

2021 COMMERCIAL ASSESSMENTS

Bryon Tack, MAI, CAE
Director of Commercial Real Estate
Polk County Assessor's Office

SALES VOLUME REMAINED STRONG

- ▶ Polk County recorded more Commercial, Multi-Residential, and Industrial sales in 2020 than any other year over the past decade.
- ▶ We saw a 9% increase in sales volume in 2020 and this followed a 12% increase in 2019.

COMMERCIAL BUILDING PERMITS

- ▶ Commercial building permits issued in 2020 remained very high.
- ▶ Several jurisdictions issued record or near record numbers of commercial building permits along with record high valuations attributed to those permits.



2020 DID NOT TREAT ALL
COMMERCIAL REAL ESTATE EQUALLY

MOST PROPERTIES SOLD AT PRICES ABOVE THEIR ASSESSMENT IN 2020

- ▶ The median assessment to sales price ratio that the Iowa Department of Revenue utilizes to measure assessment levels indicated 91.7% for Commercial classed properties in Polk County and 82.0% for Multi Residential classed properties in Polk County.

MULTI RESIDENTIAL CLASS



MARKET REPORTS

- ▶ According to the CBRE Hubbell Commercial Market Snapshot for Q4 2020, apartment vacancy fell to 6.6% at the end of 2020 from a Q1 level of 7.3%. This drop in vacancy occurred even with an additional 1,084 units added to the Des Moines market in 2020. Rent growth was reported at 1%.



CARBON 550

550 Watson Powell Jr Way

Des Moines

Built in 2018

50 Units

Sold - 02/27/2020

\$9,880,710 w/o FF&E

\$197,614 / unit



LAKE SHORE

East First and NE Delaware

Ankeny

Built in 2015

239 Units

Sold - 11/24/2020

\$33,200,000

\$138,912 / unit

ANKENY MANOR



202 NE Trilien Dr.

Ankeny

Built in 1970

24 Units

Sold - 11/24/2020

\$2,150,000

\$89,583 / unit



CAMBRIDGE COURT

1205 11th

West Des Moines

Built in 1992

192 Units

Sold – 07/31/2020

\$16,545,060

\$88,172 / unit

MULTI RESIDENTIAL ASSESSMENT CHANGES

- ▶ Based on the 82% sales ratio study, the typical Multi Residential change in assessment for 2021 is +22%.

COMMERCIAL CLASS PROPERTY



OFFICE



MARKET REPORTS

- ▶ CoStar reported office vacancy in the Des Moines market at 7.3% for January 2021 up from 5.5% in January of 2020.
- ▶ Sales volume remained relatively strong in 2020 and the average sale price per S.F. was up slightly as compared to 2019. Rent growth was reported at 1.5% over the previous 12 months.



EAST GRAND OFFICE PARK

200 E. Grand Ave.

Des Moines

Built in 1987

111,748 S.F.

Sold – 10/01/2020

\$14,100,000

\$126.18 / S.F.

1275 NW 128TH



Clive

Built in 2003

59387 S.F.

Sold – 02/05/2020

\$10,000,000

\$168.39 / S.F.



5495 NW 100TH

Medical Office

Johnston

Built in 2018

3,906 S.F.

Sold – 04/20/2020

\$1,650,000

\$422.43 / S.F.

RETAIL



MARKET REPORTS

- ▶ CBRE reported Q4 overall retail vacancy for the Des Moines market at 8.9% up from 6.6% over the last year. They also reported sales volume up 30% over the previous 5 yr average. However, this was largely driven by single-tenant net-lease properties.
- ▶ CoStar reported retail asking rents up 0.1% over the past twelve months.



CONVENIENT STORE

3104 University

Des Moines

Built in 2020

5656 S.F.

Sold – 12/21/2020

\$7,500,000

\$1,326.03 / S.F.



ASHWORTH PLAZA

5901 Ashworth Rd.

West Des Moines

Built in 1994

6000 S.F.

Sold – 11/18/2020

\$1,050,000

\$175.00 / S.F.



717 N. ANKENY BLVD.

Ankeny

Built in 1990

11,370 S.F.

Sold – 12/23/2020

\$1,360,000

\$119.61 / S.F.



OLD ORCHARD PLAZA

1800 NW 86th

Clive

Built in 1985

30,529 S.F.

Sold – 08/27/2020

\$1,360,000

\$44.55 / S.F.



BIG BOX DEPARTMENT STORE

4000 Merle Hay Rd.

Des Moines

Built in 1959

230,673 S.F.

Sold – 11/18/2020

\$2,800,000

\$12.14 / S.F.

INDUSTRIAL



MARKET REPORTS

- ▶ CBRE reported Q4 vacancy at 5.4% for the industrial market. This was up from 4.4% from Q1 and a relatively small increase considering that 1.2 million in speculative space was delivered in 2020. Approximately 50% of this speculative space has already been occupied.
- ▶ Rent growth was reported at 3.2% for post 2000 warehouse & distribution, 2.7% for pre 2000 whse & dist., and 2% for flex.

3600 ARMY POST RD.



Office & Warehouse

Des Moines

Built in 2002

397,938 S.F.

Sold – 12/18/2020

\$31,500,000

\$79.16 / S.F.

