Economic/Market Income Rates

From the actual I&E data, economic/market rental rates were derived. Other sources of data included PWCoopers RE Survey, New England RE Journal articles Loopnet, NH Housing Rental Survey 2014, Realty Rates.com, Keypoint Partners So NH Real Estate Survey, CBRE Office and Industrial Reports, and New England Commercial Property Exchange, etc.

Income Approach — Income and Expense and Vacancy Data: As previously described, the "Income Approach" is based upon the principle of "anticipation" which recognizes that value is created by the owner's expectation of future benefits. Typically, these benefits are anticipated in the form of income, and/or in the anticipated increase in the property's value over time. Therefore, a primary consideration is the relative level of anticipated income and expenses a property is likely to achieve, and "base" rates for both income and expenses must be established. Consequently, research was undertaken in order to identify the appropriate "base" levels of income and expenses for each commercial property "use" type, such as apartments, office, retail, industrial, etc.

As illustrated in Section 3, after the gross income and expenses for a particular property "use" have been identified, the next step in the development of the "Income Approach" is to subtract the anticipated (market-derived) vacancy rate from the potential gross revenue, to generate the "effective" gross income. The expenses are then subtracted from the effective gross income, in order to generate the net operating income, or "NOI".

An explanation for the derivation of the base rates for various property uses follows:

SETTING ECONOMIC MARKET RENTS AND INCOME PARAMETERS

1. Acquire all Actual Rents/Asking Rents and screen reports for any extremes or incorrect data.

2. Manually set average economic rents for all Use Codes

A. Average Base Size	Base Unit Income	$
B. Maximum Size	Minimum Unit Income	$
C. Minimum Size	Maximum Unit Income	$

NOTES:

(A) Determine average size for each Use Code and an average rent per unit for this size.
(B) Determine the maximum size for each Use Code and the minimum rent per unit for this size.
(C) Determine the minimum size for each Use Code and the maximum rent per unit for this size.

4. Manually set average vacancy percentages and expense ratios for each Use Code.

Typically, average properties will run 2% - 10% vacancy rates. Use any data available from Vacancy and Expense data and reports.

A. Debt/Vacancy Percent:
B. Expense Percent:

Expense percent will vary dependent on lease type. Note typically which expenses and utilities are paid by or not paid by owners on the Actual Rental Reports: Gross = All by Owner, and NNN = none, etc..

5. Manually set economic adjustments for non-average:

A. Location Adj. (Quality of Location)
B. Use Code Adj. (Quality of Space)
C. Debt/Vac Adj. (Current and future projection)
D. Expense Adj. (Current and future projection)

NOTE: A and B are multipliers of Average Rent/Unit for all Use Codes.

EX: If Use Code 10 (Retail) = $10.00/Unit (Average)

	$10.00
Location Adj.	X 1.10 (Good)
	$11.00
Use Adj.	X 1.20 (Good)
	$13.20

Therefore, $13.20 equals Adjusted Rent/ Unit