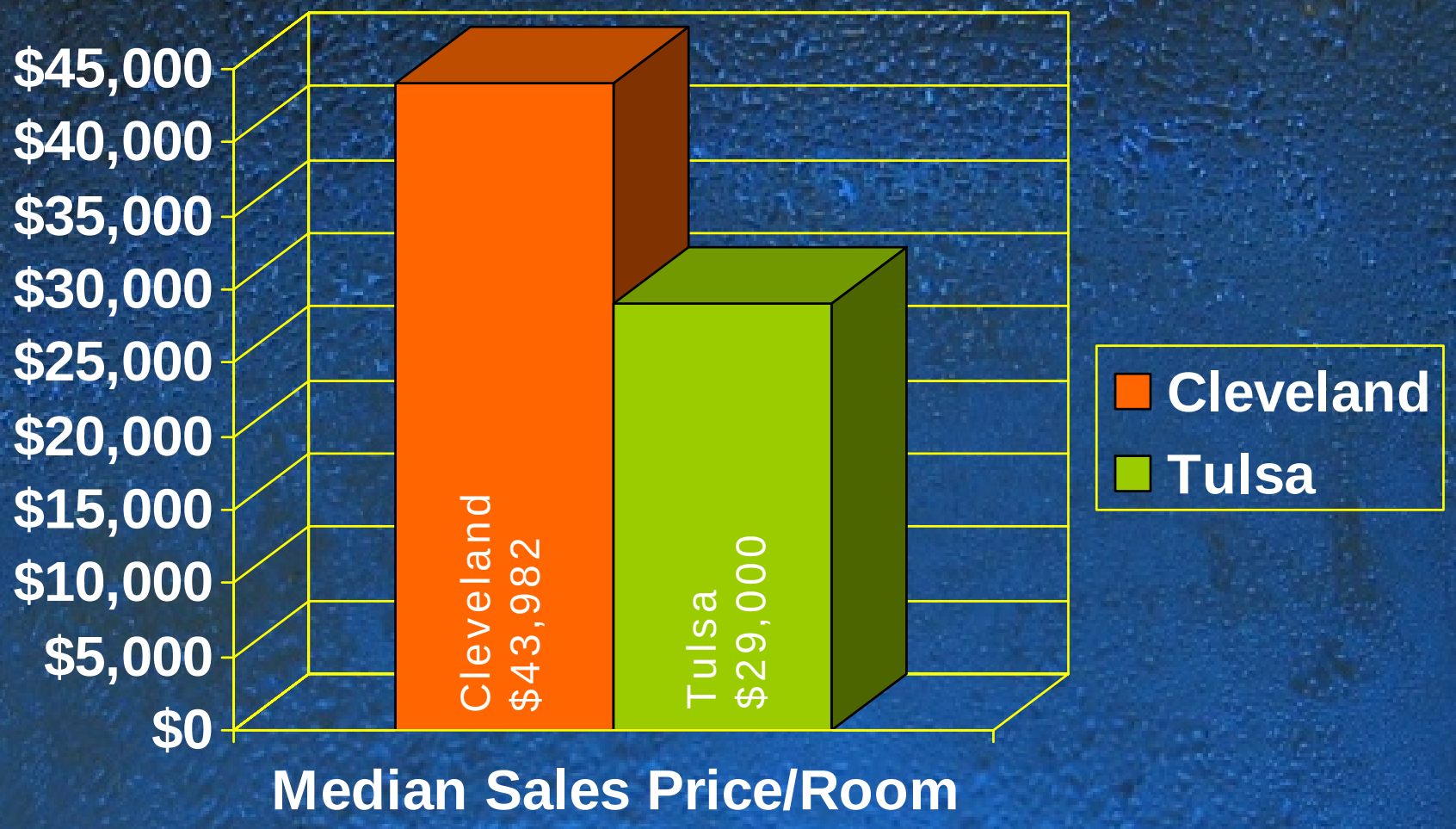
Hotel / Motel Market Data

- Tulsa County Hotel / Motel Market Data:
- Range in Number of Rooms: 44 To 462 Rooms
- Median Number of Rooms: 101 Rooms
- Range In Square Footage: 23,146 To 367,681 Sq. Ft.
- Median Square Footage: 41,734 Sq. Ft.
- Age Range: 6 To 43 Years Old
- Median Age: 26 Years Old (Built 1983)

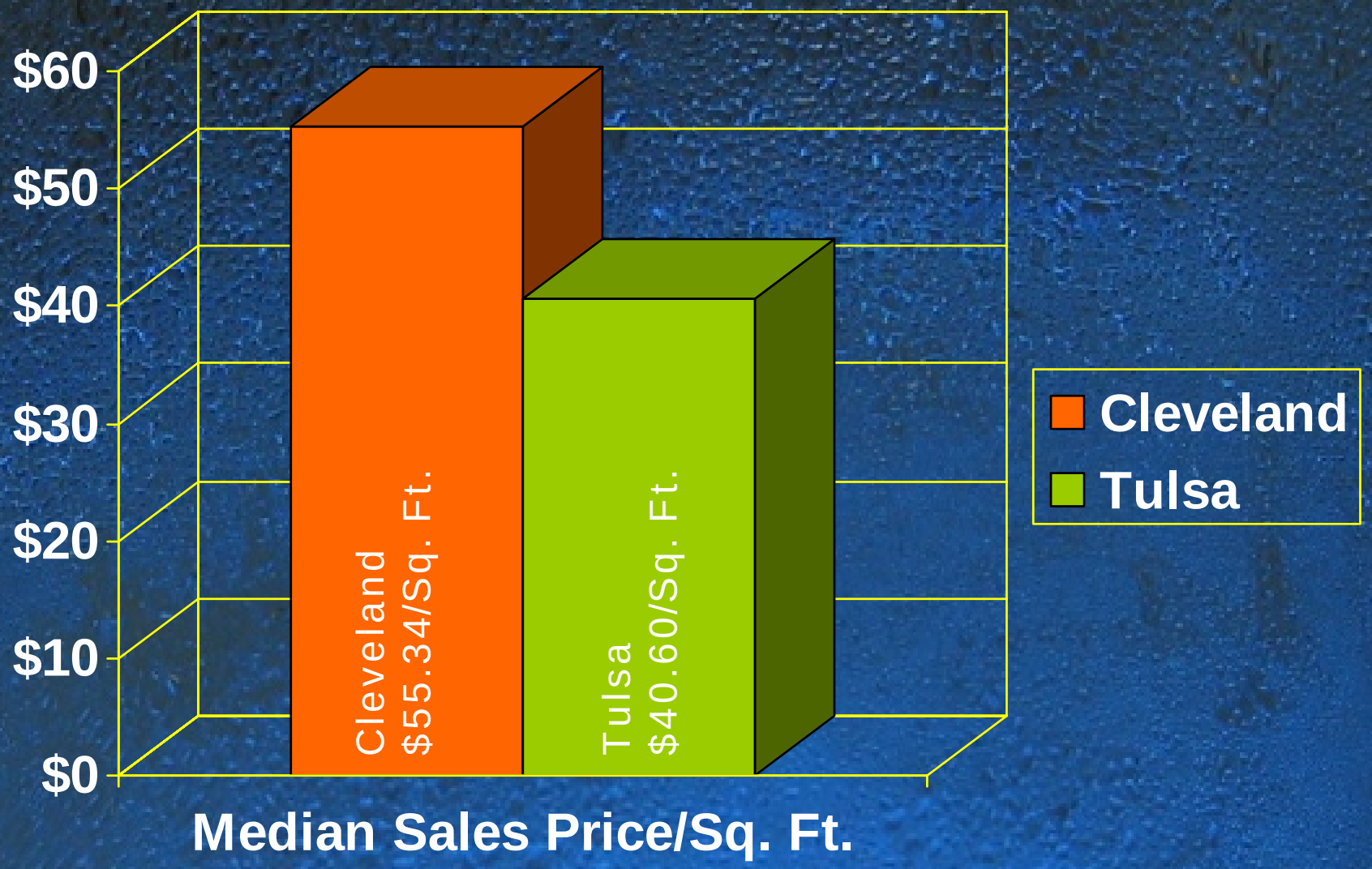
Hotel / Motel
Median Sales Price Comparison
Tulsa/Cleveland Counties:



Hotel / Motel, Median Sales Price Per Room Comparison Tulsa/Cleveland Counties:



Hotel / Motel, Median Sales Price Per Sq. Ft. Of GFA Comparison Tulsa/Cleveland Counties:



Main Appraisal Issues, Motels

- Panelist comments on main motel / hotel valuation issues
- Field questions from class

Apartment Benchmarks

Apartment Market Data

- Cleveland County Data Summary:
- Expense ratios 45% - 55%
- Cap rates 10% - 10.5%

Apartment Market Data

- Cleveland County Apartment Market Data:
- Total of 10 Sales
- Range, Total Sales Price: $1,175,000 To $15,229,000
- Range, Sales Per Unit: $24,576 To $60,432 / Unit
- Range, Sales Price Per Foot GFA $35.37 To $70.22 / Sq. Ft.

