

## **2010 Tippecanoe Trending Narrative**

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## **Overview**

For 2010, sale data from the sales disclosure database was pulled on 3/1/2010 in order to establish value on the March 1st valuation date. We did not establish a time adjustment policy as we did in 2009. Values were only adjusted if there was a clear indication from a representative sample of contemporary sales that adjustments were necessary to maintain IAAO 2007 uniformity standards. Residential parcels were valued using the 1999 Marshall and Swift cost model and calibrated with trending factors developed from analysis of valid sales. Commercial and Industrial parcels were valued using income capitalization models. Special use income-producing properties were valued using replacement cost due to scarce data necessary to accurately derive an income value.

## **Review of Residential Parcels**

The majority of residential neighborhoods did not undergo a factor change from trending. However, many individuals may see assessment adjustments as a result of 2012 general reassessment. The majority of neighborhoods that were adjusted declined in value. Platted lots uniformly declined in value. Neighborhood delineations did not change. In 2008 and 2009 trending, data clean-up and neighborhood delineations were a large focus. For 2010, review of physical data was minimized and focus was on timeliness.

## **Review of Commercial and Industrial**

Commercial and Industrial property saw slight declines for most sectors. We began our review by updating potential rents, vacancy rates, expense ratios and capitalization rates in IncomeWorks, our vendor-supplied Income capitalization models. We compared these results to sales to validate the effectiveness of the updated models. Generally, modest decreases in assessed value produced compliant ratio statistics.

Purdue University did not experience a decline in assessed value. Apartment sales on campus and in north-west Wabash Township along US52 were very strong. Campus retail and mixed-use (retail on the first floor; apartments on upper floors) were also very strong. West Lafayette, particularly Purdue's campus and the surrounding area, commanded the highest rents and lowest capitalization rates. Mixed-use, retail & office space in Downtown Lafayette, typically on Main St, plus or minus one block north or south, saw slightly increasing values as well. New condos (both commercial and residential) are starting to be sold downtown in what appears to be the start of much-needed gentrification.

## **Future Developments**

In response to banks using AVMs (automated valuation models) to gauge loan-to-value ratios of 2<sup>nd</sup> mortgages and HELOCs, we began to develop AVMs from local sale data. AVMs require a great deal of sale data to produce IAAO compliant statistics. We had hoped to develop these models to review the residual areas of the county. Instead of a residual neighborhood in each township, all of the residual sales can be put in a regression model. Due to low sale volume and very limited time and staff for 2010

annual adjustments, in the residual areas, trended cost is still the primary factor in deriving assessed value. AVMs will still be used to review appeal validity and hopefully, with some development, become accurate enough to establish value.