1300 SE LITTLE BEAVER DR.



Warehouse

Grimes

Built in 2015

220,000 S.F.

Sold – 03/27/2020

\$15,264,640

\$69.38 / S.F.



3901 DIXON

Warehouse

Des Moines

Built in 1995

199,180 S.F.

Sold – 08/04/2020

\$13,545,000

\$68 / S.F.



2665 SE OAK TREE CT.

Flex

Ankeny

Built in 2006

20,675 S.F.

Sold – 08/07/2019

\$2,300,000

\$111.25 / S.F.

HOSPITALITY



LOCAL HOTEL PERFORMANCE & NATIONAL DATA

- ▶ Hotel occupancy in the DSM area dropped to 20% in Q2 2020
- ▶ Annual hotel occupancies in DSM have historically averaged over 60%
- ▶ Hotel Motel sales tax collections in Polk Co. were down 18% FY 2019 to FY 2020. Year over year June 2019 vs June 2020 was down 51%.
- ▶ A Trepp report published in September of 2020 noted the value of lodging properties that have been reappraised since March of 2020 have fallen -28.9%

HOTEL CONT.

- ▶ HVS reported in November 2020 that they had reappraised 140 hotels that they had valued pre pandemic and the value decline ranged from 15% - 30%
- ▶ The LW Hospitality Advisors Q4 2020 Major U.S. Hotel Sales Survey indicated a decrease in sales price per room of 35% since Q4 2019
- ▶ A Bloomberg article from January 21, 2021 stated that U.S. hotels recorded the lowest occupancy rates on record in 2020. The article cited STR in stating that the industry will likely show nearly zero profit for the year.

COMMERCIAL CLASS ASSESSMENT CHANGES

- ▶ Warehouse Group
- ▶ Based on an assessment ratio of 74.07% for just properties in this group, the typical change in assessment for properties in this group for 2021 is +35%.

COMMERCIAL CLASS ASSESSMENT CHANGES

- ▶ Hospitality/Entertainment Group
- ▶ Based on the occupancy reports, sales tax collection, and national reporting information, the typical change in assessment for properties in this group for 2021 is -30%.

COMMERCIAL CLASS ASSESSMENT CHANGES

- ▶ General Commercial Group
- ▶ Based on an assessment ratio of 95.8% for just properties in this group, the typical change in assessment for properties in this group for 2021 is +3%.

IDENTIFYING WHICH VALUATION GROUP A PROPERTY IS IN

- ▶ The valuation group that a particular commercial property falls under is based on the occupancy listed in the Commercial Summary that is found on the property record card shown on the Polk Co. Assessor's website.

ASSESSOR'S WEB PAGE

Commercial Summary					
Occupancy	Warehouse	Age, Weighted	2014	Total Story Height	1
Land Area	1,302,630	Gross Area	644,568	Finished Area	7,413
Unfinished Bsmt Area	0	Finished Bsmt Area	0	Number of Units	0
Primary Group	Warehouse	Percent Primary Group	99.92	Secondary Group	Mechanical Equipment
Percent Secondary Group	0.08	Grade, Weighted	110	Bldg Class, Weighted	90
Condition, Weighted	100	Ground Floor Area	644,568	Perimeter	4,296
Wall Height, Weighted	31	Unfinished Area	644,568	Interior Finished Area	7,413
Dock Floor Area	490,231	Air Conditioned Area	7,413	Sprinkled Area	644,568
Land to Gross	202.09	Land to Ground	202.09	Prime Bldg RCN	\$44,904,361
Prime Bldg RCNLD	\$41,057,909	Detached RCN	\$2,145,421	Detached RCNLD	\$1,964,394
Create Date	2012-10-10	Modify Date	2021-01-09		



VALUATION GROUP OCCUPANCIES

Warehouse Group Occupancies +35%
Warehouse
Warehouse Transit
Warehouse Cold Storage
Warehouse Condominium
Warehouse Mini
Office & Warehouse
Retail & Warehouse
Industrial Light
Industrial Heavy
Flex
Auto Repair Shop

VALUATION GROUP OCCUPANCIES

Hospitality/Entertainment Group Occupancies -30%
Hotel Motel
Hotel High Rise
Theatre
Casino
Skating Rink
Bowling Alley
Restaurant Tavern
Bar Lounge
Health & Recreation

VALUATION GROUP OCCUPANCIES

General Commercial Group Occupancies +3%		
Auto Showroom Sales	Office	TV/Radio
Auto Service	Office Condominium	Quarry
Auto Salvage	Office Medical	Church
Banks Savings & Loan	Parking Garage	Hospital
Car Wash	School	Charitable
Fraternal Organization	Ready Mix Asphalt/Concrete	Continuing Care Facility
Fraternity/Sorority	Research Lab	Government Administration
Funeral Home Mausoleum Cemetery	Retail	Office & Retail
Clubhouse	Retail & Condominium	Office & Apartment
Grain Elevator	Gas Service Station	Office High Rise
Green House Nursery	Shopping Center Regional	Parking Lot
Retail Grocery	Shopping Center Nbhd	Retail & Office
Hangar	Storage Yard	Retail & Apartment
Lumber	Tanks	Laundromat
Mobile Home Sales	Veternary Clinic	Retail Large Discount
Mobile Home Park	Other	Retail Convenience
Nursing Home	Child Care	Restaurant Fast Food

CONTACT INFORMATION

- ▶ Contact information for a specific property can be found on the property record card on our website. There you will see an appraiser name and phone number.
- ▶ Randy Ripperger: 515-286-3158
rip@assess.co.polk.ia.us
- ▶ Bryon Tack: 515-286-2013
tack@assess.co.polk.ia.us

IN CLOSING

- ▶ March 30th – 182,000 notices mailed
- ▶ April 2-25 Informal hearing request
- ▶ April 2-30 Formal protest filing period
- ▶ May 3 Board of Review convenes
- ▶ End of session ???

