

KRT APPRAISAL

BANGOR, MAINE

Full Commercial Revaluation



INTRODUCTION

- **Kevin Leen, CMA, Senior Appraiser**
 - 40 years appraisal experience
 - 26 years of that in mass appraisal
 - Completed many revaluations in Maine and throughout New England

INTRODUCTION

- **Ken Rodgers, CMA, President/Project Director**
 - 34 years appraisal experience
 - 30 years of that in mass appraisal
 - Completed 175+ revaluations throughout New England
 - 35 Revaluations completed in Maine

PRESENTATION OUTLINE

- Company Profile
- Goals of Revaluation
- Approaches to Value
- Revaluation Phases
- Question and Answer

COMPANY PROFILE

- KRT Appraisal (KRT) was formed in 2010
- Ownership has 58 years experience in mass appraisal
- KRT provides services throughout northern New England
- KRT runs between 6-10 projects per year
- KRT has approximately 28 employees
- KRT has 3 CMA's (Certified Maine Assessor's)

APPRAISAL STAFF

- **Paul Berthiaume, Appraiser**

34 Years Appraisal Experience

- **Doug Rollins, Appraiser**

10 Years Appraisal Experience

GOALS OF A REVALUATION

- Corrects disproportionate taxation by valuing all property at fair market value as of April 1, 2026
- Adjusts value for market shifts over time
- Ensures that various property classes are valued at same level of assessment
- Creates uniformity and assessment equity
- Uses a systematic mass appraisal model to create consistency

TRADITIONAL APPROACHES TO VALUE

- Market/Sale Approach (Analysis Of Sales)
 - Market Transactions from April 1, 2024, through March 31, 2026
- Cost Approach (Building Value + Land Value)
 - Marshall & Swift Valuation Service
- Income Approach
 - Market Rents, Market Vacancy/Expenses, Market Capitalization Rates

REVALUATION PHASES

- Data Collection (In Process)
- Sales Review and Validation
- Sales Analysis and Valuation
- Field Review
- Reconciliation between the approaches to value
- Informal Hearings and Reporting

DATA COLLECTION

- KRT began visiting properties in the fall of 2025
- Data Collectors wear an ID badge and mark their cars with an “assessor’s office” magnet
- KRT will attempt to complete an interior inspection at time of inspection
- All properties without an inspection will get a letter requesting a call for an appointment

DATA COLLECTION AND USE



CITY OF BANGOR

PROPERTY OWNERS AND PROPERTY MANAGERS ARE THE MOST KNOWLEDGEABLE PARTIES TO INFORM KRT ON THEIR PARTICULAR PROPERTY

- Today's Topics
- A case to show how an interior inspection of a property located within the downtown district would benefit the owner and lead to a different value outcome from a situation where the KRT data collector had to rely upon benchmarks, estimates and observations from the street versus a full inspection.
- The development process of a market-based rental rate for a storage warehouse property.
- What is and how critical is the use of Income & Expense Questionnaires to developing market-based data?
- The development process of a market-based, assessed value estimate for an apartment complex.



DATA COLLECTION

GROSS BUILDING AREA VERSUS NET RENTABLE AREA

THE PROPERTY OWNER AND PROPERTY MANAGER ARE THE MOST KNOWLEDGEABLE PARTIES TO INFORM KRT ON THEIR PARTICULAR PROPERTY DURING AN INTERIOR INSPECTION

Downtown Multi-storied Mixed-Use Property

Floor/Use	Total Bldg. Area	Net Rentable Area	Rentable Percentage
1 st Retail	3,408	2,172	64%
2 nd Office	3,408	1,903	56%
3 rd Office	3,408	1,461	43%
4 th Office	2,160	1,537	71%
4 Floors	12,384	7,073	Sec. 87 of MVS Office @ 75%

Avg 58%

DATA COLLECTION



CITY OF BANGOR

GROSS BUILDING AREA (GBA) VERSUS NET RENTABLE AREA (NRA) AND THE IMPACT ON VALUE WHEN RELYING ON THE ACCURATE NUMBER

Downtown Multi-storied Mixed-Use Property with only 58% Net Rentable Area. What is the impact on value-development using the following: Cost Approach, Market Approach and the Income Approach to Value.

In the Bangor market, let's assume that the typical NRA is 75% of total building area. The subject property has a calculated NRA of just 58%.

The interior of the property has been inspected by the KRT data collector and the NRA of 58% is recorded and shared with the KRT valuation team.

Using the Cost Approach, the valuation team considers the impact on value with a functional adjustment due to the office's current design/layout, which is not typical.

DATA COLLECTION



CITY OF BANGOR

GROSS BUILDING AREA (GBA) VERSUS NET RENTABLE AREA (NRA) AND THE IMPACT ON VALUE WHEN RELYING ON THE ACCURATE NUMBER

Using the Market Approach, three sales that are deemed comparable each sold for say \$100/sf, and each had NRA to GBA ratios of 75% or higher. Knowing our rentable ratio is lower than 75%, the value estimate of \$100/sf is adjusted down.

Using the Income Approach, the valuation team determines the Potential Gross Income using the actual rentable area of 7,073 sf and not the expected area of 9,288 sf (12,384 sf times 75%). Already, the valuation team is saved from overstating the property's value by about 28%.

DATA COLLECTION



CITY OF BANGOR

HOW DOES MY PROPERTY DATA BECOME MARKET DATA

For the Income Approach to Value on an industrial storage warehouse, KRT aggregates data from the individual I&E questionnaires. Reliance is mainly on recently executed leases.