Apartment Market Data

- Cleveland County Apartment Market Data:
- Median Sales Price: $5,000,000
- Median Sales Price Per Unit: $43,982
- Median Sales Price Per Sq. Ft. Of GFA: $55.34

Apartment Market Data

- Cleveland County Apartment Market Data:
- Range in Number of Units: 32 To 304 Units
- Median Number of Units: 105 Units
- Range In Square Footage: 32,184 To 261,830 Sq. Ft.
- Median Square Footage: 101,535 Sq. Ft.
- Age Range: 15 To 66 Years Old (66 Year Old Property Remodeled in 2000)
- Median Age: 29 Years Old (Built 1980)

Apartment Market Data

- Oklahoma County Data Summary:
- Expense ratios 45% to 60%
- Cap rates 9.2 to 11.2

Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1960-1979*** :
- Total of 99 Sales
- Median Sales Price: $2,000,000
- Median Sales Price Per Unit: $26,190
- Median Sales Price Per Sq. Ft. Of GFA: $33.33
- Median Personal Property Value $17,318, Or $225/Unit

Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1960-1979***:
- Range in Number of Units: 10 To 799 Units
- Median Number of Units: 96 Units
- Range In Square Footage: 5,440 To 643,141 Sq. Ft.
- Age Range: 30 To 49 Years Old
- Median Age: 38 Years Old (Built 1971)

Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1980's*** :
- Total of 14 Sales
- Median Sales Price: $6,178,250
- Median Sales Price Per Unit: $34,412
- Median Sales Price Per Sq. Ft. Of GFA: $41.97
- Median Personal Property Value $72,304, Or $366/Unit

Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1980's***:
- Range in Number of Units: 8 To 498 Units
- Median Number of Units: 172 Units
- Range In Square Footage: 6,648 To 362,079 Sq. Ft.
- Age Range: 20 To 29 Years Old
- Median Age: 25 Years Old (Built 1984)

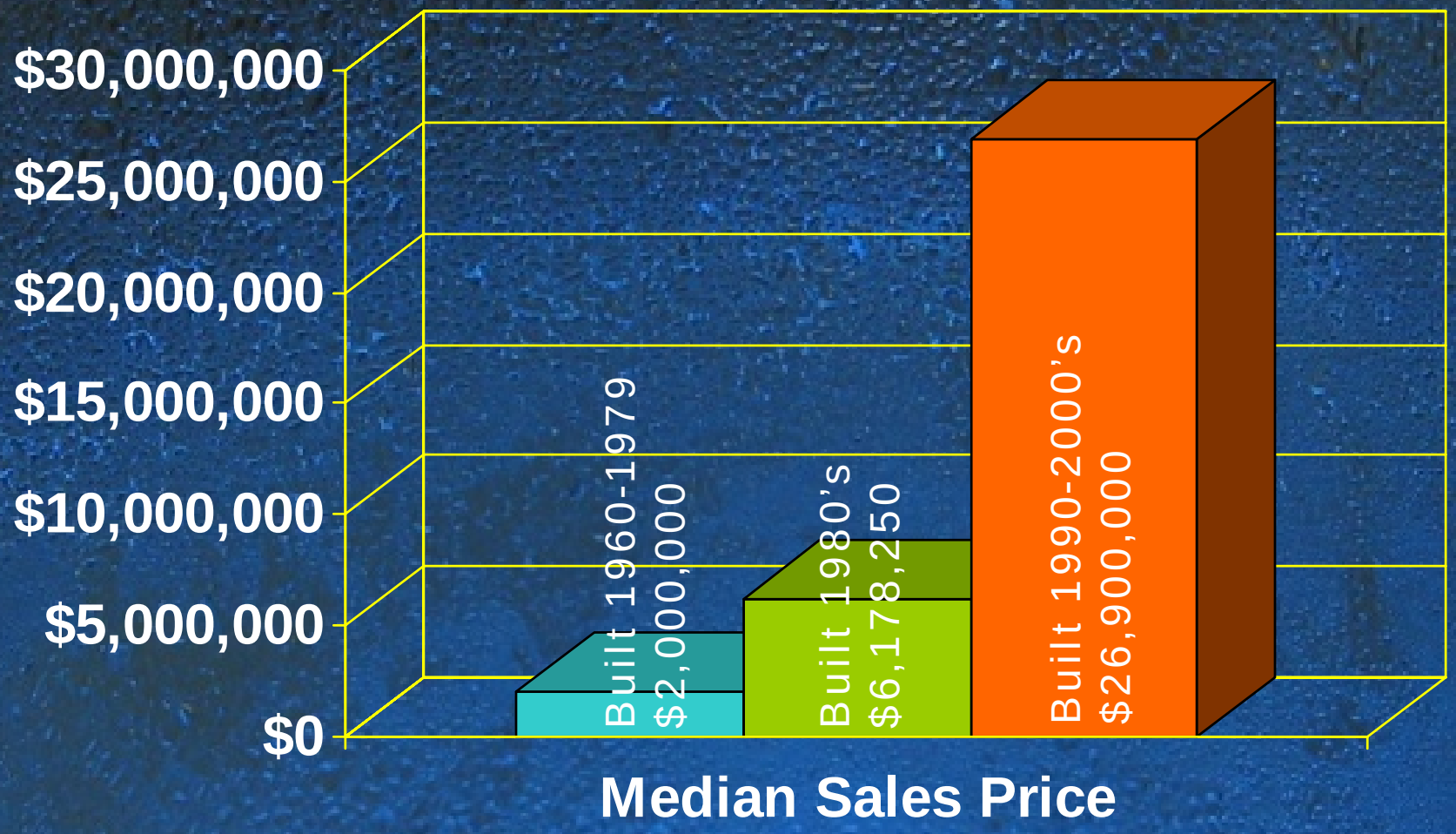
Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1990-2000's*** :
- Total of 7 Sales
- Median Sales Price: $26,900,000
- Median Sales Price Per Unit: $88,369
- Median Sales Price Per Sq. Ft. Of GFA: $82.63 / SF
- Median Personal Property Value $244,536, Or $695/Unit