QUESTIONS

ICREA LUNCHEON

Zoom Meeting
March 4, 2021
11:30 – 12:30

SUMMARY OF THE 2020 REAL ESTATE MARKET ACTIVITY

PREVIEW OF THE POLK COUNTY 2021 REVALUATIONS AND PROPERTY ASSESSEMENTS

STATUTORY VALUATION

Chapter 428.4 – Property shall be assessed for taxation each year

Chapter 428.4 – The assessment of real estate shall be the value of the real estate as of January 1 of the year of the assessment

BIENNIAL REASSESSMENT

Chapter 428.4 - Real estate shall be listed and assessed in 1981 and every two years after.

The year 1981 and each odd-numbered year thereafter shall be a reassessment year.

BIENNIAL REASSESSMENT

Reassessment means the reappraising of all real property within an assessment jurisdiction to the current market value level.

Impact of biennial reassessment cycle – assessment ‘frozen’ while market fluctuates within cycles – different property types react differently to changes in market conditions

REASSESSMENT

Principle of Change – economic principle that states market value is constantly changing

Real estate market is dynamic

This change can vary greatly within a jurisdiction such as Polk County over a period of two years

MARKET VALUE STANDARD

Chapter 441.21: “Market value” is defined as the fair and reasonable exchange in the year in which the property is listed and valued between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and each being familiar with all the facts relating to the particular property

