

New Trier Township Cook County: Multifamily & Commercial Real Estate Valuation Report

The CCAO's statutory duty is to estimate the Fair Market Value of property and then produce assessments in accordance with those estimates. To do this, we hold a mirror to the market. The CCAO is confident that the 2022 reassessment of New Trier Township commercial properties reflects an in-depth and professionally researched valuation methodology. Most commercial properties generate income from rent, and so for most properties the CCAO uses the industry-standard income approach to mass appraisal of commercial real estate, supplemented with sales analyses.

New Trier Township is home to 366 multi-family and commercial properties.

2022 is the first scheduled reassessment of New Trier Township since its last reassessment in 2019. The 2022 reassessment is an opportunity to ensure that property assessments mirror the market and property taxes are fairly divided among all properties.

Executive Summary

In the three years since 2019, property values in most of Cook County's commercial real estate sectors rose. Commercial real estate sale prices and rents—therefore, estimated market values and assessed values—have grown overall from 2019 to 2022 for most property types. Because commercial properties experience significant assessment increases in 2019, which were necessary to correct previous underassessment in previous administrations, the 2021 values were more in line with the market. Therefore, the size of assessed value growth for these properties is much less than it was from 2018 to 2019.

Since 2020, COVID-19 and associated shutdowns have had varying effects throughout Cook County. Hotels and retail properties are among the sectors with the largest declines since the onset of COVID, whereas grocery stores, industrial buildings, and data centers have been stable or even met positive growth since the onset of COVID.

Reassessments conducted in 2022 will affect the second installment property tax bills for Tax Year 2022, issued in 2023.

Effects of this reassessment on an individual's property tax bill are impossible to predict based on just one property's change in assessed value. Each property's share of the overall property taxes for a taxing agency's district depends on its share of the total assessed values of all properties in that district. Assessments throughout the other townships in the City of Cook County will affect how property taxes are distributed among property owners throughout the City.

A typical Cook County property's taxes contribute to a dozen taxing districts, all listed on the property tax bills issued by the Cook County Treasurer.

The remainder of this report provides significant detail for valuations of income-producing properties in New Trier Township. The CCAO is committed to transparency in all that we do and the detail provided here is a result of that commitment.

Valuation method: Income Approach

Our office looks at commercial property the way a buyer would approach a market transaction: by examining its highest and best use through three valuation approaches:

- Income
- Sales comparison
- Cost

For income-producing properties, “the income approach is the preferred valuation approach” (International Association of Assessing Officers, Standard on Mass Appraisal of Real Property, Section 4.4). Our office primarily relies on the **income approach**, with secondary support and consideration from other approaches.

The **income approach** begins with analyzing income and expense data to determine typical gross incomes, vacancy rates, net incomes, and expense ratios for comparable types of properties.

Income estimates can be transformed (capitalized) into estimates of building value in various ways. The CCAO uses **unloaded cap rates**, which, consistent with general real estate market analysis, account for expenses and real estate taxes in transforming income into estimated value.

Please review the Appendix of this document for information on data sources and a longer explanation of our methodology.

Apartments containing 7+ units (Class 3 & Affordable Housing)

In addition to interviews with local market participants, recent apartment sales were noted and cap rates were extracted from the market and supported by independent third-party market data sources.

APARTMENTS - CLASS 3 & AFFORDABLE HOUSING MARKET RENTS			
	MIN	MAX	AVERAGE
Studio	\$780	\$908	\$891
One-Bedroom	\$1,113	\$1,468	\$1,321
Two-Bedroom	\$1,695	\$2,060	\$1,989
Three-Bedroom	\$2,577	\$3,667	\$2,911
Four-Bedroom	\$3,500	\$3,500	\$3,500

	NUMBER OF PROPERTIES	VACANCY & COLLECTIONS LOSS			EXPENSE RATIO			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
Apartments - Class 3	49	6.00%	6.00%	6.00%	40.00%	45.00%	42.35%	5.50%	6.50%	5.97%
Apartments - Affordable Housing	6	5.00%	5.00%	5.00%	75.00%	75.00%	75.00%	9.50%	9.50%	9.50%

Single-story standalone properties (class 5-17)

This property class (“One-story commercial building”) comprises a broad range of freestanding buildings. Although the businesses within these structures tend to vary, the buildings tend to have similar sale prices (expressed as \$/SF), and the rents, vacancies, and expenses used in their valuations are similar.

