

# **Portsmouth, NH Commcl/Ind. Land Analysis and Parameters**

## **Explanation and Results of Neighborhood Land Classification**

Neighborhood classification begins with an understanding that every municipality can be segregated into areas, and differentiated by varying characteristics, such as type and quality of roads, topographic and scenic features such as views, surrounding uses, and the quality and/or maintenance of such uses, etc. Typically, these distinguishing characteristics result in differing market responses, in terms of the underlying land value, that can be positive or negative. Neighborhood classification, therefore, depends upon establishing a base land rate for each neighborhood. Once the base rate is established, a schedule of positive or negative adjustments is developed corresponding to the degree of difference from the base.

The first step is to identify the neighborhoods, and establish the corresponding boundaries associated with each. This determination is also influenced by interviews with knowledgeable local brokers and real estate agents. Local sale data is then collected, specific to each neighborhood, and examined. Sales of vacant land provide the most direct and reliable estimate of land value. However, when an insufficient number of vacant land sales are available, a land extraction technique is utilized. The Land Extraction technique deducts the depreciated improvement value from the total sales price, resulting in the contributory value of the underlying land.

Identifying sales within a neighborhood or a comparable neighborhood developed the base rate land values for each neighborhood. Neighborhoods that have the same pricing are considered equivalent in desirability. The neighborhood sale analysis resulted in the following tabulate neighborhood factors:

## **Categories of Land and Land Pricing**

### **Site**

The primary site will consist of the area typically utilized to support the improvements. This area will be categorized as Site SF. The site will comprise up to 43,560 SF or typically 4 times the Gross Building Area (GBA) whichever is greater. On larger industrial buildings approaching 100,000 SF or larger the site (based on economies of scale) may drop to 3 times the GBA. In most cases, land greater than the indicated site is considered Excess.

### **Vacant Site**

The most probable buildable land area. Land greater than the indicated site is considered Excess.

### **Expansion Land**

Land beyond that which is being used, that has imminent development potential in the foreseeable future or used as secondary site such as yard storage will be priced at 50%- 60% of the improved land in use.

### **Excess Acreage**

Land over and above that which is categorized as vacant site, improved site, or expansion land. Typically priced at 10% or less of the site (SF) pricing. In this case, most excess land will be priced at 10% or less of the site SF per SF.

### **Special Land Pricing and External Land Factors**

Positive external factors existed in this community. Premium locations were riverfront commercial and riverfront industrial locations. In the lower priced, tertiary commercial locations these were shown to command a premium of a factor of 2.30 higher than similar non-waterfront locations. These were mostly small marina usages. Here, an acre would be valued at \$200,000 x 2.30 (waterfront) or \$460,000. This was extracted from one waterfront Boat Club sale (see Land Extraction Spreadsheet). A site index of "A" was applied which carries a factor of 2.30

Further upriver in more busy and viable commercial locations, such as in the downtown area, with base land values off the water at a much higher \$1,050,000 per acre, the waterfront premium was reduced to 70% or a factor of 1.70. This was checked via income values which afforded higher income potential for properties with unobstructed water access. Theoretically, a one acre lot along the open river in the prime downtown area would be valued at \$1,785,000 per acre, though most lots were smaller and would be lower in value as a result of the smaller size. Regardless, waterfront lots here had a Site Index of 8 applied which carries a 1.70 factor, so the lot would have a 70% premium versus a non-waterfront lot in the same general area.

The 70% differential was the same differential that was previously extracted and utilized, so was further backed up with older sales from the previous update. Other areas in New England have shown a 50% to 150% premium on open ocean riverfront versus non-waterfront locations.

Most, Industrial Land pricing in Portsmouth was also based on a dummy value of \$1,050,000 per acre and most sites indicated a factor of 0.22, that was applied in NHBD 301, largely industrial areas. This resulted in a value of \$220,000 per acre for improved properties and slightly less for unimproved site. I-95 highway visibility sites had 10% to 20% premiums applied based on higher potential income. Riverfront industrial land was also valued 70% higher than non-river front land and a Site Index of 8 was applied. So theoretically one acre of industrial land on the river would be valued at \$374,000 per acre as opposed to \$220,000 off river.

