

IMPROVED PROPERTY DATA

COMMERCIAL

**INCOME APPROACH
DESCRIBED**

Income Approach – Described

Income, Expense, Vacancy and Capitalization Rates: As previously described, the “Income Approach” is based upon the principle of “anticipation” which recognizes that value is created by the owner’s expectation of future benefits. Typically, these benefits are anticipated in the form of income, and/or in the anticipated increase in the property’s value over time. Therefore, a primary consideration is the relative level of anticipated income and expenses a property is likely to achieve, and “base” rates for both income and expenses must be established. Consequently, research was undertaken in order to identify the appropriate “base” levels of income and expenses for each commercial property “use” type, such as apartments, office, retail, industrial, etc.

After the gross income and expenses for a particular property “use” have been identified, the next step in the development of the “Income Approach” is to subtract the anticipated (market-derived) vacancy rate from the potential gross revenue, to generate the “effective” gross income. The expenses are then subtracted from the effective gross income, in order to generate the net operating income, or “NOI”. The NOI is then divided by a “capitalization” rate, or the market-derived rate investors would expect on alternative investments that share the same degree of risk as the appraised property.

This research included returned “Income and Expense” forms (I & E’s) sent out to improved non-residential property owners, published data, data obtained from local brokers and appraisers, appraisal reports performed for the benefit of the City and for property owners involved in appeal/abatement procedures, and in interviews of property owners during inspections of their properties for various reasons such as appeals.

Income, Expense and Vacancy Data

The information contained in the I & E forms is submitted by the taxpayers with the understanding that this data is confidential and will not be disclosed to any outside source. For this reason, there are no references to any property used in this report, such as property addresses, map-block-lot #'s. The forms ask for mortgage information, lease start dates, type of lease, rental rates, who is responsible for expenses, vacant areas, asking rents, expense amounts, etc. The information requested varies with the type of property. This data was organized based on property types, analyzed to estimate the economic/market rents for each property type, then summarized.

The information noted above was compared to market data obtained from local brokers, appraisers, publications, and other local, regional, and national sources. Some of the other sources reviewed and used in the development of the capitalization rates, vacancy rates, expense ratios, and rental rates were:

1. NH Housing Finance Authority - 2016 Residential Rental Cost Survey
2. The KeyPoint Report - Retail Real Estate Trends and Analysis 2016, Southern NH
3. CBRE New England - 2016 Commercial Real Estate Market Outlook
4. CBRE New England - 2016 New Hampshire Market Outlook
5. PWC Real Estate Investor Survey - 1st & 2nd Qtrs. 2016
6. RealtyRates Investor Survey - 1st & 2nd Qtrs. 2016
7. Overall Economic Development Performance Annual Report Dated March 4, 2016 from Carlos P. Baia Concord Deputy City Manager-Development

Based upon all of the above, the following conclusions were that there have been negligible changes in rental rates, vacancy rates, expense and capitalization rates between 2012 and 2016. The current income tables and information are supportive of the current values and sales. The 2012 rental rates, vacancy rates and expenses and explanations are located in the 2012 property Assessment Manual and are included by reference to this report.

Data Calibration

Once the preliminary benchmarks were established, "data calibration" was required in order to bring the computerized mass appraisal formulas and tables into conformity with the market. To do so, field reviews and further analysis utilizing "ratios" (a comparison of the assessed value to its sale price) and the CAMA (Computer Assisted Mass Appraisal) software was conducted in order to refine the base tables, and verify the alignment and consistency of the base tables.

Finally, these benchmarks became the basis for a statistical analysis of similar unsold properties, and new property values were generated. Overall, every effort was made to help ensure that the final values were uniform and equitable.

Non-Residential Building Costs:

Building Cost Tables

The "Building Cost" base rates identified in the following table were derived by reviewing and analyzing building costs extracted from local sales data, and from the Marshall Valuation Service.

The construction cost tables for the various buildings were derived from the Marshall Valuation Service cost tables. The initial rates were tested against the sales and during the income testing. Most rates were reduced at least once and others more than once in order to calibrate a reasonable rate for each property type. After reviewing sales on service shops the base rate was reduced from \$43.10 to \$35.00 for 4/1/15. No changes to the base rates have been made for 2016.

Construction costs will vary by "use", such as residential, commercial, industrial etc. The base (Average Quality) construction rates for various uses are shown in the 2012 Assessment Manual and are included by reference to this report.