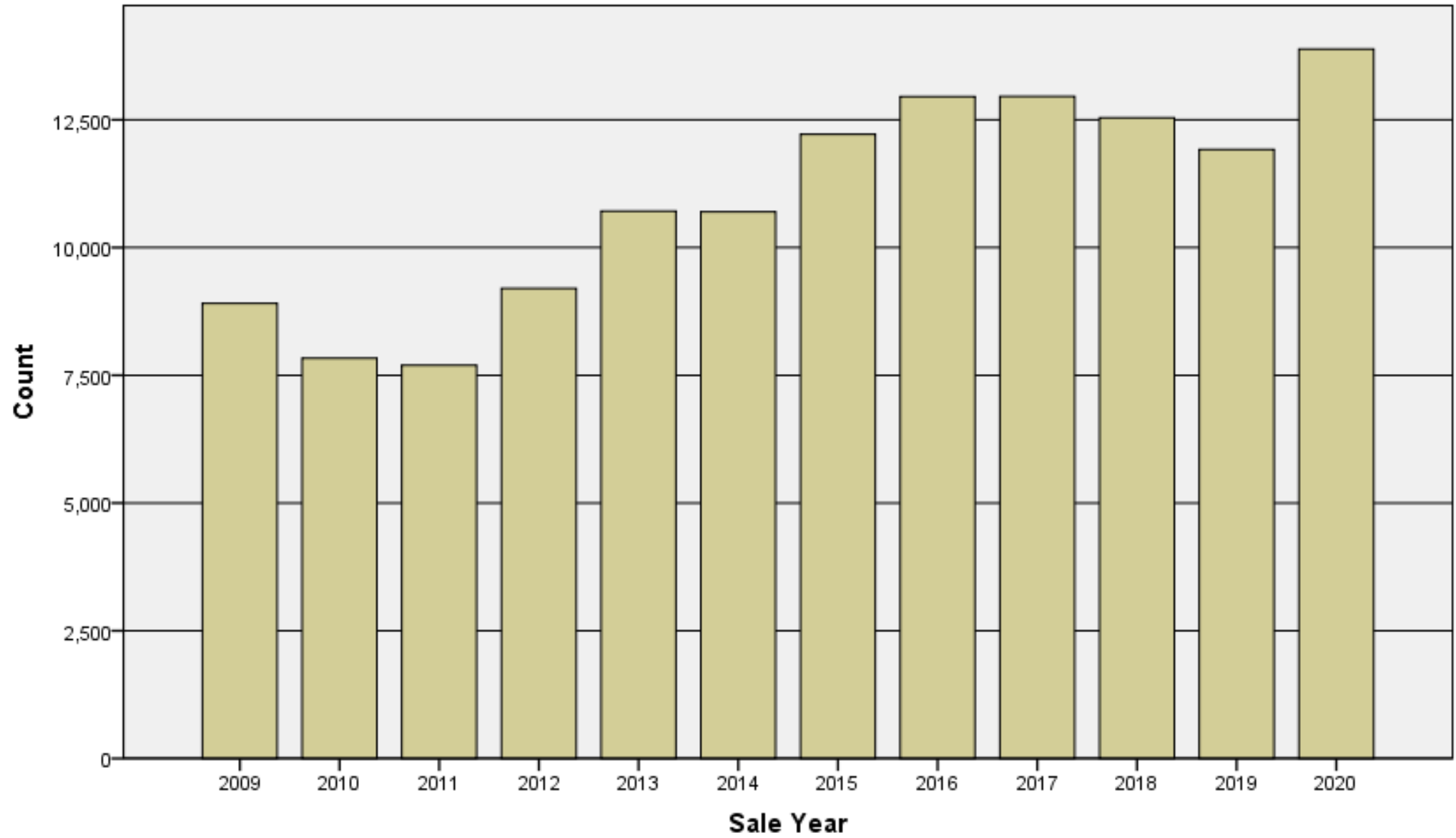
EQUALIZATION

Iowa law mandates the assessment level of 100% market value for each class of property

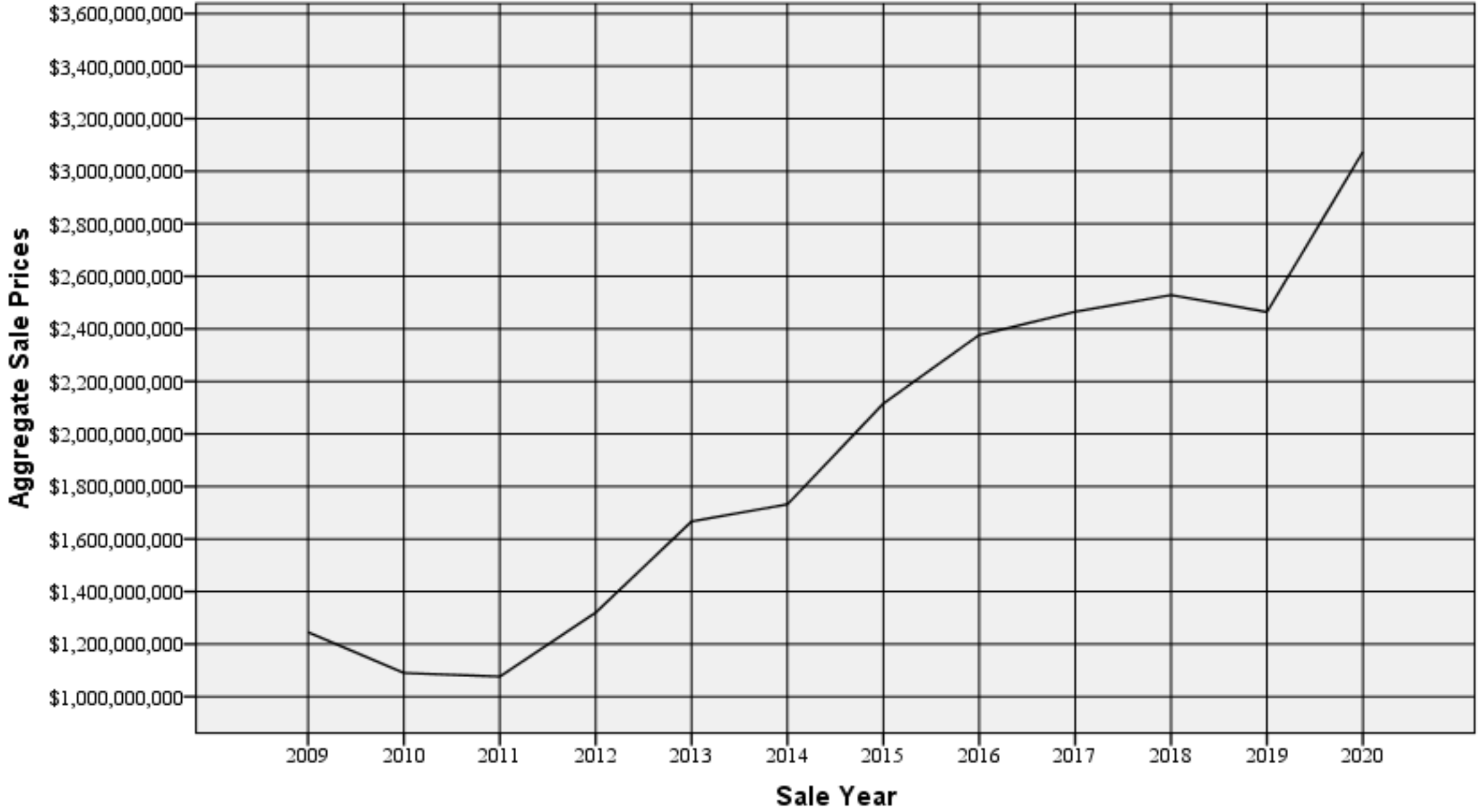
Allowance of +/-5%, thus the overall assessment level must fall between 95%-105% to be in compliance

Outside this range – Director will adjust the assessments through an equalization order

