

**Commercial Revalue**

**2017 Assessment roll**

**AREA**  
**35**

**King County, Department of Assessments  
Seattle, Washington**

**John Wilson, Assessor**



## King County

### Department of Assessments

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**John Wilson**  
*Assessor*

Dear Property Owners,

Our field appraisers work hard throughout the year to visit properties in neighborhoods across King County. As a result, new commercial and residential valuation notices are mailed as values are completed. We value your property at its “true and fair value” reflecting its highest and best use as prescribed by state law (RCW 84.40.030; WAC 458-07-030).

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with the background information about the process we use and our basis for the assessments in your area.

Fairness, accuracy and transparency set the foundation for effective and accountable government. I am pleased to continue to incorporate your input as we make ongoing improvements to serve you. Our goal is to ensure every single taxpayer is treated fairly and equitably.

Our office is here to serve you. Please don't hesitate to contact us if you ever have any questions, comments or concerns about the property assessment process and how it relates to your property.

In Service,

John Wilson  
King County Assessor

# How Property Is Valued

King County along with Washington's 38 other counties use mass appraisal techniques to value all real property each year for property assessment purposes.

## What Are Mass Appraisal Techniques?

In King County the Mass Appraisal process incorporates statistical testing, generally accepted valuation methods, and a set of property characteristics for approximately 700,000 residential, commercial and industrial properties. More specifically for commercial property, the Assessor breaks up King County into geographic or specialty (i.e., office buildings, warehouses, retail centers, etc.) market areas and annually develops valuation models using one or more of the three standard appraisal indicators of value: Cost, Sales Comparison (market) and Income. For most commercial properties the income approach is the primary indicator of value. The results of the models are then applied to all properties within the same geographic or specialty area.

## Are Properties Inspected?

All property in King County is physically inspected at least once during each six year cycle. Each year Assessor's appraisers inspect a different geographic area. An inspection is frequently an external observation of the property to confirm whether the property has changed by adding new improvements or shows signs of deterioration more than normal for the property's age. For some larger or complex commercial properties an appraiser may need to also conduct an interior inspection of the buildings or property. From the property inspections we update our property assessment records for each property.

## How are Individual Commercial Properties Valued?

The Assessor collects a large amount of data regarding commercial properties: cost of construction, Sales of property, and prevailing levels of rent, operating expenses, and capitalization rates. Statistical analysis is conducted to establish relationships between factors that might influence the value of commercial property. Lastly valuation models are built and applied to the individual properties. For income producing properties, the following is basic steps employed for the income approach:

1. Estimate potential gross income
2. Deduct for vacancy and credit loss
3. Add miscellaneous income to get the effective gross income
4. Determine typical operating expenses
5. Deduct operating expenses from the effective gross income
6. Select the proper capitalization rate
7. Determine the appropriate capitalization procedure to be used
8. Capitalize the net operating income into an estimated property value

## How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and

collection of data from local real estate brokers, professional trade publication, and regional financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties base on their unique set of attributes.

Where there is a sufficient number of sales, assessment staff may generate a ratio study to measure uniformity mathematically through the use of a coefficient of dispersion (aka COD). A COD is developed to measure for and show the uniformity of predicted property assessments. We have adopted the Property Assessment Standards prescribed by the International Association of Assessing Officers (aka IAAO) that may be reviewed at [www.IAAO.org](http://www.IAAO.org). The following are target CODs we employ based on standards set by IAAO:

| Type of Commercial Property      | Subtype                                      | COD Range                    |
|----------------------------------|--|------------------------------|
| Income Producing                 | Larger areas represented by large samples    | 5.0 to 15.0                  |
| Income Producing                 | Smaller areas represented by smaller samples | 5.0 to 20.0                  |
| Vacant Land                      |  | 5.0 to 25.0                  |
| Other real and personal property |  | Varies with local conditions |

Source: IAAO, *Standard on Ratio Studies*, Table 1-3. [www.IAAO.org](http://www.IAAO.org)

More results of the statistical testing process is found within the attached area report.