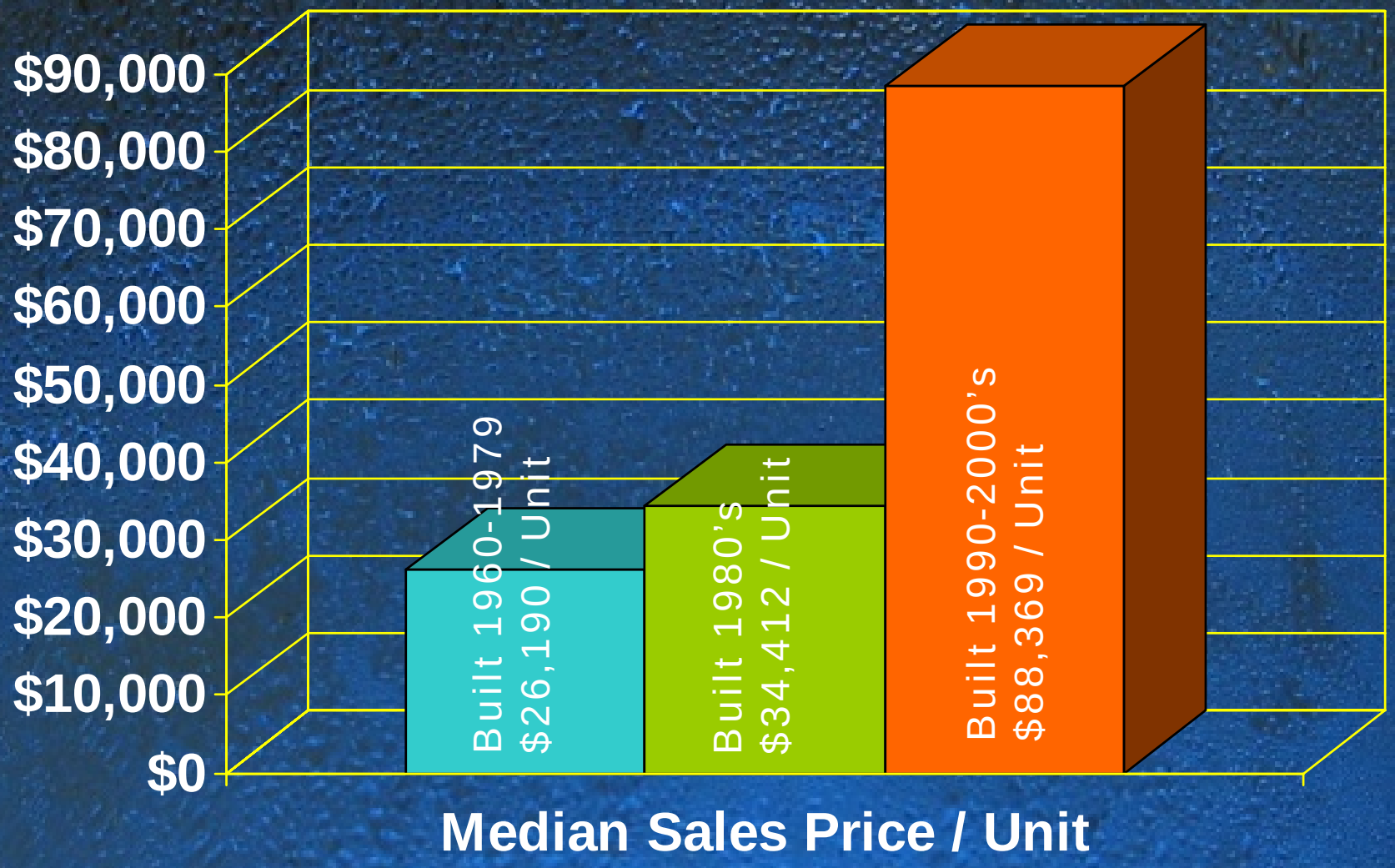
Apartment Market Data

- Oklahoma County Apartment Market Data, ***Complexes Built 1990-2000's***:
- Range in Number of Units: 244 To 398 Units
- Median Number of Units: 303 Units
- Range In Square Footage: 226,970 To 406,356 Sq. Ft.
- Age Range: 1 To 19 Years Old
- Median Age: 8 Years Old (Built 2001)

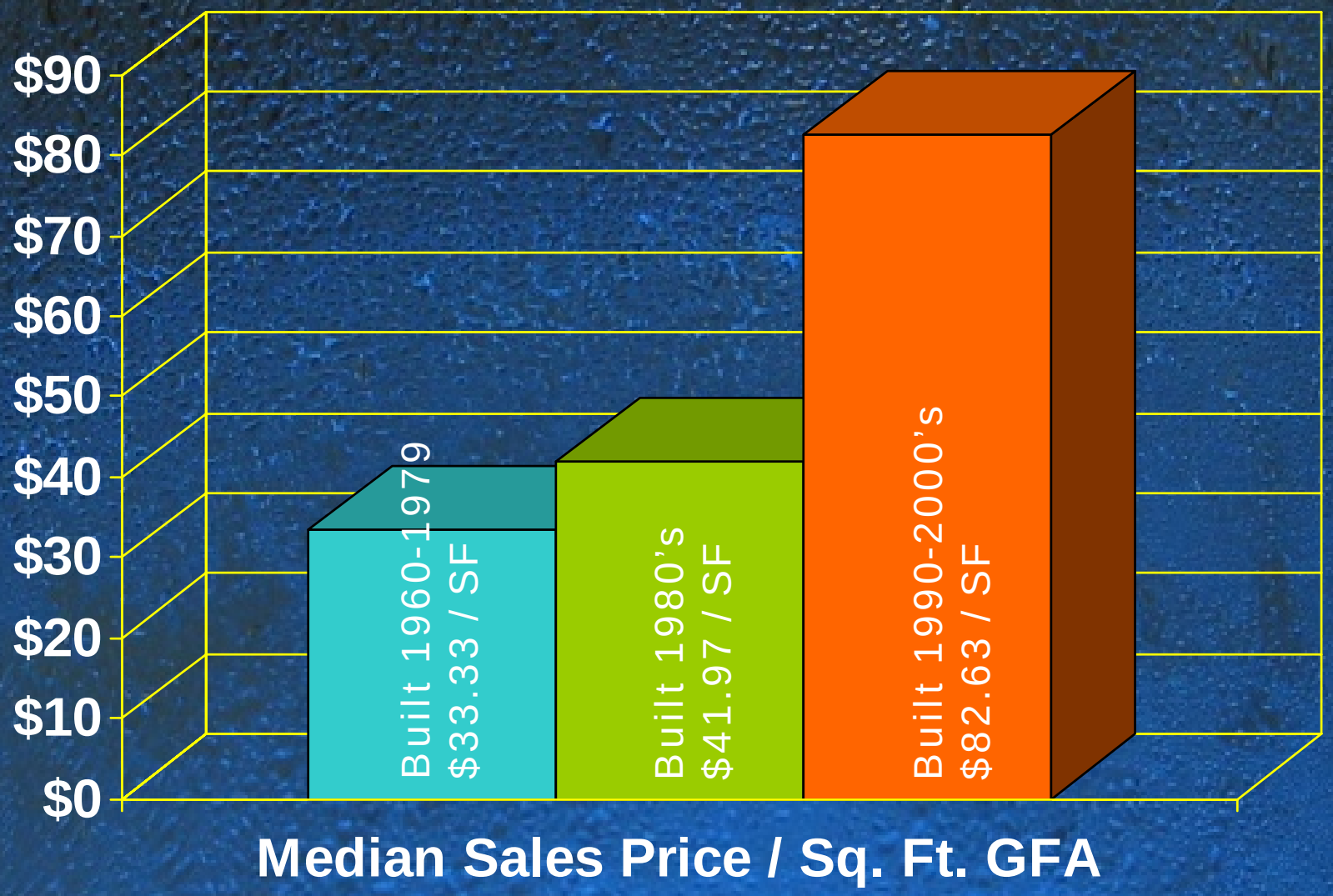
Oklahoma County Apartment Median Sales Price Comparison Stratified By Age Of Complex:



Oklahoma County Apartment Median Sales Price/Unit Comparison Stratified By Age Of Complex:



Oklahoma County Apartment Median Sales Price/SF of GFA Comparison Stratified By Age Of Complex:



Apartment Market Data

- Tulsa County Data Summary:
- The expenses for larger and mid-sized apartment complexes expressed as a percentage of the effective gross income ranged from 60% to 80%.
- The overall cap rate ranged between 8.5% and 10%.

Apartment Market Data

- Tulsa County Data Summary, Continued:
- For smaller apartment properties of up to thirty units, expenses ran from 55% to 70%.
- The overall cap rate ranged between 9% and 10.5%.

Apartment Market Data

- Tulsa County Apartment Market Data:
- Total of 33 Sales
- Range Of Sales Prices: $195,000 To $26,300,000
- Range Of Sales Prices Per Unit: $13,929 To $94,000
- Range Of Sales Prices Per Foot GFA $17.76 To $76.29 / Sq. Ft.

