NASHUA, NH COMMERCIAL PRESENTATION

Commercial Valuation Process:

The purpose of the mass appraisal is to determine an opinion of the market value of all the commercial properties in the Municipality for 4/1/2022. In the appraisal of real estate, there are three recognized approaches to value. These are: Cost Approach, Sales Approach, and Income Approach.

Cost Approach Methodology: The cost approach is based on the theory that an informed buyer would not pay more for a property than the cost to build a reasonable substitute. The cost approach is therefore based on a comparison of the subject property to the cost to produce a new subject property or a substitute property. Items considered in this estimate are the age, condition, and utility of the property.

In applying the cost approach, the appraiser will first value the land of the subject based on comparable land sales, sales land residuals or income land residuals. However, there were limited land sales in the prescribed time frame. As such the cost rate was developed first. The appraiser will estimate the cost to construct the existing structure, along with any site improvements, and then deduct any accrued depreciation from the cost. The land value is added to the cost value to derive an indication of market value by the cost approach.

Below are examples of the base rate changes that were made as a result of the analysis.

BUILDING TYPE(STYLE)	DESCRIPTION	PREVIOUS BASE RATE	NEW RATE	% DIFFERENCE
12	COMMERCIAL	$ 63.00	$ 72.50	1.15
14	APARTMENT	$ 100.00	$ 150.00	1.50
14R	RES APARTMENT	$ 98.00	$ 160.00	1.63
15	STRIP STORE	$ 124.00	$124.00	1.00
16	PLAZA	$ 109.00	$ 109.00	1.00
18	OFFICE	$ 105.00	$105.00	1.00
27	AUTO DEALER	$ 125.00	$ 125.00	1.00
40	INDUSTRIAL	$ 58.00	$ 88.00	1.51
41	R & D	$ 81.00	$ 105.00	1.30

48	WAREHOUSE	$ 49.00	$ 67.00	1.37
53	PRE-ENG WAREHOUSE	$ 35.00	$ 45.00	1.29
80	STORE/APARTMENT	$ 94.00	$ 150.00	1.60

Land Valuation Models: The Commercial/Industrial land sales, sales residuals and income residuals were analyzed by area to derive typical land value ranges. Jurisdiction adjustment factors were derived to modify the basic land curve to the market characteristics of each neighborhood. The overall base acre value of $250,000 was increased 5% or $262,500 to allow for the changes indicated in the market analysis. The City is broken up into jurisdictions(neighborhoods) see ranges based on location below.

Fair	Below Average	Average	Above Average	Good	VG	Excel
$180,000	$220,000	$262,500	$360,000	$420,000	$570,000	$850,000

Income Approach Modeling:

Market Rent Analysis: The first step in analyzing properties income potential is to establish market rent for land and improvements. To establish a basis for market rent, rentals of comparable properties in the city for all property types have been considered. Market rent is the rental income that a property would most probably command in an open market; indicated by current rents paid and asked for comparable space as of the date of the appraisal. Market rent may differ from contract rent, which is rent paid because of a specific agreement. Market rent is applicable when the property rights appraised are fee simple. To estimate the property's market rent, rental data from comparable properties are required to be gathered and analyzed.

Income and expense statements were mailed out to all commercial property owners throughout the City. This data was examined, qualified and analyzed to develop market rent schedules and vacancy/expense ratios for each property type (i.e., retail, office, industrial, etc.). National real estate publications were also reviewed to further support the market rents that were established. The rates determined are for properties that are of average quality and location. A quality adjustment is applied for utility, location, building condition and any specific conditions.

Once all these factors have been considered, a final net operating income (NOI) is established for each property based on current market conditions for the fee simple interest.

Below are examples of the various type(average market rents) that were adjusted after the analysis.

