

## NEWSLETTER

### WELCOME NEW TEAM INSTRUCTOR

BY BRAD ELDRIDGE, MAI, CAE



#### Instructor: David Wallis, GISP, CMS

TEAM Consulting is pleased to announce that David Wallis, GISP, CMS, is joining its instructor group. While Wallis specializes in mapping courses, he is an enthusiastic presenter who covers a wide range of assessment and strategic planning topics.

Wallis has over 23 years in county government as chief appraiser and IT/GIS Director for Cowlitz County, Washington. He currently serves as the chief information officer for the City of Longview, Washington. He has taught legal descriptions, GIS and legal documents courses statewide for the Washington Department of Revenue for over 27 years and is a certified IAAO national senior specialty instructor. He also specializes in courses on strategic and operational planning, leadership development, policy and creating internal training programs.

Wallis graduated magna cum laude through the University Honors Program at Western Washington University with a bachelor of arts degree in technical writing and a minor in Spanish. He earned his Geographic Information Systems Professional (GISP) designation in 2009. He also earned his IAAO Cadastral Mapping Specialist (CMS) credential in 2012. Wallis is a Washington State Department of Revenue (WADOR) Accredited Appraiser since 1997 and an International Association of Assessing Officers (IAAO) Certified National Specialty Instructor for assessment, mapping and GIS courses and workshops.

Wallis and his wife, MaryAlice, have been married for 36 years and they have four grown children and five grandchildren. Wallis enjoys spending time with his family, recording and playing music in his recording studio and with his band "5/50," and reading classic literature.

Wallis is available to schedule as a keynote speaker on strategic and operational planning, as well as a variety of topics noted on the following page.

#### Inside THE ISSUE

Got the Cap Rate Blues	Page 2
Office Vacancies and Ramifications	Page 3
Workshop Spotlight	Page 5
Will That Ever Sell?	Page 6
Real Estate Notes of Interest	Page 8

*continued on page 2*

### TEAM CONSULTING WORKSHOPS

- How to teach adult students
- How to be a better manager
- Public relations and customer service
- The art of making a powerful presentation
- Up the Creek: managing daily personnel disasters

### WALLIS' SPECIALTY WORKSHOPS

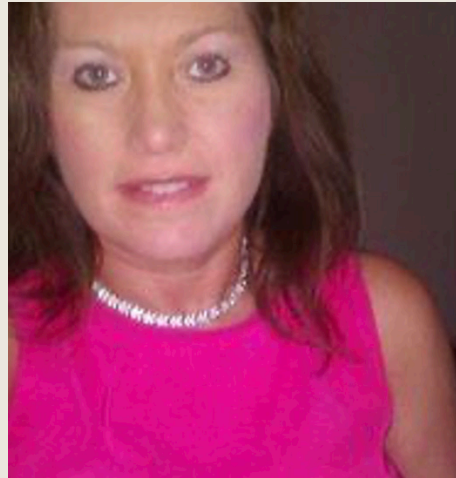
- Basic legal descriptions (one day)
- Interpreting legal documents (one day)  
(This is often combined with the basic legal descriptions course for a two-day offering)
- Planning the Future: strategic thinking and planning for elected officials, public administrators and community leaders (this could be anything from a keynote, to a multi-day, to an ongoing multi-month engagement, depending on the need and commitment)

■ GIS and the assessor's office (one day)  
Wallis is also available to teach IAAO Courses 101, 102, 400, 600, 601, 650, 651 and 854.

You can reach Wallis at 360-430-4911 or [1983dlw@gmail.com](mailto:1983dlw@gmail.com).

### DESIGNATION SPOTLIGHT:

Professionals Earn AAS Designation Using TEAM's Review Workshop Materials



**ALTA NERI-NEWMAN, RES, AAS**, earned the Assessment Administration Specialist designation. She is an assessor with the Portage Township Assessor's Office in Indiana. She's been in the profession for 16

years and holds a bachelor of science in accounting from Indiana Wesleyan University in Marion, Indiana. Congratulations!