CLASS 5-17	NUMBER OF PROPERTIES	MARKET RENTS			VACANCY & COLLECTIONS LOSS			EXPENSE RATIO			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
Fast Food	1	\$27.50	\$27.50	\$27.50	5.00%	5.00%	5.00%	15.00%	15.00%	15.00%	8.00%	8.00%	8.00%
Medical Office	16	\$25.92	\$60.48	\$39.20	10.00%	10.00%	10.00%	45.00%	45.00%	45.00%	8.00%	8.00%	8.00%
Professional Office	12	\$23.04	\$36.00	\$32.58	14.00%	14.00%	14.00%	45.00%	45.00%	45.00%	9.00%	9.00%	9.00%
Restaurant	13	\$19.44	\$40.32	\$24.28	10.00%	10.00%	10.00%	15.00%	15.00%	15.00%	9.00%	9.00%	9.00%
Retail-Freestanding	12	\$22.40	\$36.96	\$27.02	10.00%	10.00%	10.00%	15.00%	15.00%	15.00%	8.50%	8.50%	8.50%
Retail-Storefront	48	\$20.16	\$40.32	\$26.84	10.00%	10.00%	10.00%	15.00%	15.00%	15.00%	8.50%	8.50%	8.50%
Strip Center	7	\$22.40	\$25.20	\$23.20	10.00%	10.00%	10.00%	15.00%	15.00%	15.00%	8.50%	8.50%	8.50%
Retail/Office	5	\$23.04	\$32.00	\$28.93	12.00%	12.00%	12.00%	30.00%	30.00%	30.00%	8.25%	8.25%	8.25%
Commercial Condo	53	\$33.26	\$52.27	\$42.83	10.00%	14.00%	10.87%	15.00%	45.00%	38.49%	8.00%	9.00%	8.43%

Special commercial properties

Property types include auto dealerships, mixed-use retail, storage facilities, car washes, commercial warehouse buildings and the like. Because the business uses in this building class vary, the buildings themselves tend to have dis-similar rents, vacancies, expenses and associated cap rates.

SPECIAL PROPERTIES	NUMBER OF PROPERTIES	MARKET RENTS			VACANCY & COLLECTIONS LOSS			EXPENSE RATIO			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
AutoDealership	3	\$15.12	\$24.00	\$21.04	5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	8.00%	8.00%	8.00%
AutoRepair	15	\$7.18	\$18.88	\$13.55	5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	7.00%	8.00%	7.80%
Bank	20	\$14.74	\$32.89	\$23.26	5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	6.00%	7.50%	7.43%
MedicalOffice - Multi Tenant	4	\$22.68	\$29.16	\$24.83	10.00%	10.00%	10.00%	45.00%	45.00%	45.00%	7.50%	7.50%	7.50%
MedicalOffice - Single Tenant	7	\$32.13	\$39.60	\$35.96	10.00%	10.00%	10.00%	45.00%	45.00%	45.00%	7.00%	7.50%	7.36%
NeighborhoodShoppingCenter	10	\$7.35	\$47.19	\$32.18	5.00%	10.00%	9.50%	10.00%	40.00%	37.00%	6.00%	8.00%	7.70%
Office - Multi Tenant	14	\$25.20	\$37.80	\$34.03	14.00%	14.00%	14.00%	45.00%	45.00%	45.00%	7.00%	8.50%	8.18%
Office - Single Tenant	9	\$21.55	\$41.40	\$33.73	14.00%	14.00%	14.00%	45.00%	45.00%	45.00%	7.00%	8.50%	8.33%
office/warehouse	1	\$10.00	\$10.00	\$10.00	10.00%	10.00%	10.00%	0.00%	0.00%	0.00%	9.00%	9.00%	9.00%
Restaurant	2	\$17.00	\$24.15	\$20.58	10.00%	10.00%	10.00%	33.00%	33.00%	33.00%	10.00%	10.00%	10.00%
Retail - Multi Tenant	2	\$19.60	\$38.22	\$28.91	10.00%	10.00%	10.00%	40.00%	40.00%	40.00%	8.00%	9.00%	8.50%
Retail - Single Tenant	16	\$15.88	\$44.04	\$29.33	10.00%	10.00%	10.00%	40.00%	40.00%	40.00%	7.00%	9.00%	8.44%
Retail/Office	24	\$21.28	\$35.20	\$29.93	12.00%	12.00%	12.00%	42.50%	42.50%	42.50%	8.50%	8.50%	8.50%
Retail/storage	2	\$11.55	\$11.99	\$11.77	9.00%	9.00%	9.00%	29.00%	29.00%	29.00%	9.00%	9.50%	9.25%
SelfStorage	3	\$15.20	\$17.60	\$16.27	5.00%	5.00%	5.00%	55.00%	55.00%	55.00%	7.50%	7.50%	7.50%
Storage	1	\$6.83	\$6.83	\$6.83	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.50%	8.50%	8.50%
Supermarket	1	\$20.00	\$20.00	\$20.00	5.00%	5.00%	5.00%	10.00%	10.00%	10.00%	9.00%	9.00%	9.00%

In addition to interviews with local market participants, recent sales, by property type, were noted and cap rates were extracted from the market and supported by independent third-party market data sources.

Industrial buildings

In addition to interviews with local market participants, recent industrial sales were noted and cap rates were extracted from the market and supported by independent third-party market data sources.