2016 COMMERCIAL BASE RATES

Concord-NH
Base Building Rate Analysis 4/1/2012

Base Rate	Desc.	Class/Qual.	Date	\$/Unit	Adj1	Adj1 -\$	Adj 2	Adj 2 -\$	Refined Cost	Apr-12 Mult.	Concord Local Mult.	Indicated RCN/Unit	Rounded Base Rate	Less 5% 95%	Rounded Base Rate	adjust/sales	cost/income adjustments	Rounded base rate	marshall infor
12	Commercial	D/Avg -10%	May-12	\$62.15	+Ex-A/C	(\$1.74)			\$60.41	1.00	1.02	\$61.62	\$61.60	\$58.52	\$58.50	-10%	\$52.67	\$52.70	13/353
13	Disc Dept.Store	C/Avg.	May-12	\$59.48	+Ex-A/C	(\$1.74)			\$57.74	1.00	1.01	\$58.32	\$58.30	\$55.39	\$55.40				13/319
14	Apartments	D/Gd-5%	Aug-12	\$84.50	+Ex-A/C	(\$0.59)			\$83.91	1.012	1.02	\$86.62	\$86.60	\$82.27	\$82.30				12/352
15	Regnl Shop Cntr	C/Avg.	May-12	\$96.92	+Ex-A/C	(\$1.74)	Elev	(\$0.95)	\$94.23	1.00	1.01	\$95.17	\$95.20	\$90.44	\$90.40				13/414
16	Local Shop. Cntr	D/Avg.	May-12	\$79.40	+Ex-A/C	(\$1.74)			\$77.66	1.00	1.02	\$79.21	\$79.20	\$75.24	\$75.20				13/413
17	Store	C/Avg.	May-12	\$74.18	+Ex	(\$1.74)			\$72.44	1.00	1.01	\$73.24	\$73.20	\$69.54	\$69.50	-10%	\$62.59	\$62.60	13/419
18	Office	D/Avg.	Nov-11	\$92.50	+Ex	\$5.05	Elev	(\$2.00)	\$95.55	1.04	1.02	\$101.36	\$101.40	\$96.33	\$96.30				15/344
19	Profess Office	D/Avg.	Nov-11	\$117.45	+Ex-A/C	\$2.20	Elev	(\$2.10)	\$117.55	1.04	1.02	\$124.70	\$124.70	\$118.47	\$118.50				15/341
21	Fast Food	C/Avg.	May-12	\$120.98	+Ex-A/C	(\$6.91)			\$114.07	1.00	1.01	\$115.21	\$115.20	\$109.44	\$109.40	-2.5%	\$106.70	\$106.70	13/349
22	SuperMarkets	C/Avg.	May-12	\$76.94	+Ex-A/C	(\$1.74)			\$75.20	1.00	1.01	\$75.95	\$76.00	\$72.20	\$72.20				13/446
23	Financial Instit	C/Avg.	Nov-11	\$145.28	+Ex-A/C	(\$4.55)	Elev	(\$2.05)	\$138.68	1.04	1.01	\$145.95	\$145.90	\$138.61	\$138.60	-5%	\$131.67	\$131.70	15/443
24	Insurance Co Rgnl	C/LC	Nov-11	\$66.26	+Ex	\$1.00			\$67.26	1.04	1.01	\$70.79	\$70.80	\$67.26	\$67.30				15/344
25	Service Shop	C/Avg.	Feb-12	\$49.89	+Ex	\$1.28			\$51.17	1.015	1.01	\$52.46	\$52.50	\$49.88	\$49.90	-30%	\$34.93	\$35.00	14/528