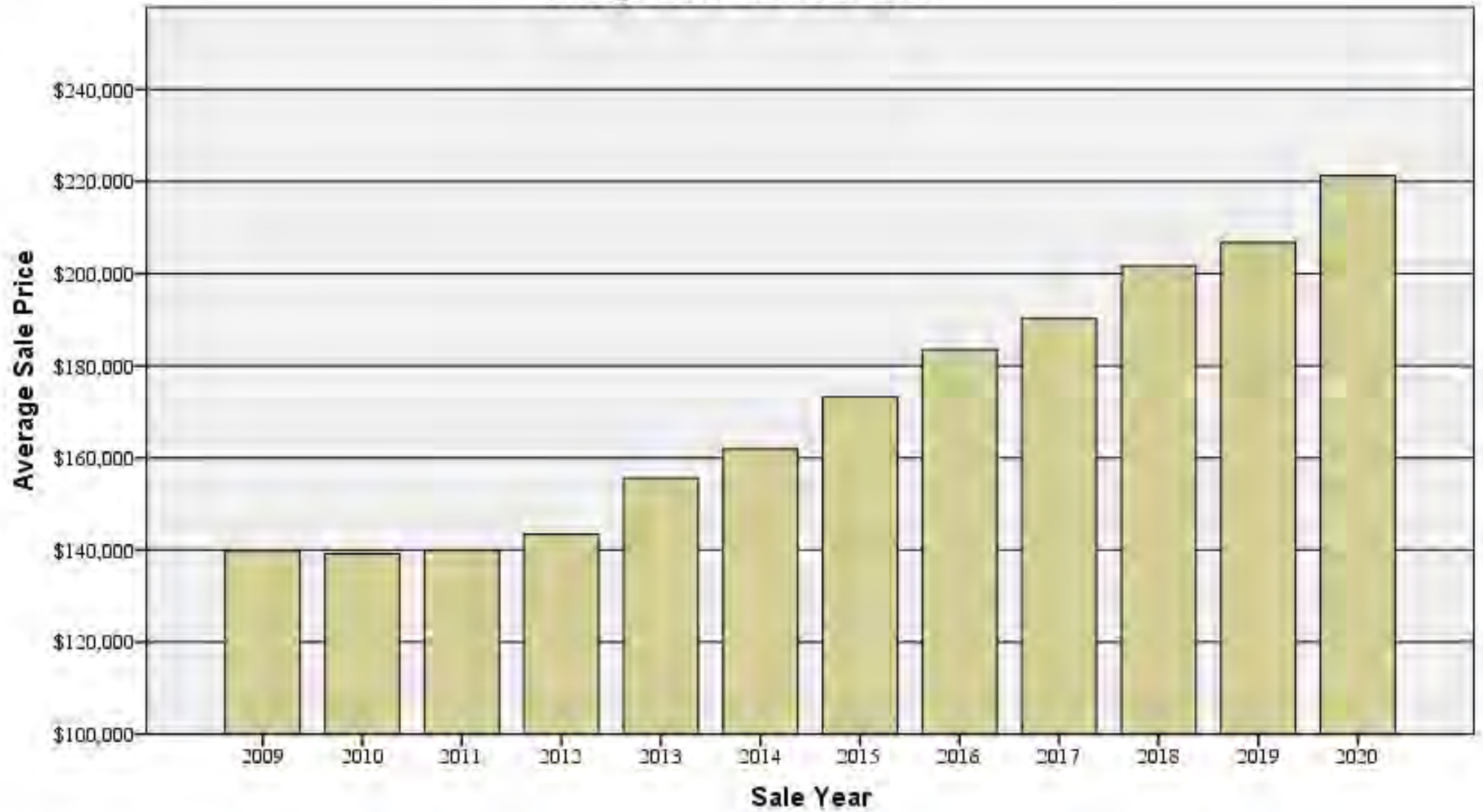
Number of Residential Sales 2009-2020



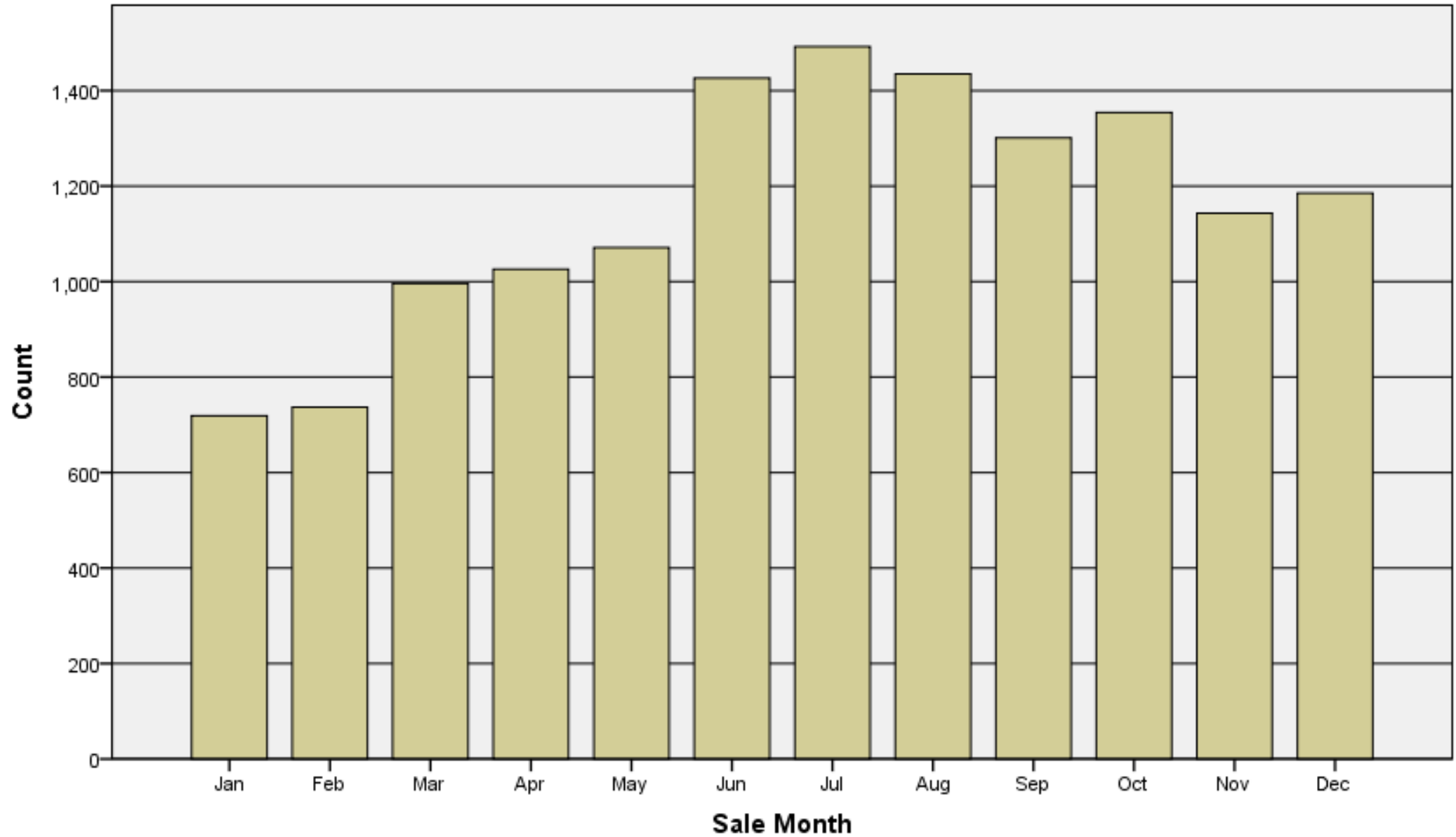