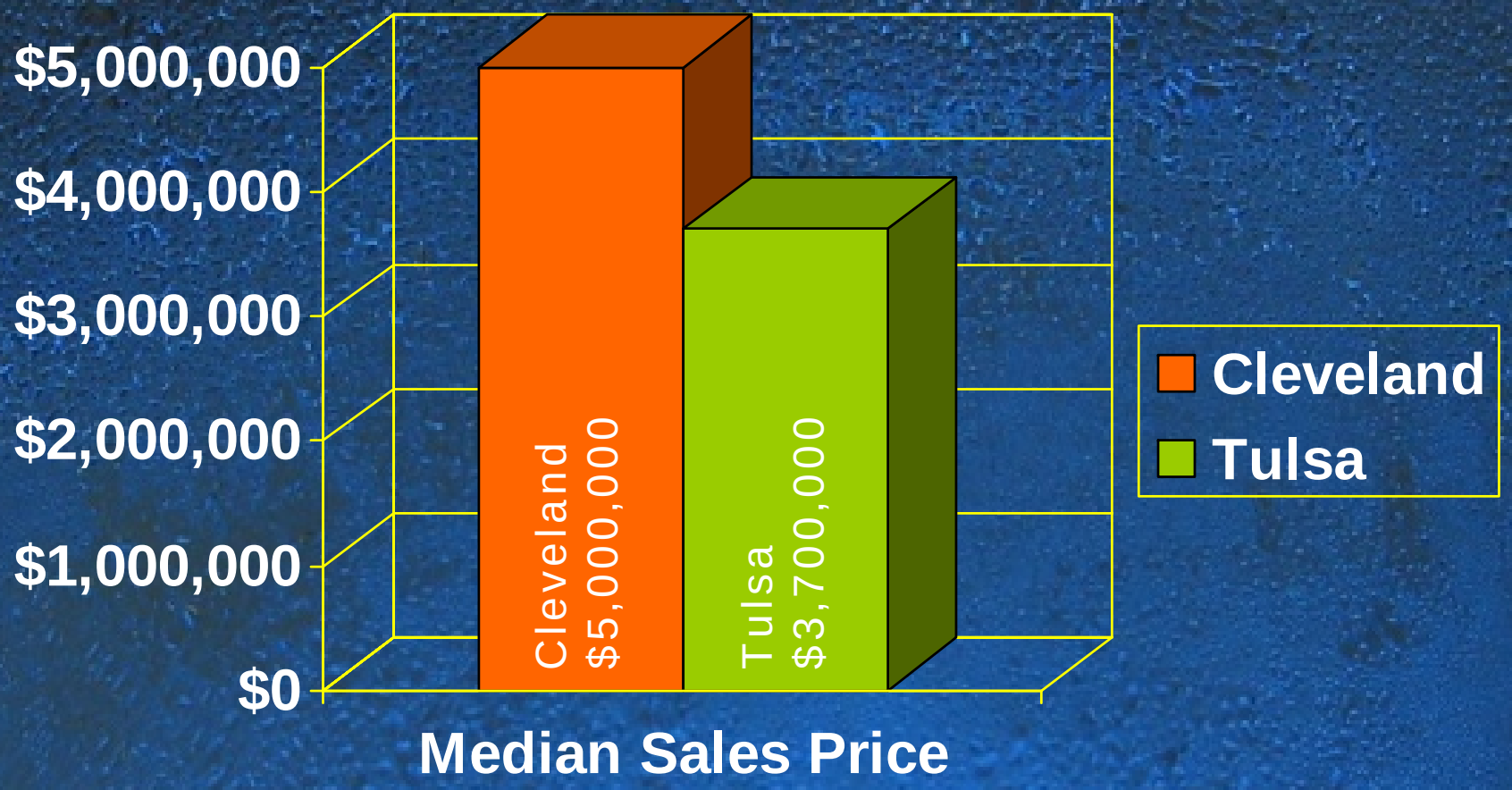
Apartment Market Data

- Tulsa County Apartment Market Data:
- Median Sales Price: $3,700,000
- Median Sales Price Per Unit: $29,000
- Median Sales Price Per Sq. Ft. Of GFA: $40.60

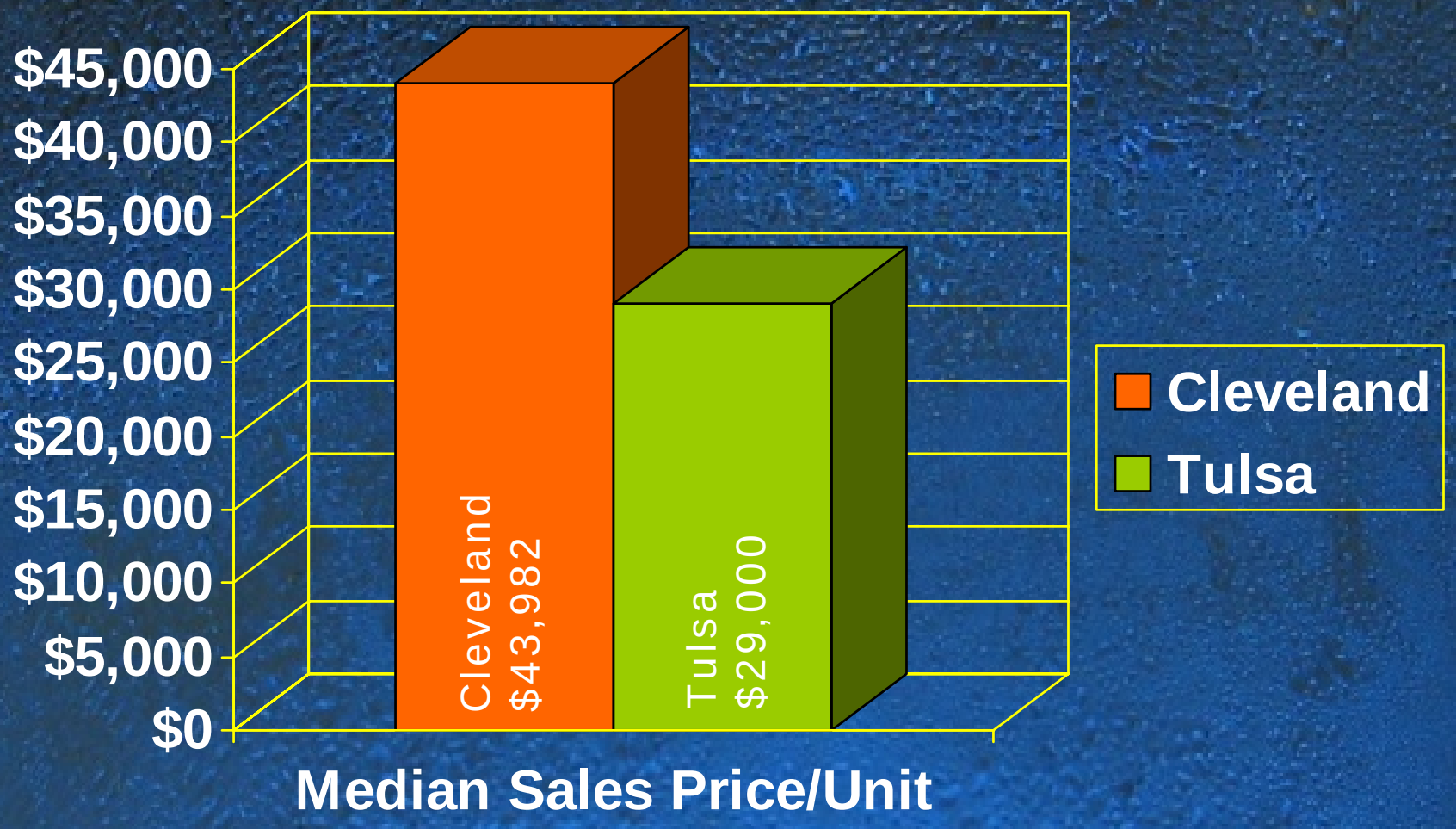
Apartment Market Data

- Tulsa County Apartment Market Data:
- Range in Number of Units: 5 To 593 Units
- Median Number of Units: 100 Units
- Range In Square Footage: 3,472 To 574,842 Sq. Ft.
- Median Square Footage: 81,972 Sq. Ft.
- Age Range: 4 To 49 Years Old
- Median Age: 36 Years Old (Built 1973)

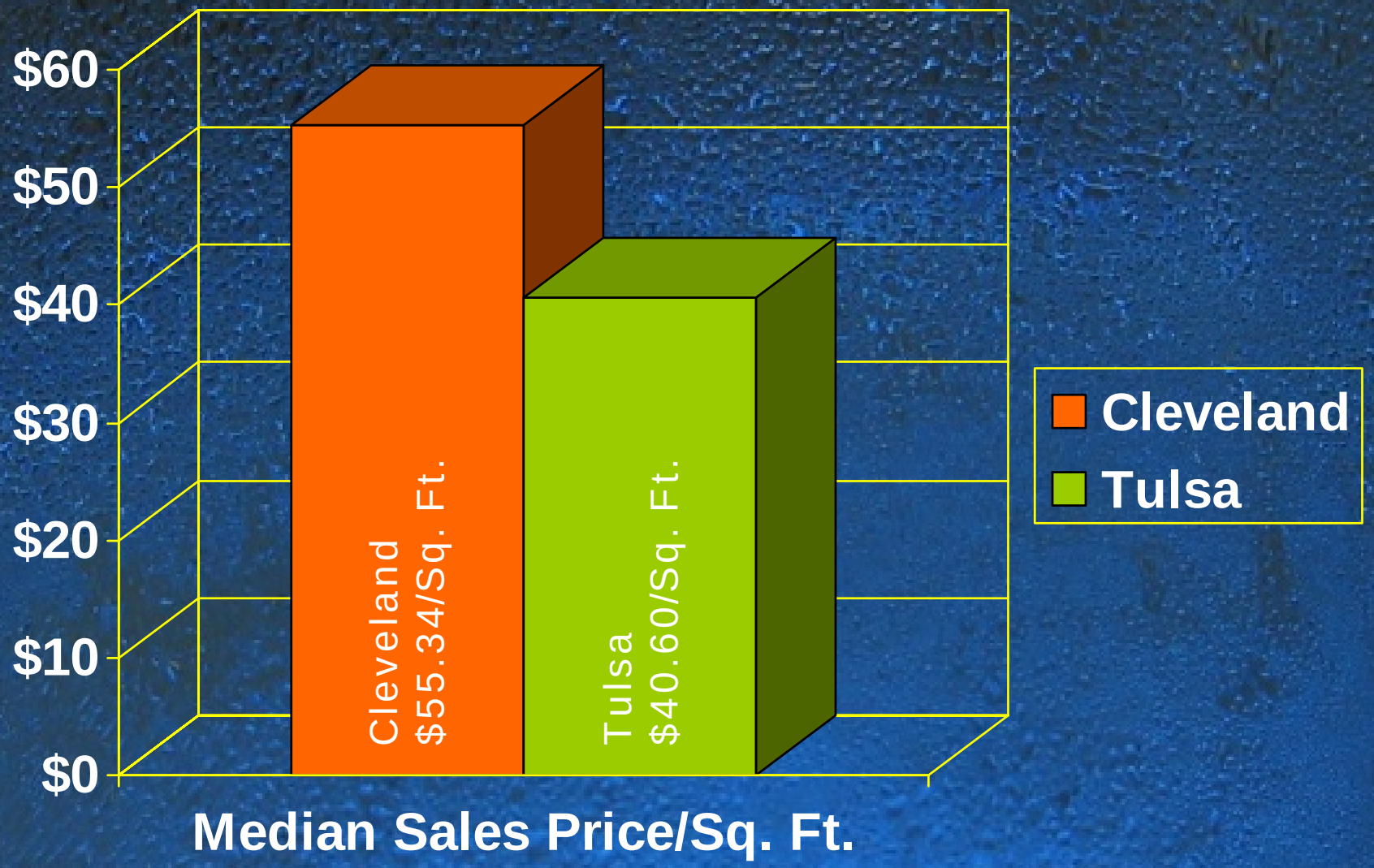
Apartment
Median Sales Price Comparison
Tulsa/Cleveland Counties:



Apartment, Median Sales Price Per Unit Comparison Tulsa/Cleveland Counties:



Apartment, Median Sales Price Per Sq. Ft. Of GFA Comparison Tulsa/Cleveland Counties:



Main Appraisal Issues, Apartments

- Panelist comments on main apartment valuation issues
- Field questions from class

Convenience Store Benchmarks

Convenience Store Market Data

- Cleveland County Data Summary:
- Expense ratio 30%
- Cap rates 10% - 10.5%
- Personal property ranges 40% - 45%

Convenience Store Market Data

- Cleveland County Convenience Store Market Data:
- Total of 3 Sales
- Range, Total Sales Price: $300,000 To $445,000 (Real Property Only)
- Range, Sales Price Per Foot GFA $120 To $164 / Sq. Ft.

Convenience Store Market Data

- Cleveland County Convenience Store Market Data:
- Median Sales Price, All Sales: $300,000
- Range In Square Foot of GFA: 2,400 to 2,709 Sq. Ft.
- Median Price Per Square Foot Of GFA: $125 / Sq. Ft.
- Age Range: 23 To 36 Years Old
- Median Age of Improvements: 34 Years Old (Built 1975)

Convenience Store Market Data

- Oklahoma County Data Summary:
- Personal Property As Percentage of Real Estate Value (Median Of 272 Convenience Stores) Is 22%
- Cap Rates Range From 9.2 To 11.2

Convenience Store Market Data

- Oklahoma County Convenience Store Market Data, ***Older & Independent Stores***:
- Total of 97 Sales
- Range, Total Sales Price: $21,500 To $1,375000
- Range, Sale Price Per Foot GFA $23.39 To $484.02 / SF

Convenience Store Market Data

- Oklahoma County Convenience Store Market Data, ***Older & Independent Stores***:
- Median Sales Price, All Sales: $280,000
- Range In Square Foot of GFA: 235 to 7,894 Sq. Ft.
- Median Price Per Square Foot Of GFA: $137.46 / SF
- Age Range: 5 To 71 Years Old
- Median Age of Improvements: 33 Years Old (Built 1976)

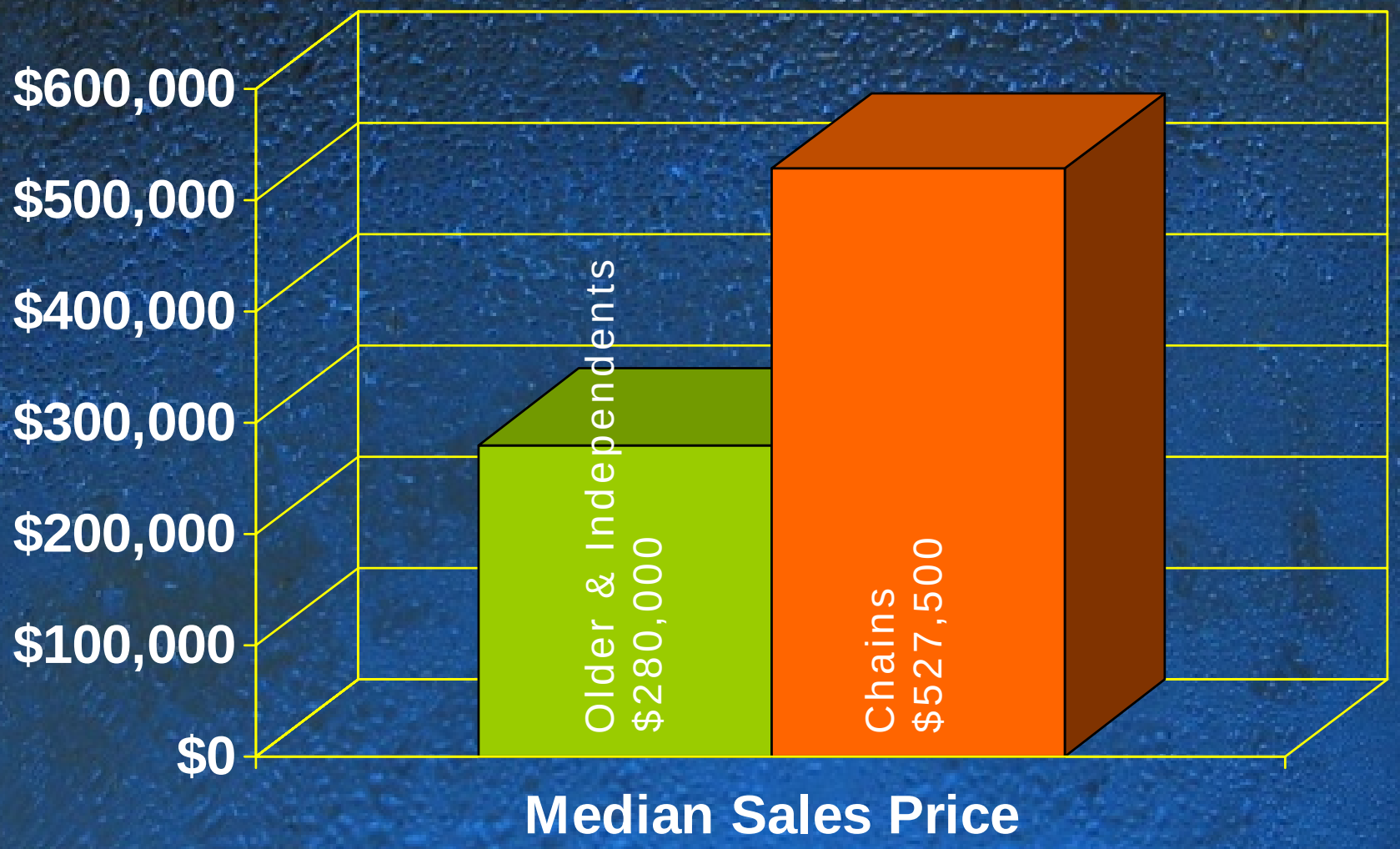
Convenience Store Market Data

- Oklahoma County Convenience Store Market Data, ***Chain Stores***:
- Total of 17 Sales
- Range, Total Sales Price: $300,000 To $900,000
- Range, Sale Price Per Foot GFA $101.59 To $244.43 / Sq. Ft.