26	Serv Station	C/Lw Cst	Mar-12	\$91.45	+Ex	\$1.04			\$92.49	1.000	1.01	\$93.41	\$93.40	\$88.73	\$88.70				64/408
27	Auto Dealer	S/Avg.	Feb-12	\$74.47	+Ex-A/C	(\$1.80)			\$72.67	1.015	1.01	\$74.50	\$74.50	\$70.78	\$70.80	-5%	\$67.24	\$67.20	14/455
28	Funeral Home	D/Avg	Nov-10	\$89.31	+Ex-A/C	\$0.90			\$90.21	1.035	1.02	\$95.23	\$95.20	\$90.44	\$90.40				11/342
29	Nursing Home	C/Avg.-5%	Nov-11	\$119.30	+Ex-A/C	\$2.20			\$121.50	1.04	1.01	\$127.62	\$127.60	\$121.22	\$121.20	5%	\$127.60		15/313
30	Restaurant	D/Avg.	May-12	\$103.66	+Ex-A/C	(\$6.91)			\$96.75	1.00	1.02	\$98.69	\$98.70	\$93.77	\$93.80	-2.5%	\$91.42	\$91.40	13/350
31	Branch Bank	C/Avg.	Nov-11	\$148.11	+Ex-A/C	\$2.20	Elev	(\$2.25)	\$148.06	1.04	1.01	\$155.52	\$155.50	\$147.73	\$147.70	-5%	\$140.34	\$140.30	15/304
32	Theatres	C/Avg.-5%	Aug-11	\$87.73	+Ex-A/C	\$0.45			\$88.18	1.03	1.01	\$91.73	\$91.70	\$87.12	\$87.10				16/380
33	Bars/NightClub	D/Avg.	May-12	\$84.35	+Ex-A/C	(\$6.91)			\$77.44	1.00	1.02	\$78.99	\$79.00	\$75.05	\$75.10				13/442
34	Bowling Alley	S/Avg.-5%	Aug-11	\$59.17	+Ex-A/C	\$0.45			\$59.62	1.03	1.01	\$62.02	\$62.00	\$58.90	\$58.90				16/306
37	Quonset	S/Avg	May-11	\$18.63					\$18.63	1.03	1.01	\$19.44	\$19.40	\$18.43	\$18.40				17/555
38	Country Club	D/Avg-10%	Nov-10	\$100.39	+Ex-A/C	\$0.90			\$101.29	1.035	1.02	\$106.93	\$106.90	\$101.56	\$101.60				11/314
39	Motel	D/Avg.	Aug-12	\$78.19	+Ex-A/C	\$2.06			\$61.37	0.988	1.02	\$61.85	\$61.80	\$58.71	\$58.70				12/343
40	Light Industrial	C/Avg.	Feb-12	\$45.38	+Ex	\$1.28			\$46.66	1.015	1.01	\$47.83	\$47.80	\$45.41	\$45.40	-5%	\$43.14	\$43.10	14/494
41	R & D	C/Avg.	Feb-12	\$63.73	+Ex-A/C	(\$1.80)			\$61.93	1.015	1.01	\$63.49	\$63.50	\$60.33	\$60.30				14/392
42	Heavy Industrial	C/Mill/Avg.	Feb-12	\$66.42	+Ex	\$3.10	Elev	(\$2.15)	\$67.37	1.015	1.01	\$69.06	\$69.10	\$65.65	\$65.60	-5%	\$62.36	\$62.40	14/495
43	Car Wash	S/Low Cst.	Mar-12	\$74.91	+Ex	\$1.04			\$75.95	1.00	1.01	\$76.71	\$76.70	\$72.87	\$72.90				64/436
														\$0.00	\$0.00				