## Requirements of State Law

Within Washington property is required to be revalued each year to market value based on its highest and best use. (RCW 8441.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

## Appraisal Area Reports

The following area report summarizes the property assessment activities and results for a general market area. The area report is meant to comply with state law for appraisal documentation purposes as well as provide the public with insight into the mass appraisal process.



[illegible]

5/11/17



# Executive Summary Report

**Appraisal Date 1/1/2017- 2017 Assessment Year**

## Geographic Appraisal Area

- **Commercial Area 35: East Duwamish MIC  
(Manufacturing Industrial Center)**

## Sales – Improved Summary

Sales Included in Ratio Study Summary: 26

Range of Sales Dates: 2/10/2014 – 11/27/2016

## Sales – Ratio Study Summary

| Sales--Improved Valuation Change Summary |                     |                 |         |         |
|--|---------------------|-----------------|---------|---------|
|  | Mean Assessed Value | Mean Sale Price | Ratio   | COD     |
| 2016 Average Value                       | \$4,429,700         | \$5,394,300     | 82.10%  | 12.99%  |
| 2017 Average Value                       | \$4,894,600         | \$5,394,300     | 90.70%  | 6.55%   |
| Absolute Change                          | +\$464,900          |                 | +8.60%  | -6.44%  |
| % Change                                 | +10.5%              |                 | +10.48% | -49.58% |

\*Coefficient of Dispersion (COD) is a measure of uniformity. A low COD indicates better uniformity.

**Sales used in analysis:** All improved sales, which were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are sales that are leased back to the seller; sold as a portion of a bulk portfolio sale covering multiple geographic areas/neighborhoods; net lease sales; sales that have had major renovations after the sale, or have been segregated or merged since being purchased.

## Population - Parcel Summary Data

| Total Population - Parcel Summary Data |                 |                 |                 |
|--|-----------------|-----------------|-----------------|
|  | Land            | Improvements    | Total           |
| 2016 Value                             | \$2,438,173,700 | \$1,940,485,299 | \$4,378,658,999 |
| 2017 Value                             | \$2,683,163,900 | \$2,020,245,830 | \$4,702,095,930 |
| Percent Change                         | 10.05%          | 4.11%           | 7.39%           |

**Number of Parcels in the Population: 1,246;** which includes vacant and improved parcels, excluding specialty and exempt parcels with government ownership.

## **Conclusion and Recommendation**

Total assessed values for the 2017 revalue have increased 7.39%.

The values recommended in this report improve uniformity and equity; therefore, we recommend posting these values for the 2017 Assessment Year.

## Identification of the Area

### Name or Designation

- **Area 35-East Duwamish MIC (Manufacturing Industrial Center)**

### Boundaries

Broadly defined, Area 35's boundary delineation is the eastern bank of the Duwamish River south of the downtown Seattle central business district, southbound Interstate 5, and the northern tip of Tukwila and unincorporated King county. The comprehensive boundaries are outlined below.

**North Boundary** – Beginning at South Jackson Street from the Puget Sound to Alaskan Way South. South along Alaskan Way South to Railroad Way South. South on Railroad Way South to 1<sup>st</sup> Avenue South. Continuing south on 1<sup>st</sup> Avenue South to Occidental Avenue South. North on Occidental Avenue South to northern boundary of Seahawk's Stadium/Century Link Field. East on Airport Way South to South Charles Street and east to Interstate 5.

**West Boundary** – Starting at Elliott Bay and the Duwamish Waterway from South Washington Street in the north, to the South Boeing Road in the south.

**East Boundary** – Beginning in the north at South Dearborn Street, and south along Interstate 5 to the South Boeing Road.

**South Boundary** – Starting at the Duwamish Waterway on the western edge and South Boeing Road to Interstate 5 on the eastern edge.

### Maps

A general map of the area is included in this report. More detailed Assessor's maps are located on the seventh floor of the King County Administration Building.