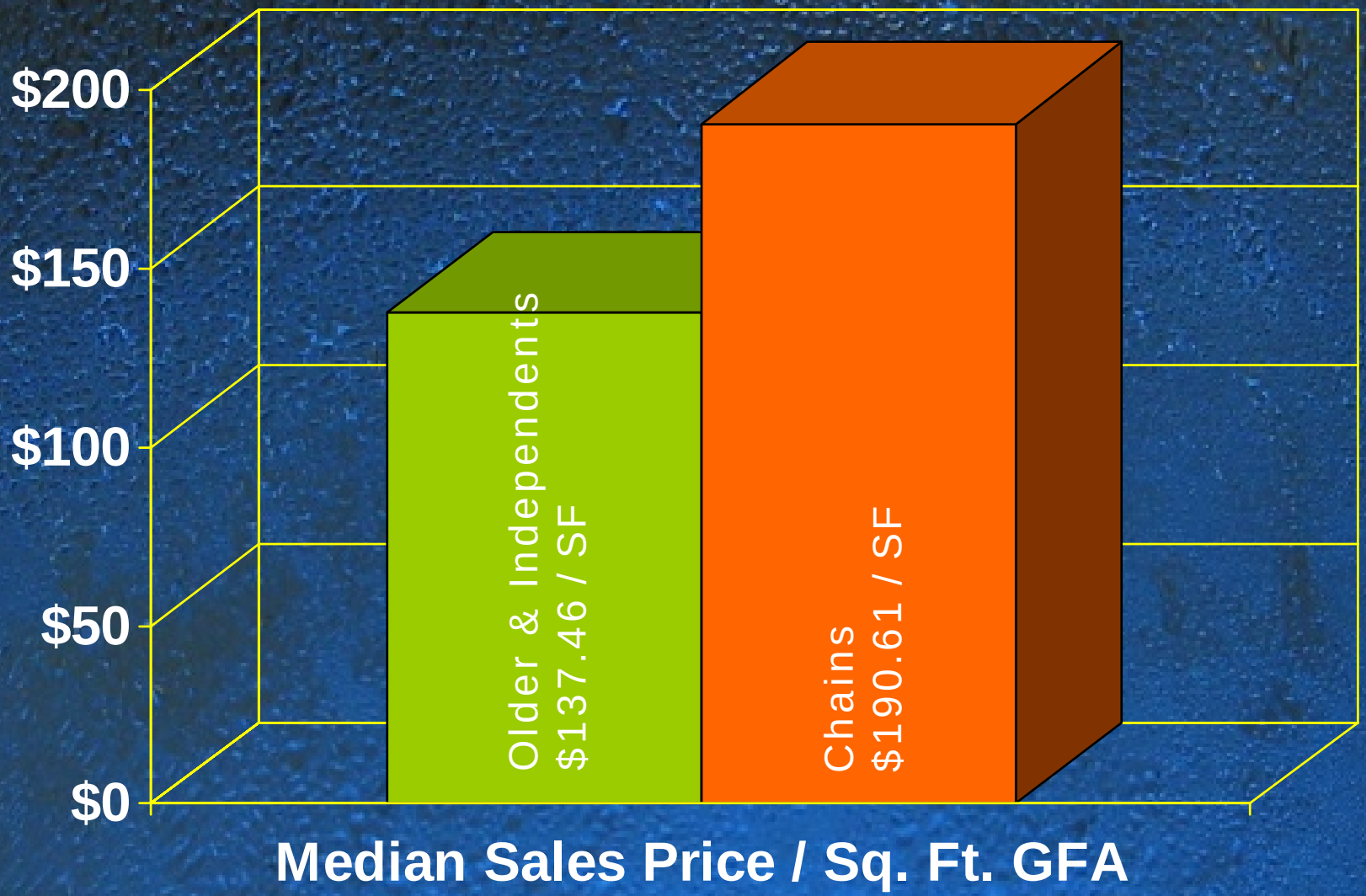
Convenience Store Market Data

- Oklahoma County Convenience Store Market Data, ***Chain Stores***:
- Median Sales Price, All Sales: $527,500
- Range In Square Foot of GFA: 2,400 to 3,682 Sq. Ft.
- Median Price Per Square Foot Of GFA: $190.61 / Sq. Ft.
- Age Range: 15 To 35 Years Old
- Median Age of Improvements: 23 Years Old (Built 1986)

Oklahoma County Convenience Store Median Sales Price Comparison Older & Independents Vs. Chains:



Oklahoma County Convenience Store Median Sales Price/SF of GFA Comparison Older & Independents Vs. Chains:



Convenience Store Market Data

- Tulsa County Data Summary:
- Convenience stores often change use after selling.
- The sales comparison approach was used most often to establish value for resurvey and for property protest hearings.

Convenience Store Market Data

- Tulsa County Data Summary, Continued:
- When the actual rent reflected the property location, use and condition, the income approach yielded fair and reliable valuations.
- Often “mom and pop” properties were found to have fair or poor conditions; as a result, property values and rents were lower.

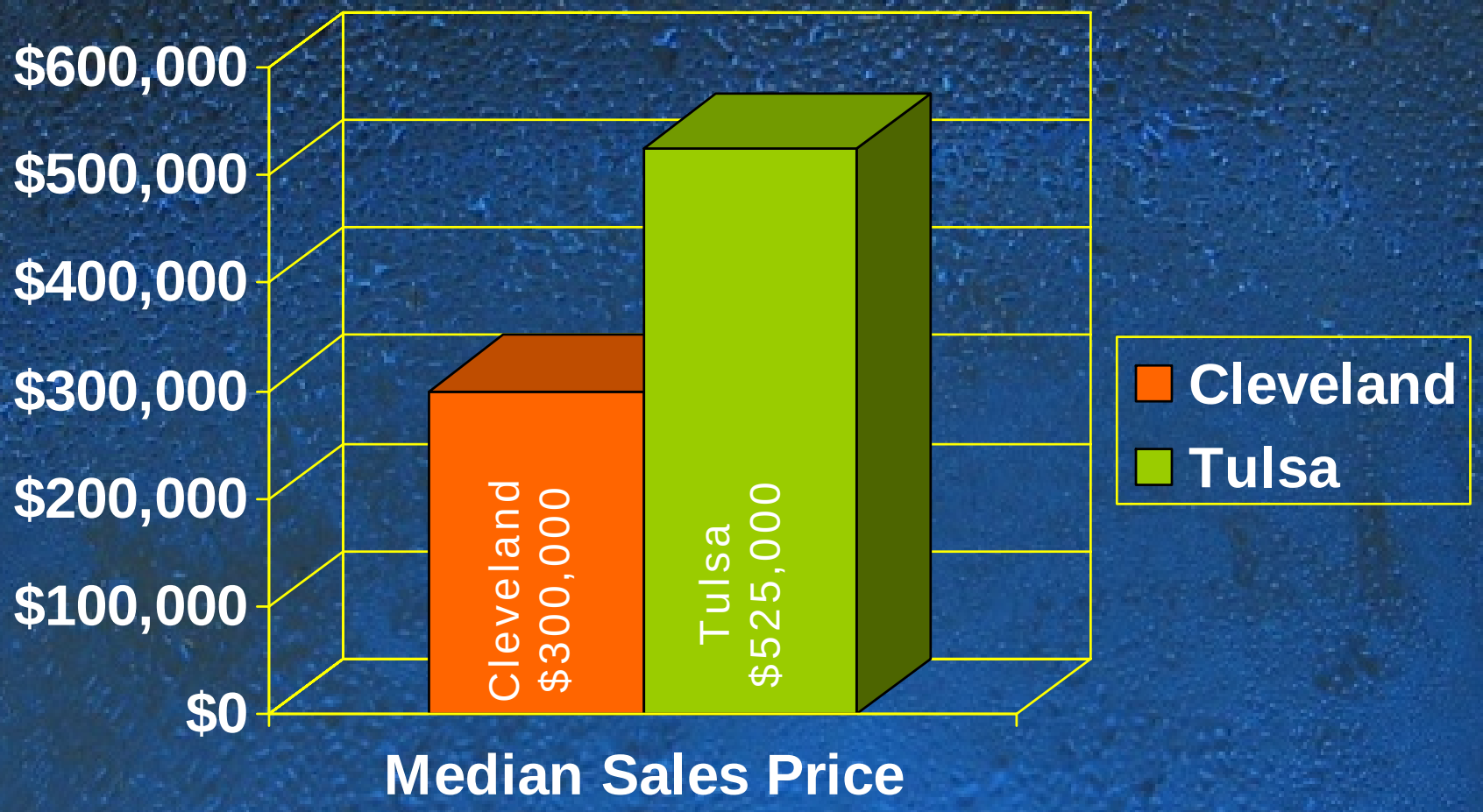
Convenience Store Market Data

- Tulsa County Convenience Store Market Data:
- Total of 14 Sales
- Range, Total Sales Price: $225,000 To $2,800,000
- Range, Sale Price Per Foot GFA $95.31 To $850.89 / Sq. Ft.