2020 Aggregate Sale Prices by Year



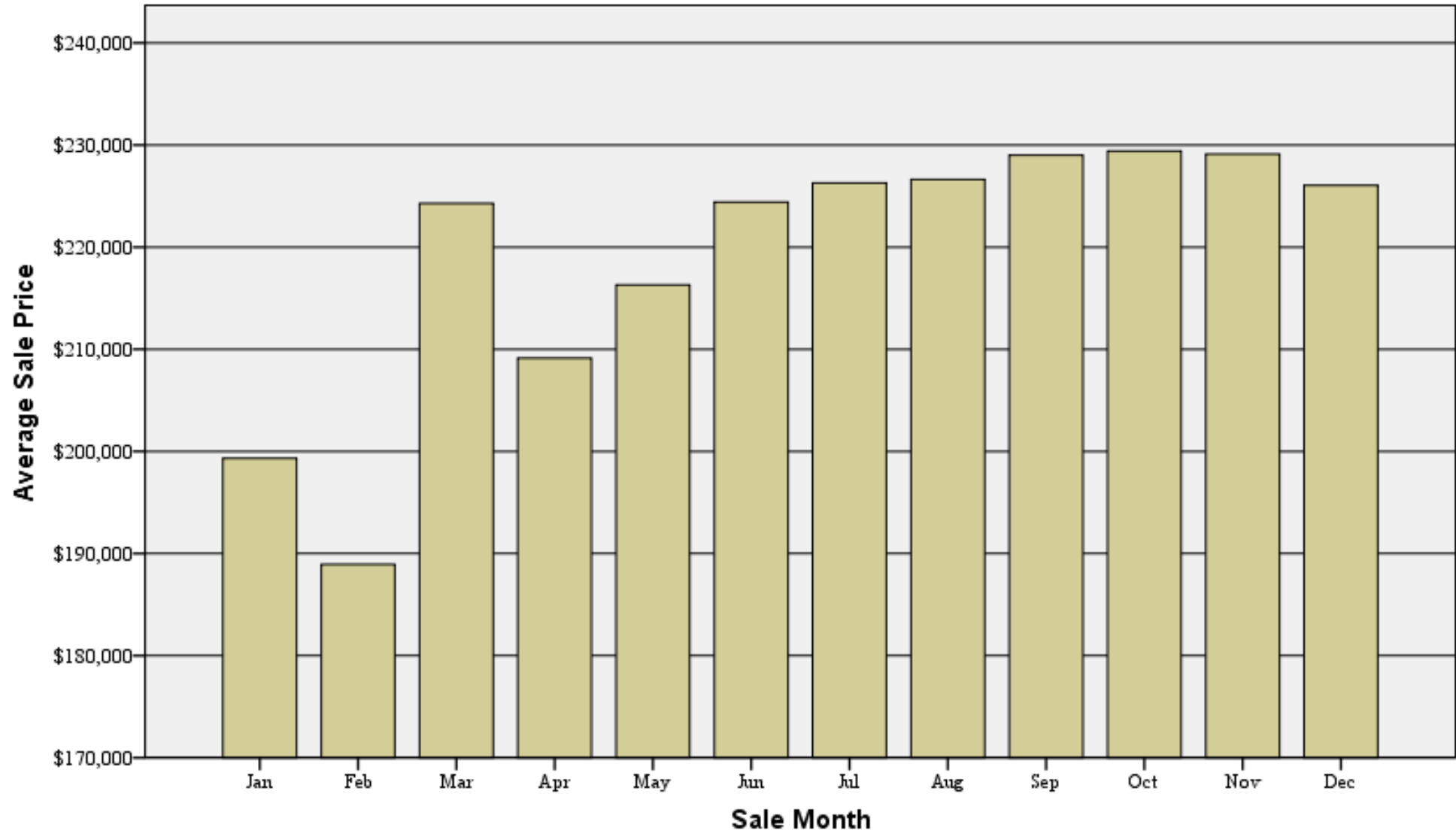