*Reprinted with permission from IAAO*

## GOT THE CAP RATE BLUES?

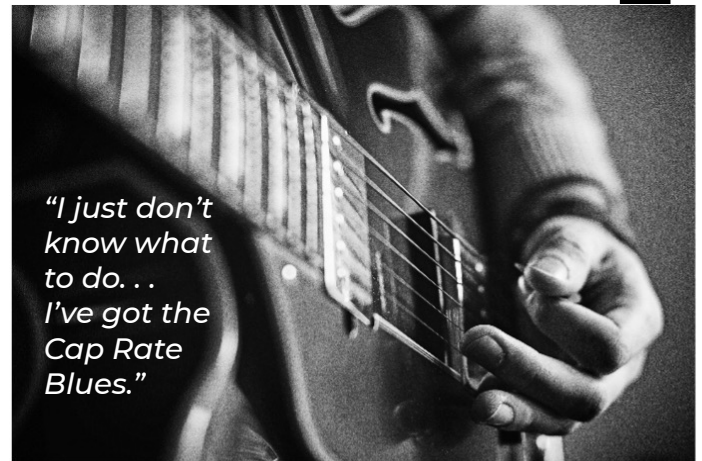
Having trouble keeping up with value changes in commercial real estate? Do you have a tough time developing cap rates? TEAM Consulting, LLC, can help. We can perform a capitalization rate study for most commercial property types, including:

- |                     |                        |
|---------------------|------------------------|
| ■ Hotels            | ■ Retail               |
| ■ Self-Storage      | ■ Office               |
| ■ Auto-related      | ■ Industrial           |
| ■ Senior housing    | ■ Mobile Home/RV Parks |
| ■ Workforce Housing |                        |
| ■ Apartments        |                        |

We can also perform Gross Income Multiplier (GIM) studies for duplex, triplex and fourplex properties.

**Let TEAM assist you with a capitalization rate study on your next valuation cycle.**

Contact Brad Eldridge, MAI, CAE  
[eldridge.brad@gmail.com](mailto:eldridge.brad@gmail.com) or 785-550-0945.





# HELLO? IS ANYONE THERE?

## OFFICE VACANCY AND ITS FUTURE RAMIFICATIONS

BY KARA ENDICOTT, CAE, RES, RMA

It's the day before Christmas holiday and I am sitting in our department listening to the crickets theoretically chirp. I am pretty much the only one here. You might think this is unusual and due to the holidays, but realistically, our office is like this several days a week due to the hybrid work environment many offices in the state and country have gone to. It was, of course, a by-product of the pandemic when everyone was encouraged to self-isolate to keep the spread of disease down, but now that society has returned to "normal," why would we continue to maintain a hybrid schedule?

Simple answer, during a very tough job market for employers, it seems to be something that employees are in favor of keeping. We have had questions from commissioners about our productivity, but by all measures, it has increased since this model was introduced. That left few excuses to not continue the option for staff.

So, the scheduling looks like this:

- Mondays and Fridays most staff are remote.
- Tuesdays half the staff is in the office.
- Wednesdays everyone is required to be in the office for meetings and collaboration.
- Thursdays staff not in the office on Tuesdays are in.

Is it a nightmare to manage? Sometimes, but again statistics are not showing us we need to change.

The crickets reminded me that we were not the only office in the metro or state doing this. In fact, during hearings, a major complaint from those who appealed office buildings was a high physical vacancy that needed to be accounted for in their valuation. You probably noticed I said physical vacancy. That's because they were still collecting the same amount of rent. Companies simply were paying to leave the space empty while they figured out what the future held for them.

As we enter the 2023 tax year/2024 valuation year, the current climate may begin to change. Many of the office leases that were signed for multiple years are coming to an end, so we may finally get a true picture of what a hybrid work schedule will do to office rents.

According to CBRE, "87% of large companies with 10,000 or more employees say they will be adopting hybrid work." At a recent panel discussion on intelligent buildings and return-to-site trends, Usman Shuja, vice president and general manager for connected buildings at Honeywell International

*continued on page 4*

# OFFICE VACANCY



*continued from page 3*

said, “The challenge for real estate portfolio managers is (determining) how much real estate (they) need to manage in this environment.”

Large cities are at unprecedented lows in occupancy. The national average is at 32.7%. Large cities like San Francisco are at 20%, while New York is fairing better at a 62%, as reported by Kastle Systems using building security access data.