### Area Overview

Area 35 is a well-established, high demand industrial district referred to as the East Duwamish Manufacturing Industrial Center. Zoning is predominantly general industrial, with small pockets of industrial commercial, industrial buffer, and automobile oriented commercial zoning. Within recent history, land transactions of industrial zoned land have primarily occurred in the northern portion of Area 35 closest to the Seattle CBD. Land sale activity is now expanding southward due to pressures associated with density and increasing sales prices.

The East Duwamish MIC is a high density, high demand industrial area. Typical land to building ratios are among the lowest in King County (under 2:1,) with many sites under one acre. The availability of vacant, undeveloped land is increasingly rare. In order to obtain viable sites to accommodate new development, functionally obsolesced buildings are frequently considered



teardowns. Traditional one story industrial development is evolving with multi-story solutions due to land size constraints.

Due to Area 35's locational desirability (based on accessibility through multiple modes of transportation,) many businesses are willing to purchase buildings at a premium despite the need for substantial renovations to modernize, modify and customize use for their individual operations. Capitalization rates for improved transactions continue to fall, with published rates recorded in the low fours. Single digit vacancy rates are at all-time lows. Overall, the East Duwamish MIC's market is strong with limited supply available. Sales within particular market segments have experienced increases at a greater rate than the population as a whole, as reflected in the average value increase of the ratio study summary.

Economic growth is occurring through replacement of obsolete buildings, the efficient use of available land with expansion of existing facilities, and the introduction of new manufacturing and industrial technology.

New industries, the resurgence in traditional goods, and changing nature of the uses within the East Duwamish MIC have contributed to the increasing desirability of the area. Recent changes include conversions of existing warehouses into state-of-the-art medical and recreational cannabis cultivation and laboratory facilities, and retail sales of their products. The resurgence and expansion of microbreweries and creation of distilleries within Washington has spurred their growth in the area. Automobile sales and service facilities have relocated from incongruent high density mixed use residential and commercial areas of Seattle to the edges of the MIC. Additionally, the surge in shipments from e-commerce retailers have impacted long-term freight planning and economic development, and impacted warehousing in urban areas.

Overall valuation changes to the total population for the 2017 Assessment Year are driven by both land increases in industrial zoned land and the expansion of out of state investors into the marketplace. The land value increases are reflected by a number of factors, such as valuation changes in land values in the overall population; raising contaminated land to market value levels; adjustment for excess/surplus land (industrial parcels utilizing the Income Approach;) and the application of the Cost Approach to parcels within the East Duwamish Area. Investors are drawn to the area for its' unique urban industrial location with intermodal transportation systems.

## **Analysis Process**

**Effective Date of Appraisal:** January 1, 2017

**Date of Appraisal Report:** March 30, 2017

### **Highest and Best Use Analysis**

**As if vacant:** Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best of the majority of the appraised parcels as industrial or commercial use. Any opinion that is not consistent with this is noted in our records and considered in the valuation of the specific parcel.

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000.00 is typically assigned to the improvements.

**Interim Use:** In many instances, a property's highest and best use may change in the foreseeable future. A tract of land at the edge of a city might not be ready for immediate development, but current growth trends may suggest land development in five or ten years. Similarly, there may not be enough demand for office space to justify construction of a multi-story office building as of the valuation date, but increased demand may be expected within five or ten years. In such situations, the immediate development of the site or conversion of the improved property to its future highest and best use is usually not financially feasible.

The use to which the site is utilized until it is ready for its future highest and best use is referred to as an interim use. Thus, interim use becomes the highest and best use, in anticipation of change over a relatively short time.

### **Standards and Measurement of Data Accuracy**

Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

## **Special Assumptions and Limiting Conditions**

All three approaches to value were considered in this appraisal.

Sales from 1/1/2014 through 12/31/2016 (at minimum) were considered in all analyses.