Average Sale Price 2009-2020



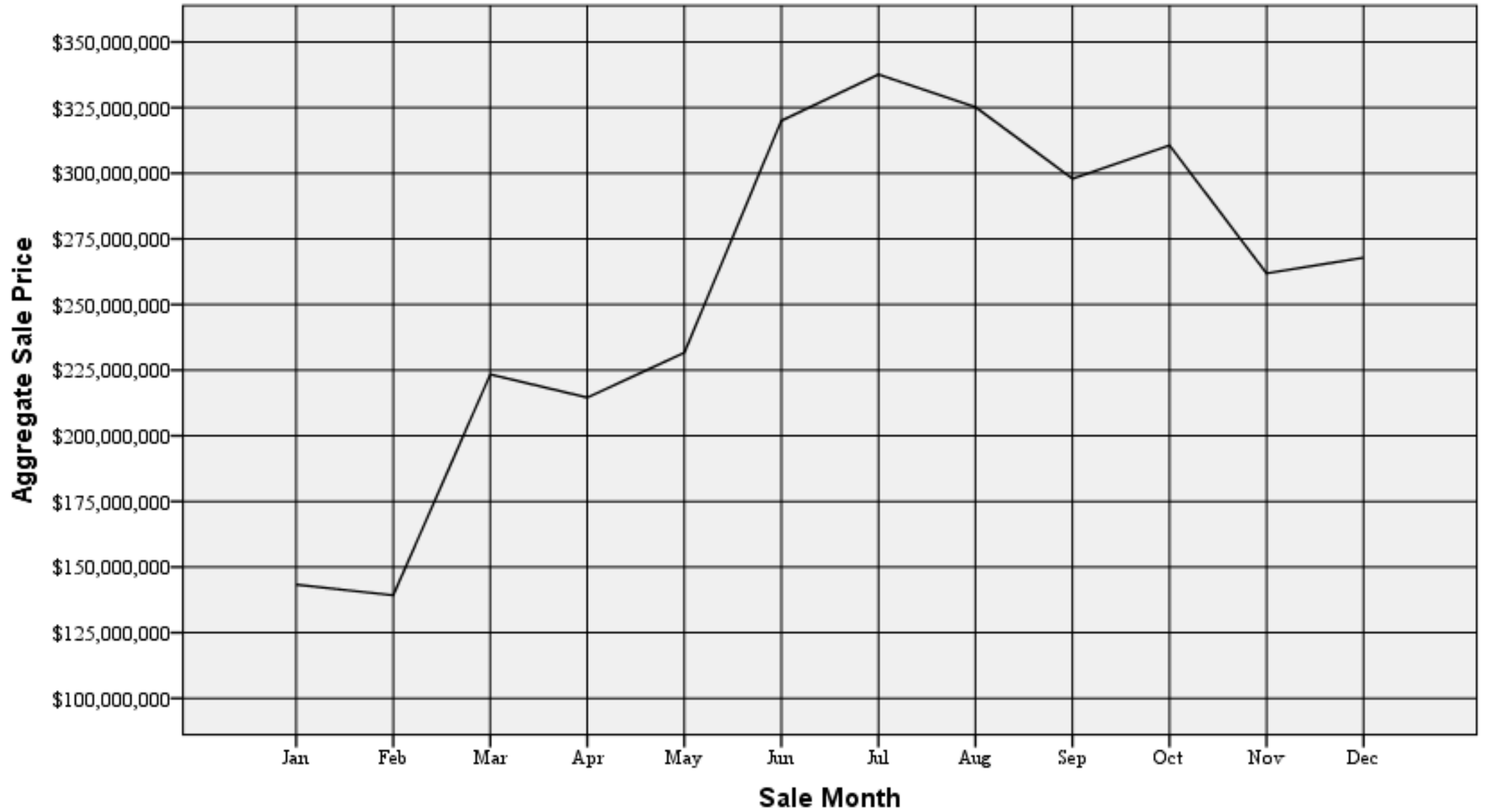
2020 Number of Residential Sales by Month