#### **Easement, Topo, Access, Visibility, and Other Adjustments for Internal Land Influences**

These adjustments for internal land influences were made on an individual lot basis to the site and/or the excess land and applied to the condition factor for adjustments for easements, topography, access, visibility and any other adjustments for internal influences impacting the utility of the land.

### **Land Pricing**

Commercial and Industrial Land pricing began with a dummy acreage price of \$1,000,000 and via the best fit analysis was adjusted by NHBD.

### **Downtown**

NHBD 305, primarily the downtown area, was shown to be the most desirable area and was valued at factor of 1.05 or \$1,050,000 per acre. Certain locations in the downtown in the prime Market square areas and areas near the riverfront with frontage on two streets received premiums of 20% to 50%, while a few of the lower traffic areas received reductions of 10% for location within the downtown.

In addition in the Downtown some lots via grandfathering or by right exceeded the allowed density/intensity of use of three stories. The added property rights that these lots have by right or by grandfathering made their bundle of property rights greater than lots that do not have this allowance. So these lots were also valued at 50% to 100% greater than lots only allowing three story maximum density or intensity of use. These lots will bring in added income beyond just the contributory value of the improvements and will be applied to land value.

### **Woodbury Ave.**

NHBD 303. The Woodbury Ave shopping district, the next most valuable area, was shown to be worth about 93%, for a per acre value of \$930,000 or a factor of 0.93. The area behind Woodbury, with Home Depot and Christmas Tree Shops, etc. was also part of NHBD 303 but received a 25% to 30% discount in the condition field for its less visible and accessible location. This was derived from a land sale and income residuals.

### **Downtown Peripheral**

NHBD 304, the area abutting and nearby to the prime downtown areas and to Woodbury Ave., was the next most valuable at an indicated value of \$460,000 or a factor of 0.48.

### **Lafayette, Islington, Rte. 1 Bypass**

Another significant area was NHBD 302, which included most of Islington St, most of the Route 1 Bypass, and most of Rte. 1 aka Lafayette Rd. These areas were indicated at a value per acre of \$400,000 or a NHBD factor of 0.40.

### **Industrial and Tertiary Commercial Locations**

The last and lowest valued areas were NHBDs 301, mostly industrial land, and NHBD 306, spot tertiary locations and these were indicated at \$200,000 to 220,000 per acre, therefore, they had factors of 0.20 to 0.22 of the \$1,000,000 base acre pricing. (see the Manual Section 3 spreadsheet "Land Value Extractions").

### **Pease**

In NHBD 307, at Pease, most property owners do not own the land, so the overall property was predominantly valued by the income approach, which includes income attributable to the building and land. So in this way the land value in use was captured in the total value (though not explicitly broken out). In a few minor situations In which the income approach was not or could not be performed the land was primarily valued at \$200,000 to \$220,000 per acre.

Locational value adjustments are made by applying NHBD Index factors to the base unit pricing below (See Interpolated Land Curve Chart for entire SF pricing):

**Portsmouth C/ I Land Pricing 2015**

Size (SF)	SF Price	Total
1,000	\$ 200.00	\$ 200,000
1,386	\$ 171.21	\$ 237,297
2,722	\$ 116.24	\$ 316,405
5,445	\$ 77.48	\$ 421,879
10,890	\$ 51.66	\$ 562,577
21,780	\$ 34.44	\$ 750,103
43,560	\$ 22.96	\$ 1,000,138

Base pricing of smaller lots are priced on a curve, so that a 1/2 acre will generally work out to about 70% to 75% of the value of a full acre and a 1/4 acre will be priced at 70% to 75% of a half acre and so on (as the lots become smaller but more fully utilized - see the land curve pricing above). These various prices per SF were tested using land extractions and residuals of various size lots. For lots of 2 acres or greater, the acre price per SF was used but these lots were discounted 2% for each acre greater than one up to a 50% discount for size. For example:

- 2 Acres = a Condition Factor of 0.96 (-4%)
- 4 Acres = a Condition Factor of 0.92 (-8%)
- 8 Acres = a Condition Factor of 0.84 (-16%)
- 16 Acres = a Condition Factor of 0.68 (-32%)
- 25 Acres = a Condition Factor of 0.50 (-50%)

The following NHBD multipliers will then be applied to the base SF pricing above.