These numbers are showing us what we may have already sensed, property managers are walking a loose tight rope as they try to cull the market for potential suitors of any future vacancy opening in the coming year. There is no hard data about what the market will do because we have never seen a work culture shift like this in the past.

We do know that bringing back workers to the office will help us build a more desirable culture for our department than remote alone can facilitate. To keep our workers happy at the office, it usually calls for improvements in the work environment.

Recently, due to a staff reorganization at my office, we decided to also reorganize the layout of the office itself. During this reorganization, we found a need to create more collaborative spaces since when the employees were in the office, they often needed to have meetings or planning sessions. What this new need will translate to in the marketplace will most likely be tenants requesting more tenant improvement allowances to sign a new lease.

We also have an issue with secondary tenants and leases. Large companies go to a hybrid environment and no longer need all the space they once did, so they sub-lease the space to another company for well below market rate. They continue to pay the landlord the original rate, so the property owner does not see a financial loss and the original tenant maintains their credit rating while defraying expenses with the sub-lease. Often, we hear these sub-leases are the new market from appeals. Well, yes and no. That depends on how much sub-leasing is occurring in your market and whether it is becoming the norm, much like whether you decide to use foreclosure sale in your analysis. I would still argue the original tenant’s lease must still be considered in the valuation though.

So, what does this all mean? Honestly, I am not completely sure. Like much of our business, we are waiting for the market to prove what values to place on our properties. Unfortunately, that often puts us behind the curve on things which can bite us when we go to upper-level appeals, because — while we understand our valuation was as of a certain date — it is often hard for ruling entities to not think about what is currently happening in the market at the time of trial. What we can know for sure is the market for office space is evolving at a rate we have not seen before, making our crystal ball that tells us future values more cloudy by the moment. ■

*Images Source: Microsoft Stock Images*

# WORKSHOP SPOTLIGHT



## VALUATION OF SUBSIDIZED HOUSING

BY BRAD ELDRIDGE, MAI, CAE

Our workshop offerings are inspired by feedback in the classroom and challenges we hear from our assessment family. New in 2023 is the Valuation of Subsidized Housing.

Section 42 properties have been active in the development and acquisition marketplace. This property type has several unique features and presents unique valuation issues for appraisers.

This workshop provides an overview of various subsidized housing types, with a primary focus on Section 42 properties. An explanation of how tax credit properties work is provided, as well as a walk-through of how the tax credit development is funded. The material includes valuation methods and resources for data applied in the analysis. Valuation issues regarding real property, tangible personal property and intangible personal property are addressed.

Currently the workshop is available in a half-day format and will soon be expanded to a full-day offering. ■

### LOW-INCOME HOUSING TAX CREDITS

#### ECONOMIC IMPACTS

SINCE THE LIHTC WAS ENACTED IN 1986:



To schedule this workshop contact Brad Eldridge  
email: [eldridge.brad@gmail.com](mailto:eldridge.brad@gmail.com)  
phone: 785-550-0945

# WILL IT EVER SELL?

BY BRAD ELDRIDGE, MAI, CAE

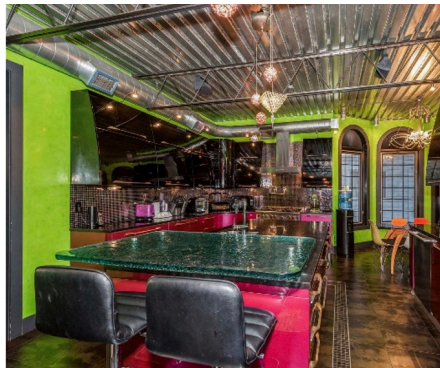


## ▲ The World's Tallest Condo

“Set atop the mega-tower in New York City’s Billionaires’ Row, the building’s three-story penthouse is about to hit the market for \$250 million. If sold it would surpass the \$238 million billionaire Ken Griffin paid in January 2019 for his condo at nearby 220 Central Park South. When it officially lists on Sept. 19, it will become the most expensive home in the country right now, according to Zillow; surpassing media mogul Michael Eisner’s oceanfront estate in California that listed for \$225 million less last month.”

