



Comparative Market Analysis (RENT)

City of Saxman 2706 S. Tongass

Ketchikan, AK

Prepared by John Thompson on March 23rd, 2021

The purpose of this report is to help determine the market rate for rent to be applied to the subject property.





Summary

It is the opinion of Alpine Real Estate that the subject property has a rental value of \$1.00 - \$1.50 per square foot; this value applies to both the office space and retail space of the building given current market conditions.

The value for the office space reflects typical rates in normal market conditions; the value for retail space has been adjusted down from \$2.25 - \$3.00 per square foot due to current market conditions negatively affecting retail spaces with a high dependency on tourism.

The subject property benefits from being in a central location within the City of Saxman that is easily accessible and from its close proximity to tourist attractions. The current condition of the property does not provide for an increased/premium rate.

Rent	Square Footage	Total
\$1.00[^]	3076 sqft*	\$3076.00
\$1.25	3076 sqft*	\$3845.00
\$1.50	3076 sqft*	\$4614.00

[^] Comparable Market Rate

* Square Footage Source: KGB Tax Records

Subject Property Description

The subject property is located on the South of Ketchikan, next to the main highway, and at the entrance to the City of Saxman. The location benefits from being next to two main thoroughfares, Tongass Highway and Totem Row, and being adjacent to tourist attractions. Currently zoned General Commercial (CG), and building type is described as a Special Purpose / Community building. The current use of the building is mixed; containing a commercial enterprise in a retail area and office space.

The overall condition of the interior is average; not updated. The area used as a retail space for a coffee shop is in a condition that varies from the overall interior of the building and is considered to be in good condition.

The exterior of the building ranges from average to poor condition. Several components of the exterior currently have deferred maintenance; most notably the siding (particularly the shingle siding on the lower portion), roof, gutters, and paint.

The lot is approximately 1 acre and is shared with another building. The lot is landscaped. The lot has ample parking; parking is available directly in front of the building in addition to a parking lot located at the back of the building; the back lot also provides ramp access to the building. The lot has high functionality to support on-site parking sufficient for tenants and for customers.

Market Conditions

The current global pandemic has negatively impacted commercial *retail* space rent values in Ketchikan for locations desirable to types of business that typically depend on a high volume of traffic from the tourism industry. The economic downturn has forced many tenants in spaces which values are directly tied to tourism to seek rent relief. The relief has come in the form of financial assistance through local and federal programs, deferred payments for rent, temporary decreases in rent contingent on conditions (e.g. cruise ship passengers returns to 50% of normal levels). It has also led to a higher rate of vacancies as businesses default on leases, do not renew leases, or terminate existing leases.

It is also important to note that the negative impact from the pandemic has minimally, if at all, crossed over into commercial rental spaces used primarily for office space; nor does it impact retail spaces not typically dependent on tourism traffic as the main source of revenue.

Market Conditions and Subject Property

The current layout for the subject property consists of retail space and office space. Due to that fact, the overall space can be categorized as both commercial retail space and commercial office space. Furthermore, because the building is in close proximity to tourism traffic, the retail

space rental value must also reflect any changes in market conditions relating to tourism. The office space remains unchanged by market conditions; the retail space has been adjusted down for market conditions.

Utilities

The utilities for the building are not paid for by the landlord. The utilities include heat, electric, phone and internet, and trash pickup. The cost of utilities are excluded from the calculation for rent.

Source(s) of Information

There is no centralized database for rentals or past rental agreements to procure data sets. Information to determine the Broker's Opinion of Value for the rental amount of the subject property was derived from the following sources:

- 1) Privileged information derived from existing property management services provided by Alpine Real Estate for commercial properties.
- 2) Actively listed commercial properties for rent.
- 3) Direct inquiry about vacant commercial properties not actively listed.
- 4) Cooperation with outside agencies when seeking commercial properties for clients.

Comparable #1

516 Stedman Street

Office Space

2200 sqft

Monthly Rent: \$2000.00

Heat: Included

Trash: Included

Electric: Not Included

Kitchenette In Unit



Notes: The square footage and functionality of the space most closely reflects the subject property — making this the best comparable of active commercial spaces available for rent. The location is less accessible and inferior to the subject; the exterior condition is average to good and considered superior; the interior condition average and considered similar.

Comparable #2

223 Main Street

Retail Space

1000 sqft

Monthly Rent: \$1200.00

Heat: Included

Trash: Included

Electric: Included



Notes: A small retail space located downtown in an area considered to receive medium foot traffic; similar to the foot traffic that may be expected at the subject property. The exterior condition is average and considered superior; the interior condition is average and considered similar.

Comparable #3

338 Main Street

Office Space

1200 sqft

Monthly Rent: \$1200.00

Heat: Included

Trash: Included

Electric: Included



Notes: Smaller office space located downtown with adjacent parking. Though located in the downtown area, foot traffic related to tourism is minimal compared to nearby locations. Exterior is in good condition and considered superior; interior is in good condition and considered superior.

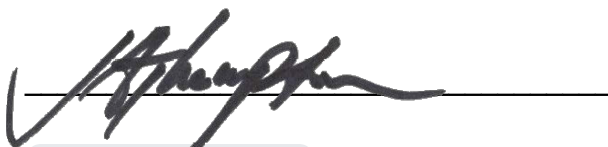
Conclusion

The current use of the subject property combines a retail area with office spaces. While this is not a unique characteristic to the market, the layout for the subject does deviate from the normal layout. Most buildings feature retail on the lower (or ground level) floor with office spaces being on the upper level(s) — the subject properties current layout of the spaces is side-by-side, in addition to having office space on the upper level. Despite having a different layout, varying rates still apply as they do in other buildings.

In normal market conditions it would be our recommendation to charge a higher rate of rent for the retail area, particularly due to the fact that it is in a location that can take advantage of tourism traffic. However, due to current conditions we do not recommend that at this time and have applied the rental rate of office space for the entire space.

The condition of the building was given some consideration in determining the rental value. Due to the deferred maintenance to parts of the exterior and lack of updates to areas on the interior, a higher rate, or a premium rate, is not justified. Because many office spaces in Ketchikan also suffer from deferred maintenance or lack of updates, we also did not adjust down.

If you have any questions, comments or concerns regarding any of the information provided in this report, please feel free to contact us directly.



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