<u>Warehouse/Use</u>	<u>Total Bldg.Area</u>	<u>Net Rentable Area</u>	<u>Annual Rent/sf</u>
1 st Comp	32,000	32,000	\$10
2 nd Comp	40,000	40,000	\$8
3 rd Comp	35,000	35,000	\$9.50
4 th Comp	37,000	37,000	\$9.50

So, for storage warehouses between 32K and 40K sf in total building area - the annual rent ranges from \$8 to \$10 per sf with the median rent of \$9.50/sf. Bangor's market lease rate is determined to be \$9.50/sf.

Therefore, all storage warehouses in Bangor within the above size range will have a Potential Gross Income estimate using \$9.50/sf. Market-based data will lead to market-based assessed values.

DATA COLLECTION



CITY OF BANGOR

HOW PROPERTY OWNERS AND MANAGERS INFORM KRT ON BANGOR'S CURRENT MARKET CONDITIONS

The Income Approach to Value, for example, will be developed on each commercial, industrial, large apartment, specialty, exempt and “other” property. This is whether it is fully available for lease to a third-party, partially leased or utilized fully by the property owner. KRT will mail each property owner an Income and Expense Questionnaire in the Spring of calendar year 2026. There will be a questionnaire for each property type: office, warehouse, mixed-use, apartment, etc.

The city encourages property owners and managers to complete the questionnaire – one on each property under their responsibility.

This form has been highlighted today to distinguish property data like net rentable area, vacancy rate, who is responsible for the property taxes, who is responsible for each fixed or operating expense and data on the tenant's unit or suite. (colored in tan and green). The answers, when aggregated, are the property owners only way to inform KRT on the Bangor market.

DATA COLLECTION



CITY OF BANGOR

HOW PROPERTY OWNERS AND MANAGERS INFORM KRT ON BANGOR'S CURRENT MARKET CONDITIONS

When completing the 2025 annual income in section II always provide your estimate of vacancy and collection loss, as well. Since effective gross income is almost always lower than our potential gross income. In section III (highlighted in blue) is where KRT is informed on who, owner or tenant, pays which expense. Section IV and V (in blue) asks for information on each tenant either for commercial occupancy or apartment occupancy.

So far, no real financial information is within the tan or blue fields.

HOW PROPERTY OWNERS AND MANAGERS INFORM KRT ON BANGOR'S CURRENT MARKET CONDITIONS

Now the big question and the big ask from the City Assessor. Will the income and operating expenses sections be completed? Why is this information critical to develop the Income Approach to Value.

Like the warehouse example covered earlier, let's use an apartment building in this example.

We need to develop the following:

- * market-based rental rates for 1 Br, 2 Br, 3 Br and 4 Br units – to develop the PGI
- * apartment bldg. vacancy and collection loss ratios – to develop the EGI
- * apartment bldg. operating expense - % of EGI – this shows how much of the collected income is being consumed by expenses, critical for evaluating profitability.
- * not typically included: mortgage payments, depreciation, income taxes, or owner-specific costs (example: travel, private vehicle lease)

DATA COLLECTION



CITY OF BANGOR

HOW QUESTIONNAIRE DATA IS AGGREGATED INTO MARKET-BASED AMOUNTS, RATIOS AND CAPITALIZATION RATES

<u>Income and Operating Expense Categories</u>	<u>Annualized Amount</u>
--	--------------------------

Market-based PGI - rate of \$1,000/month x 8 (One Br) Units	\$96,000
---	----------

Market-based vacancy and collection loss ratio of 5%	-\$4,800
--	----------

Market-based EGI – Effective Gross Income	\$91,200
---	----------

Market-based apartment bldg. expense ratio 35% of EGI	-\$31,920
---	-----------

Market-based NOI - Net Operating Income	\$59,280
---	----------

Market-based or Published (Survey) Capitalization Rate

Garden/Suburban Townhouse rate of 7.7%	leads to a value of: \$770,000 or \$96,250 per unit
--	---

High Rise/Urban rate of 8.46% leads to a value of:	\$700,000 or \$87,500 per unit
--	--------------------------------

SALES REVIEW AND VALIDATION

- KRT will review all properties that sold between 4/1/2024 and 3/31/2026
- KRT will determine which sales were valid using online resources such as Co-Star, MLS, etc., when possible
- Qualified sales become the benchmark for determining fair market value

SALES ANALYSIS AND VALUATION

- KRT will analyze all qualified sales from 4/1/2024 to 3/31/2026
- This analysis will be used to update all land and building tables
- KRT will analyze all income data for the prior year. This data will be used to generate an income approach to value when possible
- The appraisal approaches are then reconciled, and the preliminary assessment is generated
- The strata tested will include location, lot size, building size, building age, building use and building quality
- All ratio studies will conform to standards established by Maine Revenue Services and International Association of Assessing Officers (IAAO).

FIELD REVIEW

- Once the preliminary assessments have been established, KRT will review all properties in the field to verify data accuracy and ensure the proposed values reflect fair market value
- This is the process where values go from preliminary to final

INFORMAL HEARINGS AND REPORTING

- KRT will mail an impact notice to all property owners showing old and new values
- KRT will hold informal meetings giving property owners the chance to ask questions and have their value reviewed
- KRT will mail a final notice to all who had a hearing or value change
- KRT will supply the Town with a USPAP compliant manual detailing the methodology, sales analysis and tables used to complete the revaluation

QUESTIONS

Any questions?