The intention of this report is to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

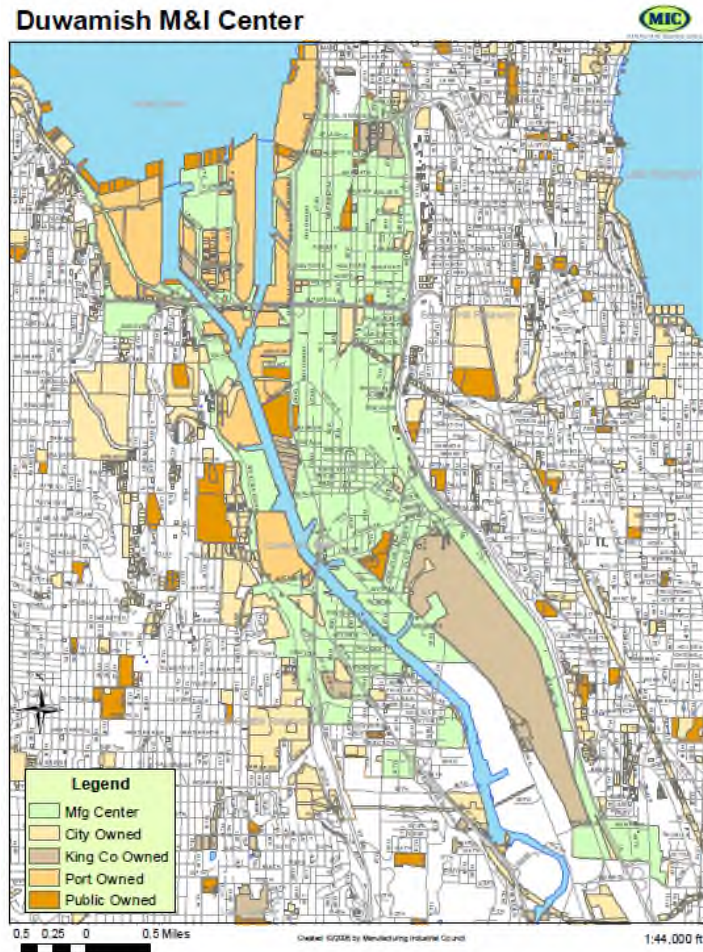
## Area and Neighborhood Descriptions

### Area 35

Primarily situated inside the city limits of Seattle (with a small section falling within the northeastern portion of city limits of Tukwila and unincorporated King County,) Area 35 is comprised of the portion of the Greater Duwamish MIC along the eastern bank of the Duwamish River south of the downtown Seattle central business district. The East Duwamish Manufacturing Industrial Center, more specifically the SODO subarea of the East Duwamish MIC, forms the northeastern most portion of an industrial corridor that extends from downtown

Seattle southward toward Kent and the adjacent industrial areas in southeast King county. The original meaning for acronym SODO was *South of the (King)Dome*; however, with the demolition of the Kingdome stadium in 2000, the connotation has been adapted to mean the *South of Downtown Area*. The East Duwamish MIC, including the SODO subarea, is considered part of the Seattle “Close-In” Industrial Market. Seventy seven percent of Seattle’s industrial zoned land is located in the Duwamish MIC (including land both east and west of the Duwamish Waterway.)

Duwamish M&I Center



Area 35 represents the oldest industrial location in the Puget Sound region, and is located adjacent to the southern portions of historic Pioneer Square (the original section of downtown Seattle) and the International District, both of which harken back to the 1800's. Industrial development in SODO started close to downtown Seattle near the turn of the twentieth century and over the years expanded to the south, incorporating what are now the Port of Seattle and the areas surrounding the Duwamish Waterway. Consequently, in the northern portion of this industrial district, many older properties are in need of renovation and redevelopment. Moving southbound, the properties consist of more recently constructed manufacturing and warehouse facilities ranging in age from new to 60 years old. Overall, the East Duwamish MIC is a well-established and high demand industrial district.