2016 COMMERCIAL BASE RATES

Base Rate	Desc.	Class/Qual.	Date	\$/Unit	Adj1	Adj1 -\$	Adj 2	Adj 2 -\$	Refined Cost	Apr-12 Mult.	Concord Local Mult.	Indicated RCN/Unit	Rounded Base Rate	Less 5% 95%	Rounded Base Rate		
44	Packing Plant	C/Lw Cst	Feb-12	\$48.25	+Ex	\$1.28			\$49.53	1.015	1.01	\$50.78	\$50.80	\$48.26	\$48.30	14/40	Extreme=same adj as light ind
46	Food Process	C/Lw Cst	Feb-12	\$48.25	+Ex	\$1.28			\$49.53	1.015	1.01	\$50.78	\$50.80	\$48.26	\$48.30	14/40	Extreme=same adj as light ind
47	Cold Storage	S/Avg-10%	Feb-12	\$50.62					\$50.62	1.015	1.01	\$51.89	\$51.90	\$49.31	\$49.30	14/447	
48	Warehouse	C/Avg.	Feb-12	\$38.28	+Ex	\$1.28			\$39.56	1.015	1.01	\$40.55	\$40.60	\$38.57	\$38.60	14/406	
49	Conv Str/Gd	C/Avg.	May-12	\$79.83	+Ex	\$1.71			\$81.34	1.00	1.01	\$82.15	\$82.20	\$78.09	\$78.10	13/419	
									\$0.00					\$0.00	\$0.00		
52	Pre-Eng Mntg	S/LwCst	Feb-12	\$29.49	+Ex	\$1.28			\$30.77	1.015	1.01	\$31.54	\$31.50	\$29.93	\$29.90	14/494	
53	Pre-Eng Warhse	S/LwCst	Feb-12	\$24.43	+Ex	\$1.28			\$25.71	1.015	1.01	\$26.36	\$26.40	\$25.08	\$25.10	14/406	
54	Health Club	D/Avg	Nov-10	\$96.76	+Ex-A/C	\$0.90			\$97.66	1.035	1.02	\$103.10	\$103.10	\$97.95	\$97.90	11/418	
56	Condo Office	D/Avg.	Nov-11	\$92.50	+Ex	\$5.05	Elev	(\$2.00)	\$95.55	1.04	1.02	\$101.36	\$101.40	\$96.33	\$96.30	15/344	
57	Library	C/Avg.	Nov-11	\$122.04	+Ex-A/C	\$2.20			\$124.24	1.04	1.01	\$130.50	\$130.50	\$123.98	\$124.00	15/337	
58	City Hall	C/Avg.	Nov-11	\$128.96	+Ex-A/C	(\$4.55)			\$124.41	1.04	1.01	\$130.88	\$130.70	\$124.17	\$124.20	15/327	
59	Fire Station	C/Avg.	Nov-11	\$110.40	+Ex	\$5.05			\$115.45	1.04	1.01	\$121.27	\$121.30	\$115.24	\$115.20	15/322	
									\$0.00					\$0.00	\$0.00		
61	Dry Cleaner/Laund	D/Avg.	May-12	\$68.65	-A/C	(\$3.10)			\$63.55	1.00	1.02	\$64.82	\$64.80	\$61.56	\$61.60	13/499	
62	Furniture Showroom	C/Avg.	May-12	\$50.08	+Ex	\$1.71			\$51.79	1.00	1.01	\$52.31	\$52.30	\$49.69	\$49.70	13/534	
64	Tennis Club	S/Avg.	Aug-11	\$51.31	+Ex	\$4.85			\$56.16	1.03	1.01	\$58.42	\$58.40	\$55.48	\$55.50	16/416	
65	Skating Arena	S/Avg.	Aug-11	\$77.56	+Ex-A/C	\$0.45			\$78.01	1.03	1.01	\$81.15	\$81.20	\$77.14	\$77.10	16/175	
66	Hotel	C/Avg.	Nov-10	\$114.71	+Ex-A/C	(\$0.05)	Elev	(\$2.75)	\$111.91	1.028	1.01	\$116.19	\$116.20	\$110.39	\$110.40	11/594	
67	Coin Op Car Wash	C/Avg.	Mar-12	\$64.96					\$64.96	1.00	1.01	\$65.61	\$65.60	\$62.32	\$62.30	64/434	
68	Mix Com/Apt	C/Avg.+5%	May-12	\$83.57	+Ex-A/C	(\$1.74)			\$81.83	1.00	1.01	\$82.65	\$82.60	\$78.47	\$78.50	13/459	
69	Truck Terminal	C/Avg.	Feb-12	\$59.89	+Ex	\$1.28			\$61.17	1.015	1.01	\$62.71	\$62.70	\$59.57	\$59.60	14/387	
70	Dormitory	C/Avg-10%	Nov-10	\$87.24	+Ex	\$4.75			\$91.99	1.028	1.01	\$95.51	\$95.50	\$90.73	\$90.70	11/321	
71	Church	C/Avg.	Aug-11	\$115.81	+Ex-A/C	\$0.45			\$116.06	1.03	1.01	\$120.74	\$120.70	\$114.67	\$114.70	16/308	
72	School/College	C/Avg.	Feb-11	\$122.94	+Ex-A/C	\$0.09			\$123.03	1.035	1.01	\$128.81	\$128.60	\$122.17	\$122.20	18/365	
73	Private Hospital	C/Avg.	Nov-11	\$189.85	+Ex-A/C	\$6.65	Elev	(\$2.35)	\$193.95	1.039	1.01	\$203.53	\$203.50	\$193.33	\$193.30	15/331	
74	Home for Elderly	D/Avg.	Aug-12	\$71.51	+Ex	\$3.05			\$74.56	0.988	1.02	\$75.14	\$75.10	\$71.35	\$71.30	12/451	
75	Office/Apt	D/Avg.+5%	Aug-12	\$85.19	+Ex	\$1.86			\$87.05	0.99	1.02	\$87.73	\$87.70	\$83.32	\$83.30	12/544	