*Pictured above: The winding staircase that connects to all three floors of the penthouse.*

<http://bit.ly/3YoLOly>



## ▲ Frank Lloyd Wright House in Wisconsin

Sometimes the market appreciates certain architects and their designs. Well, we didn’t have to wait long for this one to sell, as it went for \$300,000 above its asking price. This Frank Lloyd Wright house was built in 1954 for a Wisconsin family behind the manufacturing company SC Johnson.

<http://bit.ly/3SGEXTa>



## ▲ \$18 Million for Invisible House

The Invisible House — which has been visited by the likes of Lizzo and Demi Lovato — has hit the market for \$18 million. The property is owned by Chris and Roberta Hanley, who have produced films like “American Psycho,” “Spring Breakers,” and “The Virgin Suicides.” Additional Zillow info can be found at

[bit.ly/3YozyRT](http://bit.ly/3YozyRT)

## ◀ Don’t Judge a Book By It’s Cover

Allegedly, the home was designed by a “well-known” but unnamed designer. If you like steel with bold color accents, this is the house for you. \$3,999,000. It’s in North Woodmere, New York, and has six beds, five baths.

[bit.ly/3ZnuhLN](http://bit.ly/3ZnuhLN)

*continued on page 7*

# WILL IT EVER SELL?

continued from page 6



## ◀ Canyon Views in Los Angeles for \$16 Million

The modernist masterpiece is suspended 60 feet above a canyon in Los Angeles. Built for Russell Garcia, a composer and arranger, the home not only has a unique architectural legacy, but also a Hollywood one. Previous owners — including Garcia, Gallo, and McIlwee and Damaschke — have worked in the film industry, and the house has even made its own big-screen appearances, most notably in “Lethal Weapon 2” in 1989.

[bit.ly/3y8vN8B](http://bit.ly/3y8vN8B)



## ▲ \$1 Billion Asking Price for Miami Property

The 15.5-acre parcel, once home to the Miami Herald newspaper, is one of the largest undeveloped pieces of land along the city’s waterfront. The property sits on Biscayne Bay, across from Miami Beach and near art and concert venues.

“This site is among the most valuable in the United States, let alone South Florida,” said Michael T. Fay, principal and managing director of Avison Young’s Miami operations who leads the team managing the sale. “The rarity of this opportunity coupled with the potential to build a landmark office, retail, residential, hospitality and entertainment destination will attract prospective buyers from all over the world.

<http://bit.ly/3YfxvQ2>



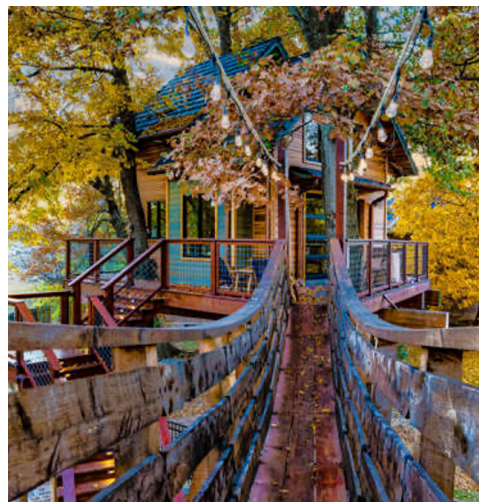
## ◀ Mixed Bag on Mega Mansions Owned by Celebrities

From Christie Brinkley to Sylvester Stallone, take a walk through price roller coaster on celebrities who have tried selling their unique mansions.

With a listing price of just \$1 million, Eminem’s Detroit mansion is one of the most affordable properties on our list. It’s

so secluded, however, that it’s nearly impossible to find; you’ll need to take a long, quiet road just to reach it — hence the name and why it’s such a hard sell.

<http://bit.ly/3KVpsEX>



## ◀ Not Your Typical Treehouse

You could drop \$1 million on Slim Shady’s former pad, or for a little more you could relive your childhood dreams in style. Take a look at this retirement project that is listed for \$1.25 million — it comes with a heated pool and a swinging bridge. ■

<http://bit.ly/3ETImbr>

# Real Estate Notes of Interest

BY BRAD ELDRIDGE, MAI, CAE



By Brad Eldridge, MAI, CAE  
Brad is a Senior Consultant with TEAM Consulting, LLC and lives in Lawrence. Email: [eldridge.brad@gmail.com](mailto:eldridge.brad@gmail.com)

## **A Tale of 2 Housing Markets: Why Some Homes Still Cause Heated Bidding Wars While Others Sit Unsold**, by Clare

*Trapasso, Realtor.com*, Feb. 6. "The buyer who is buying today is not the same buyer buying 12 months ago. If [they're] paying this much, it needs to be a nice home."