Manufacturing Industrial Centers (MIC) are typically uniquely accessible to water, rail and regional highways. The growth of industrial development in the SODO/ East Duwamish MIC market is influenced by the following factors:

- The area's location between downtown Seattle and the Sea-Tac Airport;
- The Boeing Company, Seattle's largest industrial employer, plus the presence of the King County Airport (convenient access to airfreight);
- The Duwamish Waterway and the Port of Seattle (benefits of deep water marine access);
- The presence of two major railroad lines;
- A highly developed system of ground transportation with excellent railroad access (including spur lines with direct access to marine terminals) and freeway networks (I-5, SR-99, and SR-509). An efficient transportation system within the Duwamish MIC plays a crucial role in the movement of goods and services, as well as holding economic implications for not only the Pacific Northwest Region but also Washington State as a whole.

The City of Seattle policies for the portion of the East Duwamish MIC that falls within the city limits, call for clearly defined geographic boundaries, buffers around the industrial center, an assembly of parcels suitable for industrial activity, and provision of access to regional highway, rail, air, and waterway systems for the movement of goods.

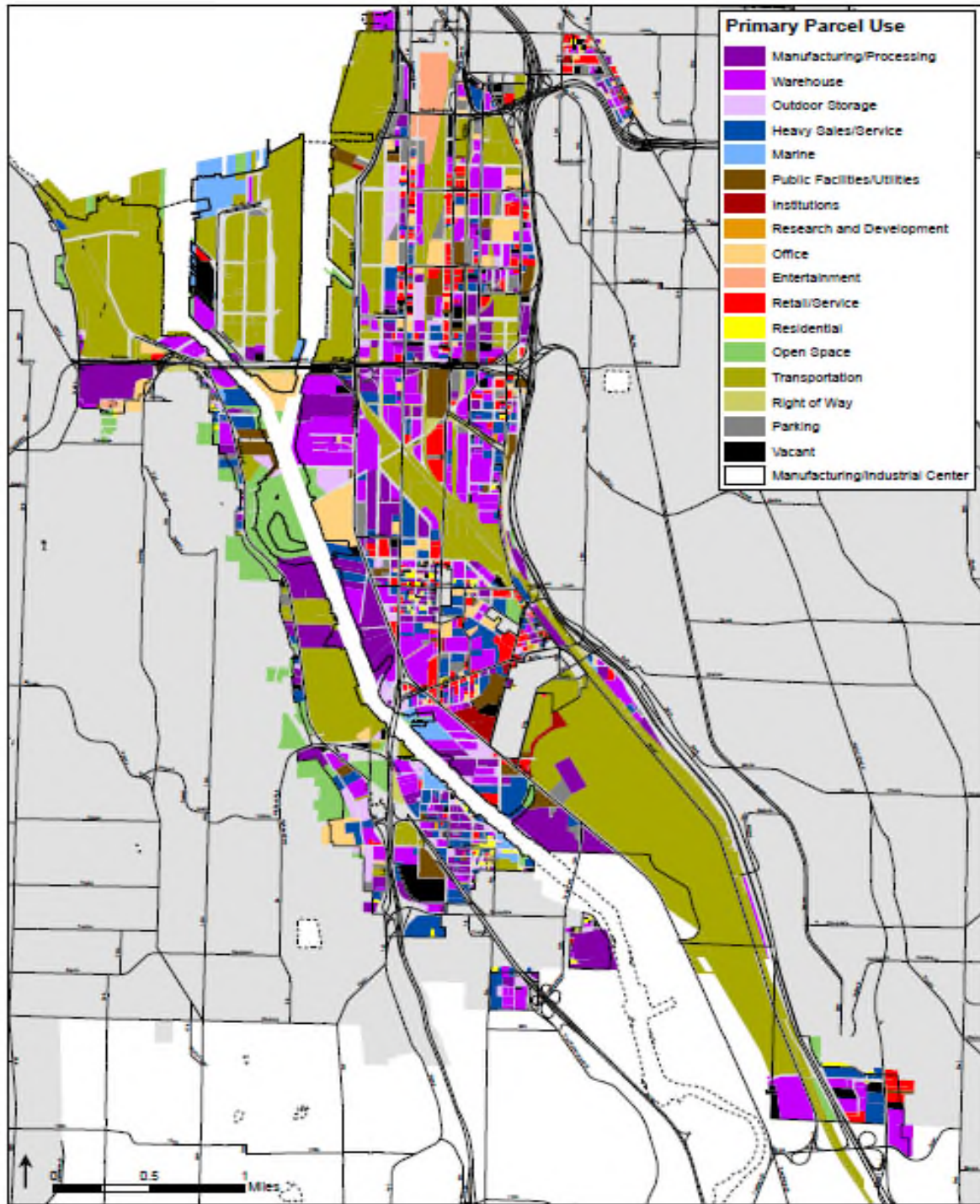
Seattle's "Basic Industries" are composed of a wide range of established business activities that occur within the Area 35 industrial district, including manufacturing (such as metal fabrication), warehousing, wholesaling (non-durable goods such as paper products, apparel, alcoholic beverages, and petroleum products), and transportation (such as trucking firms). The area also houses communication and utility companies. These industries have consistently offered job growth potential; provide accessible, family wage jobs; fit with Seattle's comparative advantages; and contribute significantly to the City's tax base. A map of Seattle's industrial zoned land along the Duwamish indicating the primary parcels uses is located on the following page.

