

Cook County Commercial Assessment 101:

The statute, the data, the modeling

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The Assessor's legal obligation, summarized

Illinois Tax Code: Our duty is to determine “**fair cash value**” (or what most of us call fair market value) for Cook County properties on a triennial basis

Cook County ordinance: Assess at 10% for residential and apartments and 25% for most other commercial properties

What we can't / don't / won't do

- Determine tax rates or tax bills (Clerk and Treasurer)
- Determine the 10% and 25% level of assessment for certain properties in Cook County (County Board)
- Ignore the law to favor one part of the real estate market over another

Commercial Assessment Methodology

Mass Appraisal

- Determine the **average** levels for the inputs of valuation, rents, vacancy, expense ratio, cap rates.
- Apply those averages **uniformly** to similar properties in similar neighborhoods to create individual values

Investment Appraisal

- Determine the **unique** characteristics of a property.
- Use those unique characteristics to determine a specific, not average, value

Commercial Assessment Methodology:

Mass Appraisal vs. Investment Appraisal

MASS APPRAISAL	INVESTMENT APPRAISAL
Similar properties	Specific properties
Market vacancy, rent, and expenses	Historical vacancy, rent, expenses
Adjusted average cap rate based on variations in size, location, quality	Cap rate reflective of property data, amenities, etc.
NOI based on current market averages	NOI based on actual and historical property data

Assessment Methodology:

Current Data Sources

CoStar

Trepp

CBRE / Cushman & Wakefield / JLL / et al.

Qualitative interviews

Local brokers, appraisers, and building owners for insights on current market rents, occupancy levels, and capitalization rates

Loaded vs. Unloaded cap rates

UNLOADED

Net income after real estate taxes are capitalized by the market cap rate.

LOADED

Net income before real estate taxes are capitalized by a loaded cap rate.

Loaded cap rates are the market cap rate for a property *plus the appropriate tax rate for that property.*

Loaded vs. Unloaded cap rates

“Why does your office use unloaded cap rates?”

- It's not possible to predict taxes without knowing the levy or rate
- We assess as of January 1st. Rate determined more than a year later and taxes paid as much as 18 months later
- Loading a cap rate would be speculative

Illinois Tax Code does not make a recommendation for loaded versus unloaded cap rates.

What the IAAO says

The IAAO recommends accounting for taxes as an expense or loading it into the cap rate when using an income approach to commercial assessment.

If all properties know and agree on what is the fair tax rate for a property, using an unloaded or loaded valuation methodology will generate exactly the same result.

2018 Cap Rates: Chicago

2018			
Triennial Reassessment			
	APARTMENTS	COMMERCIAL	INDUSTRIAL
Rogers Park	8.50 - 10.25	9.00 - 10.50	9.50 - 10.50
Lake View	8.25 - 10.00	8.75 - 10.00	9.50 - 10.00
Hyde Park	8.75 - 10.25	9.50 - 10.75	9.50 - 11.00
Jefferson	8.25 - 10.25	8.50 - 10.25	9.50 - 10.50
Lake	9.00 - 10.25	9.25 - 10.50	9.50 - 11.50

North Suburbs Reassessment Reporting

Example: Schaumburg, 2016 vs 2019

		<i>Median Cap Rates</i>		<i>Median Assessed Values</i>		
		2016	2019	2016	2019	<i>diff</i>
Apartments		11.50%	6.00%	\$915,965	\$1,751,454	91%
Offices		12.00%	7.50%	\$954,604	\$1,198,678	26%
Commercial / Retail		10.83%	7.00%	\$366,734	\$532,855	45%
Industrial		9.00%	8.50%	\$221,744	\$218,102	-2%

See more North Suburbs Reassessment Reporting at www.cookcountyassessor.com

**Schaumburg:
Commercial/Industrial**
2019 Assessment Narrative

2019 North Triad Assessment
Cook County Assessor's Office
August 19, 2019

Appendix A:
Median rents and vacancy for Schaumburg in 2019

Property Type	Median Rent	Vacancy
Apartment	\$1,335.00/unit	6.7%
Apartment/Retail	\$11.57/sf	6.70%
Bank	\$32.72/sf	5.00%
Car Wash	\$13.89/sf	5.00%
Fast Food	\$25.00/sf	5.00%
Industrial	\$7.15/sf	5.00%
Medical Office NNN	\$15.30/sf	15.00%
Motel	\$120/room/night	25.00%
Nursing Home	\$262.50/bed/day	10.00%

Property Type	Median Rent	Vacancy
Office NNN	\$10.50/sf	15.00%
Other Retail	\$12.60/sf	6.00%
Restaurant	\$19.55/sf	5.00%
Retail Strip	\$12.24/sf	7.00%
Self Storage	\$12.00/sf	5.00%
Shopping Centers	\$13.41/sf	14.00%
Supermarket	\$11.00/sf	5.00%
Svc Garage	\$13.50/sf	5.00%

New in 2020:

CCAO Market Advisory Council

In 2020, the CCAO will launch an advisory group of private sector market participants to offer feedback on cap rates and other methodology used by the office in commercial assessment.

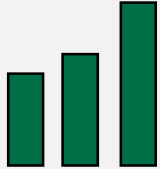
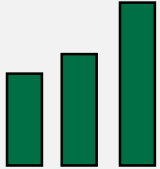
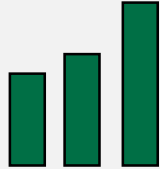
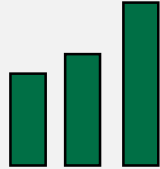
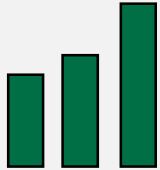
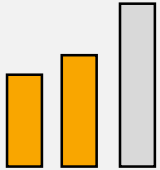
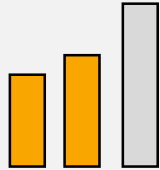
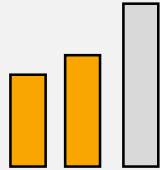
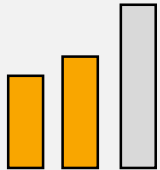
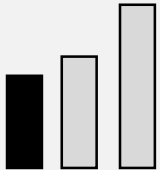
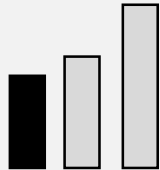
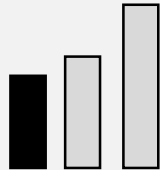
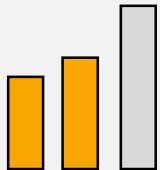
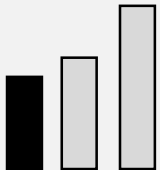
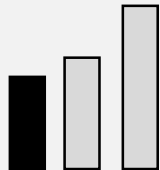
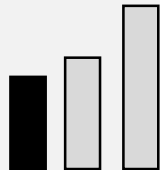
Invites to be sent early next year.

New in 2020: CCAO Reporting

For the first time in eight years, the CCAO will produce an annual report with extensive information on our methodology, assessments, and market data.

We will create updated township-level reports on the North Suburban assessments with post-appeals data and changes from the Board of Review

Current Data Quality from outside sources

	Rents	Expenses	Occupancy	Cap Rates
City: Downtown				
Suburban: Big				
Suburban: Small				
City: Neighborhoods				

New in 2020: Real Property Income & Expense form

- Ask market participants to provide commercial income, expense, and vacancy information.
- Lets our analysts use local data from local markets.
- Our goal: A predictable system where we get it right, right off the bat.
- Beta test our online tool (only 2 weeks left!)
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Q & A