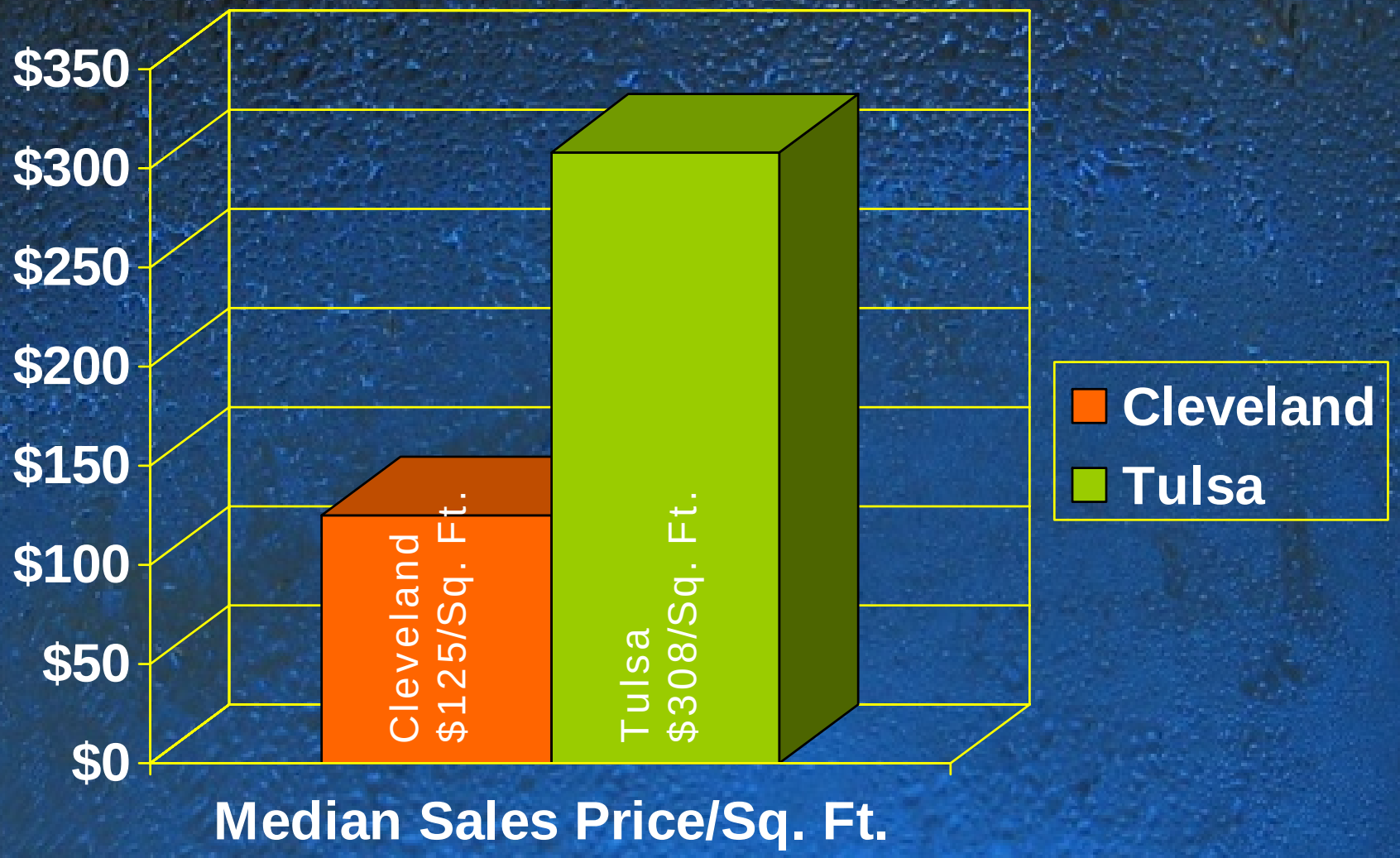
Convenience Store Market Data

- Tulsa County Convenience Store Market Data:
- Median Sales Price, All Sales: $525,500
- Range In Square Foot of GFA: 731 to 5,137 Sq. Ft.
- Median Price Per Square Foot Of GFA: $307.94 Sq. Ft.
- Age Range: 2 To 25 Years Old
- Median Age of Improvements: 20 Years Old (Built 1989)

Convenience Store
Median Sales Price Comparison
Tulsa/Cleveland Counties:



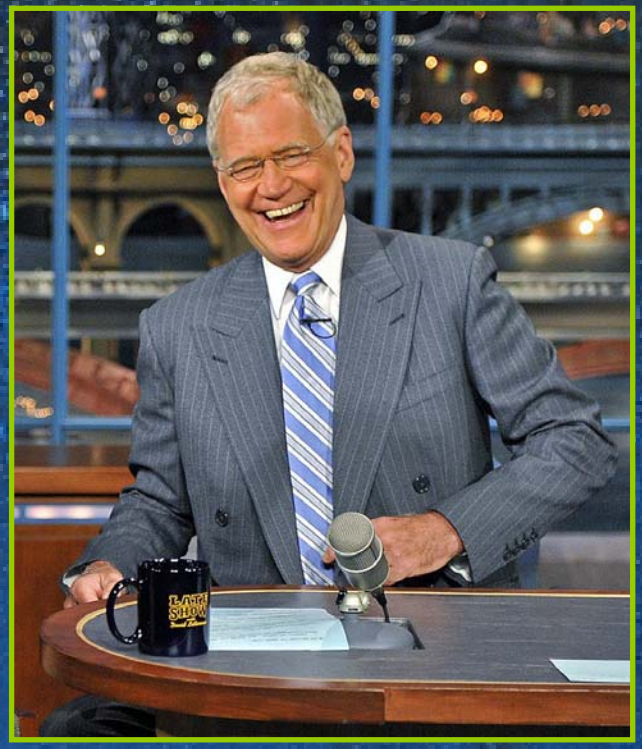
Convenience Store Median Sales Price Per Sq. Ft. Of GFA Comparison Tulsa/Cleveland Counties:



Main Appraisal Issues, Convenience Stores

- Panelist comments on main convenience store valuation issues
- Questions from class

“Top 10 List” When Looking At Income / Expense Data



Income / Expense Top Ten:

- Remember, Debt Service should ***not*** be included in Expenses

Income / Expense Top Ten:

- Remember, Depreciation should ***not*** be included in expenses

Income / Expense Top Ten:

- Remember, Taxes should ***not*** be included in expenses (This is a component of the capitalization rate, the ETR)

Income / Expense Top Ten:

- Watch closely for any expenses that are higher than the typical expenses for similar properties (excessive amounts)
- Any expenses greatly exceeding normal expenses may need to be “normalized” or standardized for income approach

Income / Expense Top Ten:

- Make sure all miscellaneous income is accounted for
- For example, how about the billboard on the site??!!

Income / Expense Top Ten:

- Claiming vacancy on top of using actual income…
- Watch out for “double dipping”
- Remember, ***PGI*** Less vacancy and collection loss + miscellaneous income – expenses = NOI

Income / Expense Top Ten:

- Replacement of short-lived items such as carpet, roofing and wall units, as a one-year expense
- Should be pro-rated over the economic life of the short lived items

Income / Expense Top Ten:

- Watch out for vacancy and expenses for property having a triple net lease
- Remember, in a triple net lease, ***tenant*** pays for everything!

Income / Expense Top Ten:

- Where’s the rent roll?
- You’ll need to see the rent roll to verify the rental income and make sure rent numbers aren’t being manipulated

Income / Expense Top Ten:

- Watch closely for any partial year information
- If partial year information is included, it may have to be projected or adjusted to reflect a complete year's worth of income/expense data
- Otherwise it will improperly "skew" the income/expenses on a property and give an inaccurate value

Income / Expense Top Ten:

- Look to see if an expense item is typical for that particular property type

Income / Expense Top Ten:

- Watch closely for capital improvements and adjust as necessary.

Income / Expense Top Ten:

- Watch for excessive reserves for replacement allowances

Income / Expense Top Ten:

- Watch for rent concessions…These concessions may not reflect current market rent

Income / Expense Top Ten:

- Screen out and remove any expenses which are not legitimate expenses
- Refer to IAAO Text, CLGT Income Course materials, for allowable expenses
- Examples of expenses that should ***NOT*** be allowed:
  - Debt Service
  - Taxes
  - Depreciation
  - ETC…

“Top 10 List” When Reviewing A Commercial Appraisal

CM Appraisal Review Top Ten:

- Make sure subject and comparables match your data and vice versa
- Look for any inconsistencies
- Verify all information and determine whether ***YOU*** have data issues or the ***FEE APPRAISER*** does!

CM Appraisal Review Top Ten:

- Incorrect comparables (Comparables that are not similar enough to subject property)
- Values can frequently be “manipulated” by choosing or selecting inferior or inappropriate comparables. Review all sales for comparability before placing any reliance on them in valuing a particular property.