2016 COMMERCIAL BASE RATES

Base Rate	Desc.	Class/Qual.	Date	\$/Unit	Adj1	Adj1 -\$	Adj 2	Adj 2 -\$	Refined Cost	Apr-12 Mult.	Concord Local Mult.	Indicated RCN/Unit	Rounded Base Rate	Less 5% 95%	Rounded Base Rate				
77	Club/Hall/Lounge	D/Low Cost	Aug-11	\$71.95	+Ex	\$4.85			\$76.80	1.03	1.02	\$80.69	\$80.70	\$76.67	\$76.70			16/323	
78	Airport Hangar	S/Avg	Feb-12	\$33.31					\$33.31	1.015	1.01	\$34.15	\$34.10	\$32.40	\$32.40			14/328	
79	Telephone Bldg	C/Avg.	Feb-12	\$135.00	-A/C	(\$6.00)			\$129.00	1.015	1.01	\$132.24	\$132.20	\$125.59	\$125.60			14/40	
80	Retail/Apt	C/Avg+5%	May-12	\$83.57	+Ex-A/C	(\$1.74)			\$81.83	1.00	1.01	\$82.65	\$82.60	\$78.47	\$78.50	-5%	\$74.55	\$74.50	13/459
82	Auditorium	C/Avg.	Aug-11	\$109.96	+Ex-A/C	\$0.45			\$110.41	1.03	1.01	\$114.86	\$114.90	\$109.16	\$109.20			16/302	
83	School Public	C/Avg.-18%	Feb-11	\$99.33	+Ex-A/C	\$2.90	Elev	(\$1.15)	\$101.08	1.07	1.01	\$109.24	\$109.20	\$103.74	\$103.70			18/9	
84	College	C/Avg -37%	Feb-11	\$84.95	+Ex-A/C	\$5.96			\$90.91	1.07	1.01	\$98.25	\$98.20	\$93.29	\$93.30			18/26	
85	Hospital General	C/Avg.	Nov-11	\$191.30	+Ex-A/C	\$7.10	Elev	(\$13.95)	\$184.45	1.039	1.01	\$193.58	\$193.60	\$183.92	\$183.90			15/24	
86	Other County	C/Avg.	Nov-11	\$128.96	+Ex-A/C	(\$4.55)			\$124.41	1.039	1.01	\$130.55	\$130.60	\$124.07	\$124.10			15/327	
87	Other State	C/Avg.	Nov-11	\$128.96	+Ex-A/C	(\$4.55)			\$124.41	1.039	1.01	\$130.55	\$130.60	\$124.07	\$124.10			15/327	
88	Other Federal	C/Avg.	Nov-11	\$128.96	+Ex-A/C	(\$4.55)			\$124.41	1.039	1.01	\$130.55	\$130.60	\$124.07	\$124.10			15/327	
89	Other Municipal	C/Avg.	Nov-11	\$128.96	+Ex-A/C	(\$4.55)			\$124.41	1.039	1.01	\$130.55	\$130.60	\$124.07	\$124.10			15/327	
90	Retail Condo	C/Avg.	May-12	\$74.18	+Ex-A/C	(\$1.74)			\$72.44	1.00	1.01	\$73.16	\$73.20	\$69.54	\$69.50	-10%	\$62.59	\$62.55	13/353
91	Fast Food T/O	D/Avg.	May-12	\$64.64	+Ex	\$1.05			\$65.69	1.00	1.02	\$67.00	\$67.00	\$63.65	\$63.70	-2.5%	\$62.06	\$62.10	13/529
92	Retail/Office	C/Avg.	May-12	\$81.47	+Ex-A/C	(\$1.74)			\$79.73	1.00	1.01	\$80.53	\$80.50	\$76.48	\$76.50	-5%	\$72.65	\$72.70	13/597
93	Petroleum Gas	C/Avg.-23%	Feb-12	\$40.65	Conc Slab	\$9.85	Heat	\$3.19	\$53.69	1.002	1.01	\$54.34	\$54.30	\$51.59	\$51.60			64/9	
95	Garage&Office	C/Avg.	Feb-12	\$49.68	+Ex	\$1.28			\$50.96	1.015	1.01	\$52.24	\$52.20	\$49.59	\$49.60	-5%	\$47.11	\$47.10	14/326
96	Office Warehouse	C/Avg.	Feb-12	\$44.40	+Ex	\$1.28			\$45.68	1.015	1.01	\$46.83	\$46.80	\$44.46	\$44.50	-5%	\$42.24	\$42.20	14/407
97	High Rise Apt	C/Avg.	Nov-10	\$81.02	+Ex	\$3.90	Elev	(\$2.50)	\$82.42	1.028	1.01	\$85.58	\$85.60	\$81.32	\$81.30			11/300	
98	Industrial Condo	C/Avg.	Feb-12	\$45.42	+Ex	\$2.09			\$47.51	1.015	1.01	\$48.70	\$48.70	\$46.27	\$46.30	-5%	\$43.95	\$44.00	14/453
99	Vacant														\$0.00				

Source: Marshall Valuation Service