	NUMBER OF PROPERTIES	MARKET RENTS			VACANCY & COLLECTIONS LOSS			EXPENSE RATIO			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
INDUSTRIAL	14	\$10.00	\$12.00	\$11.57	3.00%	3.00%	3.00%	15.00%	15.00%	15.00%	9.00%	9.00%	9.00%

Hotels

The following table describes the ranges of average daily rates, occupancy, operating expense ratios (as a percentage of total revenue) and EBITDA levels based on industry standards, data sources and interviews with local market participants. These factors were used to calculate 2022 fair market values for New Trier Township hotels. Each property was delineated on the basis of property type and property class as defined by STR.com, the premier hotel industry data resource. Full Service hotels were rated by industry classifications such as Luxury, Upper Upscale and Upscale classes. Limited Service hotels were rated on the basis of Upper Midscale, Midscale and Economy classes.

	NUMBER OF PROPERTIES	AVERAGE DAILY RATE			OCCUPANY PERCENTAGE			EBITDA PERCENTAGE			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
HOTELS	1	\$108.84	\$108.84	\$108.84	54.92%	54.92%	54.92%	29.61%	29.61%	29.61%	9.00%	9.00%	9.00%

In addition to interviews with local market participants, recent hospitality sales were noted and cap rates were extracted from the market and supported by independent third-party market data sources.

Nursing Homes

	NUMBER OF PROPERTIES	DAILY MARKET REVENUE PER BED			OCCUPANY PERCENTAGE			EXPENSE RATIO			CAP RATE		
		MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE	MIN	MAX	AVERAGE
NURSING HOMES	1	\$405.60	\$405.60	\$405.60	71.00%	71.00%	71.00%	90.00%	90.00%	90.00%	9.00%	9.00%	9.00%

Appendix 1: Market Research

We are a team of appraisers and analysts with combined decades of assessment and appraisal experience and leadership. We don't have real-time income, expense, or vacancy information for every property, so we develop market estimates using reliable sources of market data that impacts value.

In our revaluation of New Trier Township in 2022, we incorporated data from the following sources:

- Bloomberg, a computer software system that enables access to a broad range of financial data
- CoStar, a leading source of commercial property rents and sales
- Moody's REIS
- Trepp, which reports on appraisals and operations of properties receiving CMBS loans
- PWC, RERC, Realty Rates, and other national surveys
- CBRE, JLL, Cushman & Wakefield, IREM, and other leading reporting firms
- Local brokers, appraisers, and other market participants
- Properties' websites to determine rents and property characteristics
- Public documents including construction permits
- RPIE, the Cook County Assessor's platform for owners of commercial properties to submit property-associated income, expense, occupancy rates, and similar data.

Appendix 2: How the CCAO determines Assessed Values for Commercial Properties Based on the Income Approach

Reassessment starts with revaluation. The majority of commercial properties are valued with the most weight given to the income approach. To produce a fair estimate of market value and a fair assessment of most commercial income-producing properties during a reassessment year, the CCAO undertakes the following steps:

1. **Determine a property's use** by reviewing the property's history, including property class, tenants, business, and external photography of the parcel. It is important to understand the property's characteristics to accurately group it with similar properties.
2. **Estimate the income** generated by the property, and **expenses**. Most often, rent is the primary source of income for commercial property. Other incidental income streams may include fees from parking or advertising signage. Expenses include property taxes, insurance, repair and maintenance costs, property management fees, and service expenditures for professional services.
3. **Examine market-level vacancy** based on location and property type. Some level of commercial property vacancy is normal and expected. The CCAO does consider reductions as a result of vacancy when a building is not serving its intended use due to conditions outside the control of the property owner, such as a casualty event or other localized factors, or new construction that has not yet been leased.
4. **Produce capitalization rates**. Once we've been able to recreate a snapshot of a property's income statement based on market data, we use a standard valuation metric called a "capitalization rate" to convert income to value. This capitalization rate (or cap rate) quantifies the relationship between a single year's Net Operating Income (income minus expenses) and the total property value.

Cap rates have an inverse relationship to value. Properties with lower cap rates tend to have higher values. Properties with higher cap rates tend to have lower values.

5. **To estimate building value, divide its estimated income by cap rate.** A property with \$100,000 of net income, divided by a 9.5% cap rate, has an estimated market value of \$1,052,631. A 6.5% cap rate generates an estimated market value of \$1,538,461.
6. **Apply Level of Assessment, per County ordinance.** A property's assessed value depends on its market value and its level of assessment (LOA). Since 1973, the Cook County Board has passed ordinances to set different levels of assessment depending on the property's use. Multifamily properties have a 10% LOA. A multifamily building valued at \$1,000,000 has an assessed value of \$100,000. Commercial properties like office and retail buildings have a 25% LOA. A commercial building valued at \$1,000,000 has an assessed value of \$250,000.

Note that the CCAO administers incentives that permit a reduced assessment for some multifamily, commercial, and industrial properties. The goal of these programs is to promote economic development and neighborhood vitality. Learn more [here](#).

7. **Send notice of reassessment.** Many buildings are divided into multiple Property Index Numbers (PINs). Owners of multiple PINs will receive multiple reassessment notices containing the assessed value of each PIN.