CM Appraisal Review Top Ten:

- Capitalization Rate indicated in an appraisal is higher than the market allows.
- Great way to “fudge” on value is to inflate the cap rate (the higher the cap rate, the lower the value).
- Often done by inflating the “risk rate” component of the cap rate
- May need to utilize a standardized cap rate with the specific income information to review and make a value determination

CM Appraisal Review Top Ten:

- Using or placing undue emphasis on one appraisal method in a situation where there is a more appropriate or reliable one.
- Look for “abuse” of the appraisal process in an attempt to alter the appraisal result.
- If something doesn’t ***look*** right from an appraisal methodology standpoint, it ***may not be right***!

CM Appraisal Review Top Ten:

- Incorrect or inaccurate data.
- Data submitted or utilized in appraisals presented by taxpayers may not be correct
- Verify as much of the data as possible through other independent sources
- Question any data that does not look reasonable on the surface
- Ask for additional documentation or data sources when the need arises

CM Appraisal Review Top Ten:

- Make sure that the appraisal clearly states the property rights being appraised:
  - Example: Fee Simple, Leased Fee, Partial Interest

CM Appraisal Review Top Ten:

- Make sure you get ***ALL*** of an appraisal if only part of it was submitted for your review
- Request ***COMPLETE*** appraisal before agreeing to review and make any adjustments
- Just a matter of having all the facts before you

CM Appraisal Review Top Ten:

- If RCN cost data is included in appraisal, it would not reflect your NBHD adjustment. Keep this in mind during your appraisal review

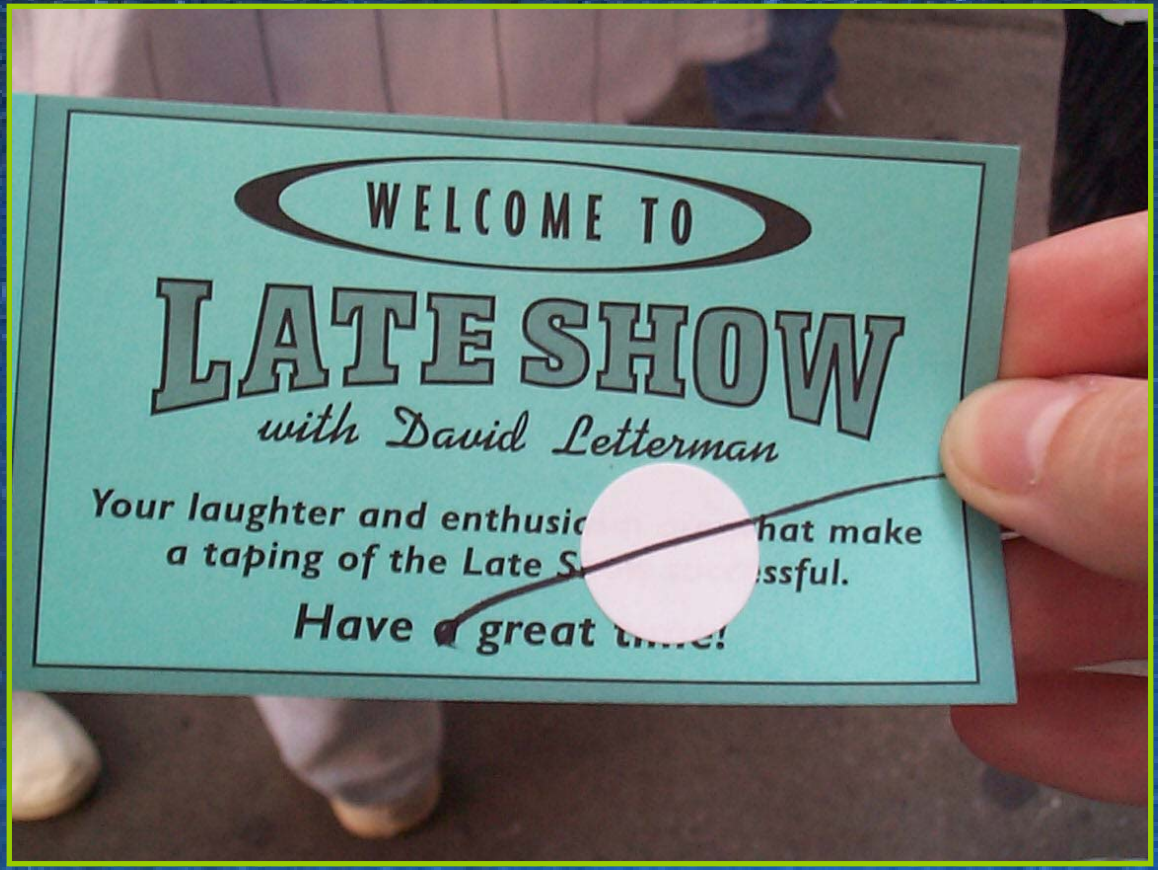
CM Appraisal Review Top Ten:

- Make sure you take into account the appraisal date in comparison to the assessment date
- If there is a big discrepancy or gap between the dates, the validity of the appraisal in relation to assessment date may be questionable.

CM Appraisal Review Top Ten:

- Watch closely for any outdated information
- All market data, including comparables, market rents, etc. should be as current as possible
- If old data is used in an appraisal you are reviewing, the resulting values may be subject to question, and may be inaccurate
- Remember to consider quantity and quality of all data in an appraisal when deciding whether to place any reliance on it as a value indicator for the subject property

“Top 10 List”
Reasons To Adjust
A Commercial Value



Top Ten Reasons To Adjust CM Value:

- Board of Equalization adjustments as a result of BOE hearing
- District Court ruling which adjusts or alters the value

Top Ten Reasons To Adjust CM Value:

- 1031 Like Kind Exchange

Top Ten Reasons To Adjust CM Value:

- New information provided by taxpayer or representative that affects valuation of a particular property

Top Ten Reasons To Adjust CM Value:

- Remodel cost vs. value contribution (Remember cost does not necessarily equal value)
- Ultimately market determines value contribution of improvements or enhancements to property

Top Ten Reasons To Adjust CM Value:

- After review of the location and surrounding properties, an adjustment may be indicated (If not originally fully taken into consideration in your appraisal)

Top Ten Reasons To Adjust CM Value:

- Seeking objectivity: Remember that computers and humans are not perfect
- Approach value review with objectivity and an open mind
- No need to be defensive
- Seek the “truth”

Top Ten Reasons To Adjust CM Value:

- Bad “JuJu” (Panelists Gone Wild!)
- Sounds like a serious appraisal problem to me!

urban DICTIONARY

bad juju | unlucky | karma | jinxed | bad luck | evil

1. bad juju 159 up, 13 down

Haunted by a bad vibe or aura. Can be used as a noun or an adjective.

Wow that place had some bad juju.

Top Ten Reasons To Adjust CM Value:

- Attractiveness of Agent / Owner!
  (Panelists gone wild once again…)

Top Ten Reasons To Adjust CM Value:

- Out of state buyer (Review market value definition)

Top Ten Reasons To Adjust CM Value:

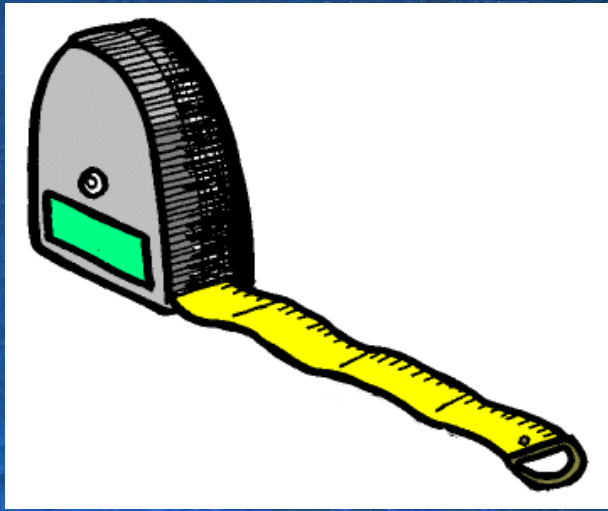
- Taxpayer or agent submitted a compelling appraisal with sufficient market detail that it provides a better estimate of value than what could be developed through less thorough or detailed CAMA valuation
- Market or income values from appraisal may be better indicators than straight cost

Conclusions / Summary

- Use benchmarks as rule of thumb
- They are a check for “reasonableness” (is that a word?!)
- Look at outliers on the high and low end more closely
- Use taxpayer income/expense information (trust but verify)
- Use fee appraisal information (trust but verify)
- Adjust values when information warrants a change

Appraisal "Twilight Zone"

- And remember… there's a weird one out there just about everywhere!!!

QUESTIONS???

- Questions for panelists
- Questions about presentation
- Comments
- Shared personal experiences