**Mortgage Rates Continue to Shift Down**, *FreddieMac*, Feb. 2. "30-year fixed-rate mortgage averaged 6.09% as of Feb. 2, down from last week when it averaged 6.13%. A year ago at this time, the 30-year FRM averaged 3.55%. 15-year fixed-rate mortgage averaged 5.14%, down from last week when it averaged 5.17%. A year ago at this time, the 15-year FRM averaged 2.77%."

**US CoreLogic S&P Case-Shiller Index Growth Rate Cools Further in November, Up by 7.7%**, by *Selma Hepp, Corelogic*, Jan. 31. "The 2022 surge in rates from 3% to 7% wiped out about 30% of homebuyers' purchasing power, thus significantly eroding affordability. Seller withdrawal was similarly evident by a large drop in new listings on the market, causing for-sale inventory to decline to yet another all-time low."

**The Remote Workers Have Left, But the Housing Havoc They Created Remains**, by *Shannon Pettypiece, NBC News*, Feb. 6. "Small and midsize rural communities had some of the biggest increases in home prices in the first two years of the pandemic, driven by out-of-town buyers."

**Why It's the Perfect Time to Invest in a Tiny Home**, by *Medgina Saint-Elien, House Beautiful*, Feb. 1. "Prefabricated, flat-pack, or modular, ready-made micro houses surged in popularity at the onset of the pandemic, as homeowners sought more space at home and quick getaways in far-flung locations. Now, as the possibility of a recession looms, these easy-to-add structures are, surprisingly, more practical than ever."

***Editor's Note:*** *One of the challenges in valuing tiny homes is estimating the cost. The article above provides information from various tiny home vendors that can assist you in developing a cost guide and grading manual.*

**U.S. Economics: Macro Commentary & Insight: We May Not Be Done With 50-Basis-Point Rate Hikes**, *Berkadia*, Feb. 17. "Both Headline CPI and Core CPI YoY figures came in above consensus expectations. Retail sales surged in January, increasing by the most in nearly two years. After losing momentum in the last couple of months of last year, January's retail sales print illustrates the resiliency of consumers, as sales came in stronger than consensus forecasts and surged to 3% on a MoM basis and 6.4% YoY as jobs and incomes grew amidst marginally lower inflation."

## **U.S. Weekly Jobless Claims**

**Drop to Nine-Month Low; Productivity Gains Speed**, by *Lucia Mutikani, Reuters*, Feb. 2. "The surprise decline in weekly jobless claims reported by the Labor Department in early February raised cautious optimism that the economy could skirt a recession or just experience a shallow and short downturn. Federal Reserve Chair Jerome Powell told reporters on that the economy can return to 2% inflation without a really significant downturn or a really big increase in unemployment."

**U.S. Employers Announced More Than 100,000 Job Cuts in January**, by *Reade Pickert, Bloomberg*, Feb. 2. "We're now on the other side of the hiring frenzy of the pandemic years. Companies are preparing for an economic slowdown, cutting workers and slowing hiring."

**Apartment List National Rent Report**, *Apartment List*, Jan. 30. "The national median rent increased by a record-setting 17.6% over the course of 2021. This rapid growth in rent prices has been a key contributor to overall inflation, which remains top-of-mind for policymakers and everyday Americans alike. Year-over-year rent growth is continuing to decelerate and now stands at 3.3%, its lowest level since April 2021."

**Matrix Multifamily National Report-Winter 2023**, *Yardi Matrix*, Jan. 30. "As we start 2023, multifamily faces numerous challenges, including the softening economy, slowing migration, issues with affordability, pricing uncertainty and higher mortgage rates that could produce an uptick in defaults. Nonetheless, Yardi Matrix expects that apartment demand

*continued on page 9*



# REAL ESTATE NOTES OF INTEREST

*Real Estate Notes continued from page 8*

will remain strong and the outlook is generally positive.”

