



# Douglas County Kansas

# Appraisal Newsletter

Steven Miles, RMA  
County Appraiser

Volume 26, Issue 11

August 1, 2022

## ***JULY SALES REPORT***

From July 1 through July 31<sup>st</sup> a total of 133 sales validation questionnaires involving 134 parcels were reviewed by the appraiser's sales staff. That compares to 292 sales validation questionnaires for the similar period in July of 2021 involving 303 parcels. For the year thus far, the office has worked 1,299 sales validation questionnaires involving 1,472 parcels compared to 1,639 sales validation questionnaires and 1,818 parcels for the same time period in 2021.

As recent media reports indicate, the number of sales this year has slowed down some. Part of the reason is the increase in mortgage lending rates. However, the sale prices continue to increase. The supply of available listings and properties for sale remains low.

The median sale price for the residential sales thus far in 2022 is \$270,000 compared to \$245,000 in 2021. This represents an increase of approximately 10.2 percent.

The current median sales ratio for residential property in 2022 is 89.5. The final median sales ratio for 2021 on residential property was 92.2. This would seem to indicate that our values as of January 2022 are a bit lower than the sale prices thus far in the year.

The average selling price on 3 new home sales worked by this time in 2022 is \$445,800 compared to \$338,265 in 2021 on 15 sales. There are several new homes that were built but not sold. Yet the new home building is still down from previous years.

On the commercial side, a total of 11 valid sales have been recorded thus far in 2022. The median sales ratio for the commercial sales through the end of July is 80.4 percent compared to 82.8 during the same timeframe in 2021. The final median sales ratio for 2021 on commercial property was 87.5. Like the residential market, we are seeing sale prices continue upward as the year progresses.

## ***MARKET LAND TIME TREND STUDY***

The Appraiser's Office has begun the analysis of vacant land market values. One of the first things to analyze is if the sale prices are increasing, decreasing or staying the same. This study considers parcels of vacant land that have been held for two or more months before a resale occurs. Only valid sales are considered. Sales of vacant land sold in groups or for speculative building generally are not considered in this type of study.

The information from this study will be used in the 2023 valuation process. For 2023, time trends may be developed for each residential neighborhood and would be used to adjust CALP (Computer Assisted Land Pricing) tables if applicable.

## ***RESIDENTIAL TIME TREND STUDY***

The 2023 residential time trend study is being conducted by the appraiser's office. The study is done by comparing the sale prices of a residential property that has sold twice since January 1, 2019. For example, if a property sold in July of 2020 for \$270,000 and again in July of 2022 for \$295,000, the time trend would be calculated as follows:

$\$295,000 / \$270,000 = 1.0926$  or an increase of 9.26%

Time between the two sale dates = 24 months.

Monthly time trend =  $.0926 / 24$  or  $.0039$

Annual time trend =  $.0039 \times 12 = .0463$  or % 4.63%

The information from this study will be used in the 2023 valuation process. For 2023, time trends may be developed for each residential neighborhood and will be used to adjust sales in the residential modeling process if applicable.

### **DEPRECIATION STUDY UNDERWAY**

Also underway is the annual depreciation study for residential property. Depreciation is a loss in value to the property over time due to wear and tear and other outside influences. The study compares the value of the improvement indicated by the sale of the property to the cost of constructing a similar improvement today (often called the replacement cost).

For example, if a property built in 1968 sells, the value of the improvement is determined by taking the sale price and subtracting land value and any other accessory building value such as a detached garage, and then comparing it to the calculated replacement cost new of the structure. Following is an example:

1968 house:  $\$259,900$  (sale price) -  $\$47,500$  (land value) -  $\$750$  (other building value) =  $\$212,100$  (improvement value from sale)

$\$212,100 / \$262,900$  (replacement cost new) = 81 percent good or 19 percent depreciated ( $1 - .81$ ).

The study uses residential sales that occurred from January 1, 2020 to August 1, 2022. The study should be completed by the end of August.

The new cost tables will arrive soon from Marshall Swift Valuation Services through the Property Valuation Division of the Kansas Department of Revenue. We anticipate that the depreciation tables will change for 2023 as material and labor costs have increased. Marshall Swift Valuation Services has also refined their reporting categories.

### **COMMERCIAL PROPERTY SURVEYS**

The commercial real estate department is mailing out income and expense surveys to the owners of convenience stores, manufactured home parks, downtown row, hotels and motels, large retail, medical offices, restaurants, retail, strip centers and senior housing properties on August 5, 2022. The requested income and expense information can be returned to the Appraiser's Office via email or in the U.S. Mail no later than August 31, 2022.

Information received from the survey will be maintained confidentially in accordance with Kansas Law (K.S.A.45-221(b)) and standards of professional appraisal practice.

The information is used to study market trends regarding rents, occupancy rates and operating expenses for the property types surveyed. The survey information will be used to calibrate our valuation models for the property types surveyed.

The information WILL NOT be used to value the specific properties that provided the information—it will be used in conjunction with data on similar use properties to find typical rents, occupancy, and expense ratios for that particular property use type.