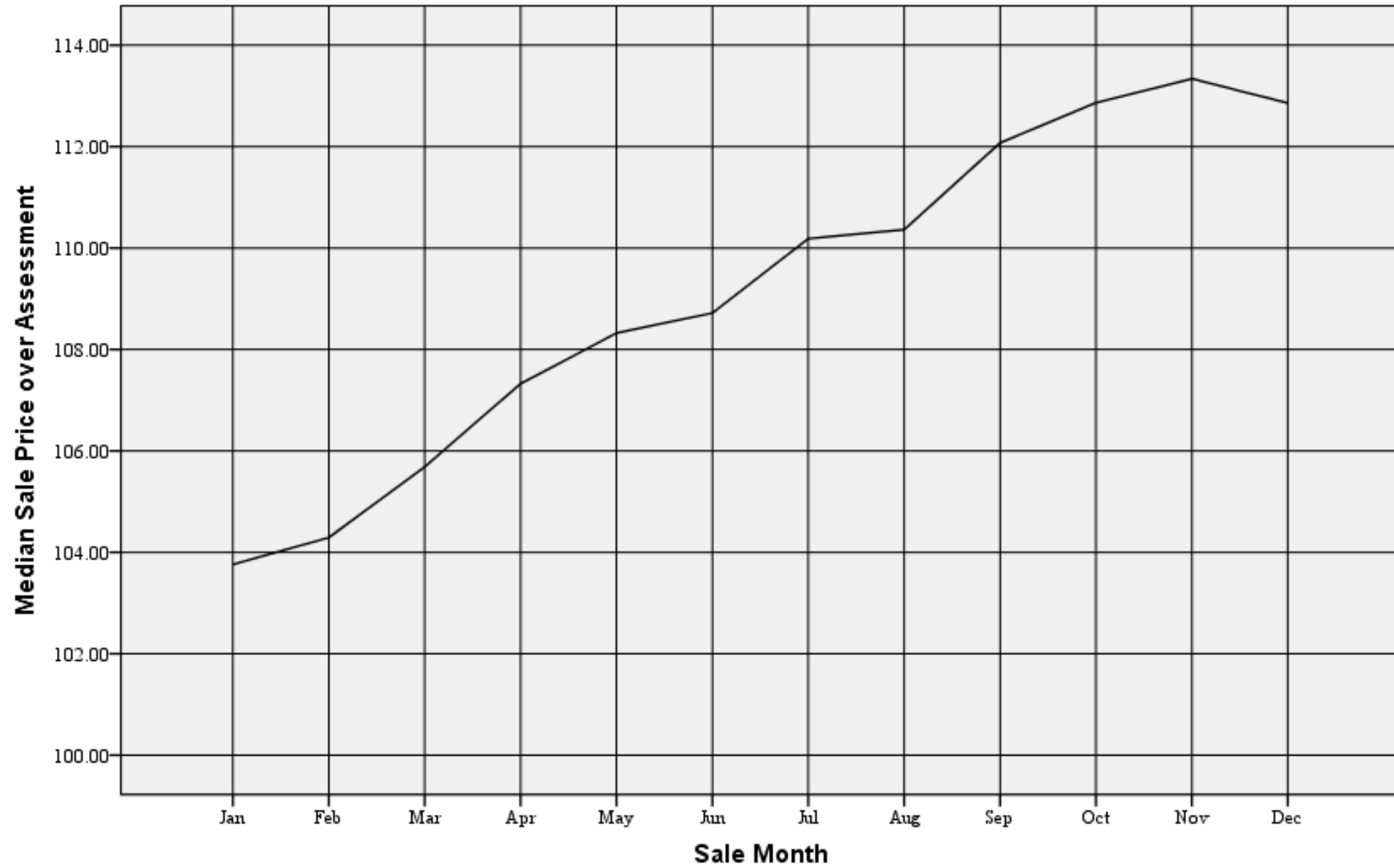
2020 Residential Average Sale Price by Month



2020 Aggregate Sale Prices by Month



2020 Sale Price over Assessment per Month



2021 Preliminary Value Changes - Residential

<u>Jurisdiction</u>	<u>Percent Change</u>	<u>Jurisdiction</u>	<u>Percent Change</u>
Alleman	12.25%	Granger	10.16%
Allen Township	0.25%	Grimes	5.76%
Altoona	7.81%	Jefferson Township	6.41%
Ankeny	6.38%	Johnston	4.92%
Beaver Township	8.36%	Lincoln Township	7.09%
Bloomfield Township	7.02%	Madison Township	7.94%
Bondurant	5.62%	Mitchellville	9.19%
Camp Township	11.91%	Pleasant Hill	6.35%
Carlisle	8.14%	Polk City	6.92%
Clay Township	7.51%	Runnells	12.41%
Clive	6.73%	Saylor Township	10.30%
Crocker Township	9.82%	Sheldahl	15.52%
Delaware Township	9.22%	Union Township	12.56%
Des Moines	10.63%	Urbandale	6.46%
Douglas Township	13.00%	Washington Township	8.22%
Elkhart	10.58%	Webster Township	7.37%
Elkhart Township	9.30%	West Des Moines	6.40%
Fourmile Township	12.82%	Windsor Heights	10.79%
Franklin Township	10.37%		
		Total	8.00%

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