**Student Housing Records Record 2022**, *Yardi Matrix*, Jan. 18. “As of December 2022, 48% of beds at Yardi 200 universities were already leased for the fall 2023 school year, representing a new record high for this time of year. Rent growth also remained strong, at 4.7% annual growth. With over eight months to go until the start of the next school year, we anticipate 2023 being another record-breaking year for student housing performance.”

**United States Industrial Outlook | Q4 2022**, *JLL*, Feb. 9. “The nearly record-breaking sum of new deliveries attributed to the vacancy rate increasing by 10 basis points quarter-over-quarter to 3.4%. 2022 closed with an average asking rate of \$8.80 p.s.f marking a 19.2% year-over-year increase.”

**Industrial Construction Cost Guide, by Brian Ungles**, *Cushman & Wakefield*, Jan. 18. “While the North American industrial sector faces the challenges of rising costs, material shortages and labor shortages, demand for industrial space remains strong. The sector may face a potential cooling down in the long term, but the construction pipeline is expected to remain robust, with a focus on modern, efficient facilities that can meet the needs of a changing market.”

**Walmart-Owned Sam’s Club Plans to Open About 30 New Stores Over Next Five Years**, by *Melissa Repko, CNBC*, Jan. 26. “The warehouse club is expanding after seeing sharp gains in sales and membership during the COVID pandemic. Inflation makes the club’s value packs, cheaper gas and private label offerings more relevant.”

***Editor’s Note:*** Thank you to Kimone Love, Commercial Division Supervisor at Bexar Appraisal District, for sharing the lead on this Sam’s Club story.

**Retail Space Tight as Some Stores Close, Others Look to Expand**, by *Cory Smith, TheNationalDesk.com*, Jan. 30. “The real estate market for retailers is as tight as it’s been for a long time. After a decade of rightsizing from retailers, there’s no longer a glut of available space in shopping centers.”

**Online Grocery Sales Will Increase at 12% Annual Rate Over 5 Years, Report Says**, by *Catherine Douglas Moran, Grocery Dive*, Jan. 31. “Over the next five years, online grocery sales will see a compound

annual growth rate (CAGR) of 11.7%, bumping e-commerce’s share of overall grocery spending from 11.2% in 2022 to 13.6% in 2027, per a newly released forecast”

**Aldi, H-E-B among Growth Leaders in 2022: Report**, by *Mark Hamstra, Supermarket News*, Jan. 26. “Grocery-anchored retail shopping centers saw a 15.6% increase in transaction volume in 2022, reaching about \$14.7 billion, but higher interest rates and tighter reserve requirements for banks will make larger transactions challenging in 2023. However, grocery centers will continue to be the favored retail asset class for most investor types.”

**New Costco Design with Apartments Overhead Has Property Brokers Buzzing**, by *Jack Witthaus, CoStar News*, Jan. 23. “Costco, a retail chain known for cavernous buildings full of stacked goods, is working on a deal in Los Angeles that would put apartments full of potential customers on top of a planned store.”

**Skiing at Your Neighborhood Mall?**, by *Leticia Miranda, WealthManagement.com*, Jan. 23. “To fill increasingly empty space vacated by retailers, they are adding things like ax-throwing bars, golf simulation venues, high-end yoga studios and even mini casinos. Developers have dubbed this trend “experiential retail,” which is a fancy way of saying these costly, seemingly last-ditch investments will likely prove to be too little, too late to reverse struggling malls’ descent into obsolescence.”

**Office Demand Unlikely to ‘Ever to Revert in Full’**, by *Paul Bergeron, Globe Street*, Jan. 26. “New demand for office space ended the year 31.3% below its May 2022 peak and fell 20.7% year-over-year to a VODI of 46 in December.”

**Office Q4 2022: The Story is Sublet Space**, by *Amy Wolff Sortery, ConnectCRE*, Feb. 16. “Office use did increase in fall 2022, as companies encouraged employees back to the office. Additionally, job postings continued strong (despite layoffs among some sectors). But the big office news in Q4 2022 was the growth of sublet space on the market.”