The central Puget Sound region gained 59,400 jobs in 2016, marking the seventh consecutive year of job growth. The region added 270,900 wage and salary jobs between 2011 and 2016. Even though the long term prognosis through 2040 forecasts increases of industrial jobs by macro sector on industrial lands, in the short term only the manufacturing macro sector within the Puget Sound region as a whole appears to have experienced a year over year decrease in



employment from December 2015 to December 2016. According to the Puget Sound Regional Council, the Duwamish MIC maintains the role of a major regional employment center by providing a concentration of family wage jobs in the Puget Sound region. The Duwamish Manufacturing/Industrial Employment Center is a key component of the regional economy to ensure that adequate industrial land is available to promote a diversified employment base and sustain Seattle's contribution to regional high-wage job growth. Given the current low vacancy rates in the Duwamish and very strong employment growth forecasted for core industrial lands in this area, strategies will need to address how to accommodate anticipated industrial and non-industrial jobs (Industrial Lands Analysis for the Central Puget Sound Region by the Puget Sound Regional Council).

## Seattle's Industrial Zoned Land Primary Parcel Uses

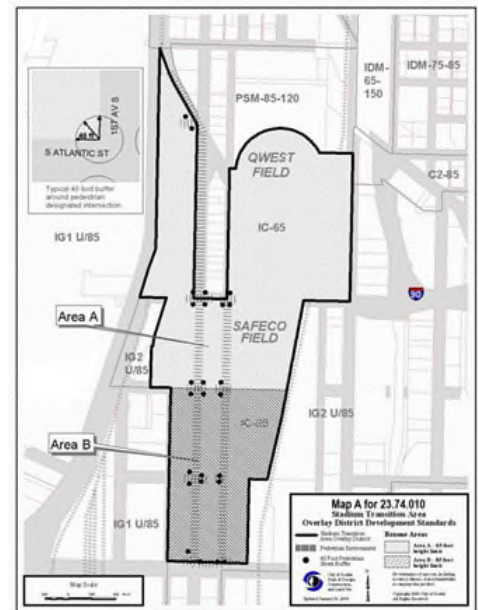


Source: Manufacturing Industrial Council

The city of Seattle zoning has attempted to address the ever-growing desire to develop non-industrial uses adjacent to industrial lands, which in turn can create adverse economic pressures.