**Portsmouth C/ I NHBD Factors 2015**

NHBD	Factor	Description
301	0.22	Industrial/Tertiary Commercial Locations
302	0.40	Islington, Lafayette, Rte 1, Bypass
303	0.93	Woodbury Ave.
304	0.48	DT Peripherel
305	1.05	Downtown
306	0.20	Tertiary Commercial Locations
307	0.20	Pease (When Applicable)

A Large Color Coded City NHBD Map is in the Assessors Office

The following are examples of location/NHBD multipliers used in the City:

<b>CODE NHBD</b>	<b>Base Price</b>		<b>Multiplier</b>	<b>Price/Acre</b>
305- Downtown	\$1,000,000	x	1.05	\$1,050,000
303 – Woodbury Ave	\$1,000,000	x	0.93	\$930,000
304- Downtown Peripheral	\$1,000,000	x	0.48	\$480,000
302 – Islington/ Lafayette/ Rte 1 Bypass	\$1,000,000	x	0.40	\$400,000
301 – Industrial/ Tertiary Commcl	\$1,000,000	x	0.22	\$220,000
306 –Tertiary Commcl	\$1,000,000	x	0.20	\$200,000

Smaller lots are priced on a curve, so that ½ acre pricing generally work out to about 70% to 75% of the value of a full acre and a ¼ acre will be priced at 70% to 75% of a ½ acre and so on as the lots become smaller (see the land curve pricing)

### Apartment Land Pricing

As part of the land analysis there were many improved apartment sales and the land extraction analysis indicated a land value as high as \$77,000 per apartment unit and as low as \$35,000 per apartment unit. The median indication from the sales was \$50,000 per unit. Generally given equal locations and lot sizes, the fewer the number of apartment units, the higher was the indicated land value per unit and vice versa.

So, apartment land with eight or more units were shown to represent a discount of about 20% less per apartment unit than a four unit property (if all else were equal). So the site price per unit for 5 units was interpolated to have a 5% discount, 6 units 10%, 7 units 15%, and 8 units and above a 20% discount applied relative to properties with just four units. This was applied in the condition factor as 0.95 for five units, 0.90 for 6 units, 0.85 for 7 units and 0.80 for 8 units or more.

**This pricing is accomplished by zeroing out the SF pricing on line 1 and adding a line 2 with special land calculations using BL (building lot) as the unit of measure as opposed to SF.**

Lot pricing examples in average locations are as follows:

$$\begin{aligned} 4 \text{ Units} \times \$53,000 \times 1.00 &= \$212,000 \\ 5 \text{ Units} \times \$53,000 \times 0.95 &= \$251,800 \\ 6 \text{ Units} \times \$53,000 \times 0.90 &= \$286,200 \\ 7 \text{ Units} \times \$53,000 \times 0.85 &= \$315,300 \\ 8 \text{ Units} \times \$53,000 \times 0.80 &= \$339,200 \end{aligned}$$

So given similar lots and locations, a property with 4 legal units would have a site value of \$212,000, while one with 8 legal units would have a site value of \$339,200 or about 60% higher. So under this scenario, the overall lot is being valued at 15% more for each additional apartment unit. This is based on intensity of usage and different highest and best uses for each lot. This was corroborated both by sales and income residuals.



See land pricing below for specifics. The per apartment unit pricing using special land calcs will replace the SF land pricing and will be applied as follows per apartment:

Apartment Code	Description	Base Site Price/ Unit	Units 4	Units 5	Units 6	Units 7	Units 8	Units 8+
AP1	Apt Site V Poor	\$ 32,000	\$ 32,000	\$ 30,400	\$ 28,800	\$ 27,200	\$ 25,600	\$ 25,600
AP2	Apt Site Poor	\$ 39,000	\$ 39,000	\$ 37,050	\$ 35,100	\$ 33,150	\$ 31,200	\$ 31,200
AP3	Apt Site Fair	\$ 46,000	\$ 46,000	\$ 43,700	\$ 41,400	\$ 39,100	\$ 36,800	\$ 36,800
<b>AP4</b>	<b>Apt Site Avg,</b>	<b>\$ 53,000</b>	<b>\$ 53,000</b>	<b>\$ 50,350</b>	<b>\$ 47,700</b>	<b>\$ 45,050</b>	<b>\$ 42,400</b>	<b>\$ 42,400</b>
AP5	Apt Site Abv. Avg..	\$ 60,000	\$ 60,000	\$ 57,000	\$ 54,000	\$ 51,000	\$ 48,000	\$ 48,000
AP6	Apt Site Good	\$ 70,000	\$ 70,000	\$ 66,500	\$ 63,000	\$ 59,500	\$ 56,000	\$ 56,000
AP7	Apt Site V Good	\$ 85,000	\$ 85,000	\$ 80,750	\$ 76,500	\$ 72,250	\$ 68,000	\$ 68,000
AP8	Apt site Excellent	\$ 95,000	\$ 95,000	\$ 90,250	\$ 85,500	\$ 80,750	\$ 76,000	\$ 76,000
APW	Apt Site Waterfront	\$ 140,000	\$ 140,000	\$ 133,000	\$ 126,000	\$ 119,000	\$ 112,000	\$ 112,000