**2023 Unlikely to Bring a Large Wave of CRE Distress, Predicts Walker & Dunlop Exec**, by *Buck Wargo, WealthManagement.com*, Jan. 23. “We’re still bullish long term on multifamily and industrial. We’re going to launch a dedicated multifamily and industrial fund. I think the underlying fundamentals are still strong, particularly on the demand side.”

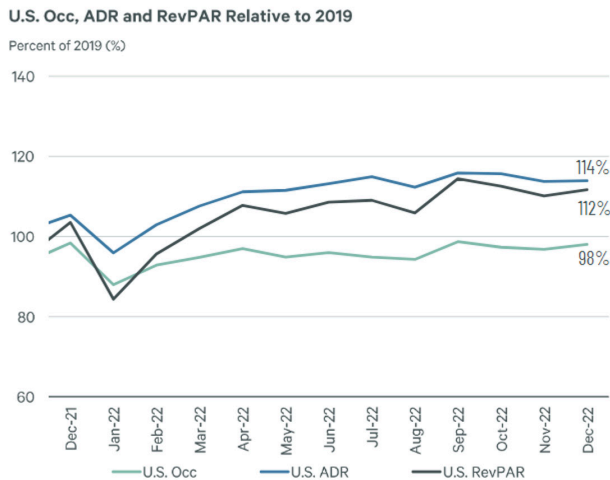
*continued on page 10*

# REAL ESTATE NOTES OF INTEREST

Real Estate Notes continued from page 9

**2023 Market Outlook: NNN Car Wash Real Estate,** *B+E*, Feb. 7. “The triple net lease (NNN) car wash real estate market continued to mature and expand in 2022, with more than 245 leased properties changing hands for a gross market value of more than \$1 billion, according to CoStar data and B+E research. The average sale price of a NNN car wash was \$4,480,273 and deals traded at an average cap rate of 5.79%.”

**U.S. Hotels State of the Union,** *CBRE*, Jan. 31. “U.S. Hotels have recovered revenue since the pandemic, with RevPAR at 112% 2019 levels. The recovery has been driven by ADR increases at 114% of 2019 levels, with occupancy at 98% of 2019 levels.”



**Commercial Real Estate Investment Outlook for 2023,** *Nasdaq.com.*, Jan. 24. “There is a near record amount of uninvested capital that remains on the sidelines targeting commercial real estate investment. Investors are shifting their focus to debt strategies and value-add and opportunistic plays. With the market undergoing an adjustment, they’re pursuing opportunities across asset types.”

**Top 10 Commercial Real Estate Trends for 2023,** *by Jeffrey Steele, Commercial Property Executive*, Jan. 4. “With interest rates and values expected to stabilize, and all stakeholders rethinking the highest and best use of their property and capital, this year promises to be an interesting one, too.”

**More Sellers Become Open to Off-Market Deals as CRE Market Faces Liquidity Crunch,** *by Patricia Kirk, WealthManagement.com*, Feb. 16. “As commercial real estate investors face a reset in property values, finding off-market deals is becoming increasingly more attractive. Investors expect that they will get a better deal if they don’t have to compete for properties through a bidding process, in addition to enjoying a more straightforward path to a closing.” ■

## MEET OUR TEAM

Amy Rasmussen, RES, AAS, FIAAO  
Brad Eldridge, MAI, CAE  
Christa Rush, RES  
Dan Cypert, RES, AAS  
David Wallis, GISP, CMS  
Ed Crapo, AAS, ASA, FIAAO  
Jerald Rudman, CIAO-M  
Kara Endicott, CAE, RES, RMA  
Keith Cunningham, PhD  
Ken Voss, MAI, AI-GRS, SRA, CAE  
Kevin D. Hayes, MAI, CAE, RES, CFE  
Lath Harris, CAE, SRA

Lori-Ann Seethaler, RES, MIMA  
Marion Johnson, CAE, FIAAO  
Pete Davis  
Randy Ripperger, CAE, FIAAO  
Richard Norejko, CMS  
Robert T. Lee, ESQ., J.D., AAS  
Scott Johnson, RES, ICA  
Stephen D. White  
Terry Taylor, CAE, AAS, RES  
Tina Stone, PPS, AAS  
Trevor Abernathie, RES, CSDA, CAA