Type	Description	Rent Rate unit/SF	Previous Rent Rate	Ratio
APT 2 Bed Room	Apartment	1,800	1,330	1.35
BNK	BANK	30	18	1.67
DLR	AUTO DLR	12	12	1.00
FFD	FASTFOOD	33	25	1.32
MFG	MANUFACTURIN	9	7	1.29
OFA	OFC A	19	18	1.05
OFB	OFC B	16	15	1.06
OFC	OFFICE C	14	13	1.07
OFM	OFC MED	22	20	1.10
RDV	RESEARCH & D	9.5	8	1.19
RST	RESTRNT	16	16	1.00
RTA	RTL ANCHOR	8	8	1.00
RTN	RTL NGH	15.50	15	1.03
RTR	RTL REG	20	20	1.00
THR	THEATER	12	12	1.00
WHS	WAREHOUSE	9	7	1.29

Direct Capitalization Method: Capitalization is the process of converting a net income stream into an indication of value. The selection of a capitalization rate (Ro) can be developed by several methods. Direct Capitalization is a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. Extraction of a capitalization rate (Ro) from market surveys and by the band of investment technique are the most accepted methods. They will be utilized to determine a direct capitalization rate for each commercial property type. Another method to develop a capitalization rate is through extracting it from comparable sales. This process was also considered when good market data was available.

Market Survey of Capitalization Rates: Is an analysis of market surveys that were completed to determine capitalization rates for the various commercial property types in the city as of 4/1/2021.

Band of Investment technique: This is a technique in which the capitalization rates attributable components of a capital investment are weighted and combined to derive a weighted average rate that is attributable to the total investment. The two components are the mortgage position and the equity position. The variables considered are the mortgage interest rate, amortization period, holding period, loan to value ratio and the equity yield rate.

Once the capitalization rate is developed the NOI is divided by this rate to determine a value by the income approach.

Below are the capitalization rates supported by the analysis. Estimated Tax Factor 1.9%

Cap Rate Model	Description	Base Cap Rate	Overall Rate	Previous Overall Rate
APT	APARTMENT	6.1	8.0	9.3
BED	NURSING HOME	9.6	11.5	10.5
HTL	HOTEL/MOTEL	9.9	11.8	11.9
IND	INDUSTRIAL	7.5	7.5	8.2
APTR	RES APT	8.0	8.0	11.0
BANK	BANK	9.0	9.0	9.1
CAR	CAR DEAL	9.0	9.0	9.8
FF	FAST FOOD	9.0	9.0	12.1
MIX	MIXED USE	7.9	9.8	12.5
OFF	OFFICE	9.0	10.9	9.8
REST	RESTAURANT	10.0	10.0	10.0
RET	RETAIL	7.1	9.0	9.8
ROOM	HOSPITALITY	10.0	11.9	11.9
SSS	SERVICE STAT	10.7	10.7	10.5

Sales Approach Methodology: The sales comparison approach is the process of comparing the subject property to other comparable properties, which have sold within a reasonable period, adjusting the sale prices of those comparable properties to compensate for differences, and weighing the value indications developed to arrive at an opinion of market value for the subject property.

The sales comparison approach reflects the actions and reactions of typical buyers and sellers in the marketplace. A comparative analysis process is completed to determine and define similarities and differences of properties and transactions that can affect value. These elements may include property rights appraised, financing terms, market conditions, size, location, and physical features.

Below are some sales categories and their respective medians and CODs.

There were 5 retail sales. The median is 0.983 with a COD of 4.078.

There were 4 commercial apartment sales. The median is 0.948 with a COD of 2.591

There were 10 residential apartment type sales. The median is 0.933 with a COD of 6.335.

There were 10 industrial type sales. The median is 0.94 with a COD of 4.63.

There were 9 office sales. The median is 0.956 with a COD of 2.84.

Final Reconciliation: Reconciliation spreadsheets by property type were developed and analyzed. When possible, all approaches to value were reconciled within a range of 0.88 to 1.12 and the cost model was used as the final value estimate. When not possible, the most relevant approach to value for a given parcel was selected. The income approach model was deleted during the reconciliation process when not appropriate to the valuation of a given parcel or property type.