#### Mobil Home Park Land Pricing

On mobile home parks, based on sales and/or overall indicated income values and improvement extractions/residuals, specific per unit land pricing extractions were developed and utilized. Based on the size of lots, and location quality, the range of per unit land/site value will be utilized of \$25,000 to \$48,000 per unit/site.

This pricing is accomplished by zeroing out the SF pricing on line 1 and adding a line 2 with special land calculations using BL (building lot) as the unit of measure as opposed to SF. These land unit site values are as follows per MH site:

Mobil Home Park Site Values		
Code	Description	Base Site Price/ Unit
MH1	MH Site V Poor	\$ 25,000
MH2	MH Site Poor	\$ 28,000
MH3	MH Site Fair	\$ 33,000
<b>MH4</b>	<b>MH Site Avg,</b>	<b>\$ 38,000</b>
MH5	MH Site Abv. Avg..	\$ 43,000
MH6	MH Site Good	\$ 48,000

### **Hotel/Motel Land Pricing**

In the prime downtown areas, lodging facility land will be based on the SF method pricing for the commercial Neighborhood 305.

Outside of Downtown, the pricing will be based on a per rental room unit basis as follows based on sales and income residuals (see land extraction and income residual spreadsheets).

This pricing is accomplished by zeroing out the SF pricing on line 1 and adding a line 2 with special land calcs using BL (building lot) as the unit of measure as opposed to SF.

These land unit site values are as follows per rental room:

<b>Hotel/Motel Site Values</b>		
<b>Code</b>	<b>Description</b>	<b>Base Site Price/ Unit</b>
HT1	Hotl/Motl Site Poor	\$ 10,000
HT2	Hotl/Motl Site Fair	\$ 14,000
<b>HT3</b>	<b>Hotl/Motl Site Avg.</b>	<b>\$ 17,000</b>
HT4	Hotl/Motl Site Good	\$ 22,000
HT5	Hotl/Motl Site V Good	\$ 27,000
HT6	Hotl/Motl Site Exc	\$ 33,000

## C/I Condos

Rather than have a separate land price scheme associated with each condo unit that represents its contribution above the building value, a Condo Location Factor will be applied to the building value based on the quality of the location of the improvements. Based on the condo site extractions, these are indicated at 0.80 to 4.00 based on sales and income valuation residuals and are shown on the individual property cards in the Condo Section.

### Condo Factors

Location	NHBD 301 Factor Range
Fair	1.00 to 1.20
<b>Average</b>	<b>1.25 to 1.50</b>
Good	1.75 to 2.00

Location	NHBD 302 Factor Range
Fair	1.00 to 1.20
<b>Average</b>	<b>1.25 to 1.50</b>
Good	1.75 to 2.00

Location	NHBD 304 Factor Range
Poor	0.70 to 0.95
Fair	1.00 to 1.20
<b>Average</b>	<b>1.25 to 1.50</b>
Good	1.75 to 2.00
V Good	2.10 to 2.50

Location	NHBD 305 Factor Range
Poor	1.00 to 1.20
Fair	1.25 to 1.60
<b>Average</b>	<b>1.75 to 2.25</b>
<b>Average+</b>	<b>2.30 to 2.55</b>
Good	2.60 to 2.75
V Good	3.00 to 4.00

Location	NHBD 307 Factor Range
Fair	1.00 to 1.05
<b>Average</b>	<b>1.10 to 1.30</b>
Good	1.35 to 1.50
V Good	1.55 to 2.00