In 2007, The City of Seattle passed Ordinance 122601 to reduce the size limits for particular non-industrial uses in industrial zones to preserve the integrity of industrial zoning (IG1 and IG2.) Seattle added Ordinance 123266 to allow limited adaptive reuse of existing buildings on industrially zoned land in 2009. The creation of a stadium overlay district in the immediate vicinity of the large sports facilities in the northern portion of SODO district discourages encroachment or shifting the boundary of non-industrial uses further into the nearby industrial uses to the south.

The Stadium Transition Area, centering around the large sports facilities, allows provisions for complementary uses and development standards designed to create a pedestrian connection with downtown, including transit service. The intention is to contribute to a safer pedestrian environment for those attending events and permit a mix of uses to support the pedestrian-oriented character of the area as well as the surrounding industrial zone, while minimizing conflicts and discouraging encroachment with nearby industrial uses. Allowing a mix of uses as permitted under Industrial Commercial zoning, including office development, would encourage redevelopment and assist in maintaining the health and vibrancy of the area during times when the sports facilities are not in operation. The stadium area is surrounded by land with widely varying development patterns and land use characteristics, including the mixed-use urban development of the south downtown areas of Pioneer Square, the working waterfront, and the industrial area. One of the desired relationships of the Stadium Transition Area is with Pioneer Square and First Avenue, permitting strong pedestrian and transit links to the north. The stadium overlay area intended to create well-defined edges between the pedestrian activity of the Stadium Transition Area and industrial activity of the surrounding the area.



Many of the factors that first attracted industrial development to Area 35, and continue to sustain the area's advantage for industrial activity, are also responsible for some of the problems the area now faces. The reclaimed flat lands, which were well suited to industrial development, have drainage problems making it difficult to maintain streets in good condition. While the waterway, airports, rail lines, and major arterials provide excellent linkage to the region, they also impede movement within the area and tend to isolate locations from each other.

The unguided expansion of industrial development in the past into areas not specifically platted for industrial needs has also resulted in inefficient land use, poor traffic circulation and conflicts with non-industrial property uses within the area. Changes in the nature of industrial activity itself have also rendered certain facilities and locations obsolete according to current demands for space and access. Despite constraints, the area remains a vital part of this region's industrial activity. Potential for economic growth exists through replacement of obsolete buildings, the efficient use of available land with expansion of existing facilities, and the introduction of new manufacturing and industrial technology. Also, the surge in shipments from e-commerce retailers is impacting long-term freight planning and economic development. The increasing demands of e-commerce retailers needing to locate near the urban market place is uncharted



territory from the standpoints of warehousing, shipping, and e-commerce business concepts, such as Amazon Fresh grocery pick-up.

## Neighborhood 35-10



### **Boundaries:**

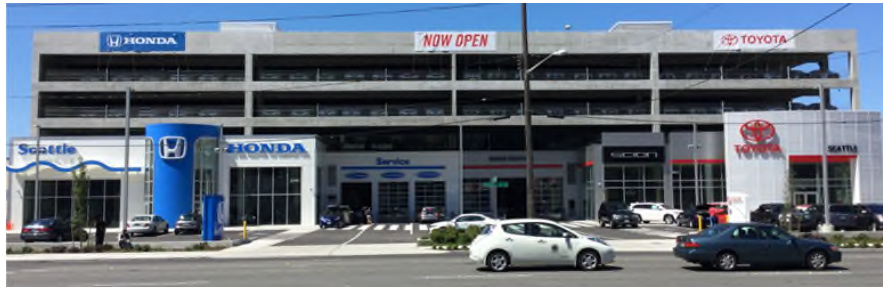
The neighborhood boundaries of 35-10 are delineated by the Mariners Safeco Field, Seahawk's and Sounders Century Link Field, and the Exhibition Hall to the north, South Spokane Street to the south, and the area between the Duwamish waterway to the west and I-5 to the east.

### **Neighborhood Description:**

Neighborhood 35-10 is the oldest, most northerly neighborhood of Area 35, and is located just south of two neighborhoods historic in nature, the Pioneer Square and International District neighborhoods of downtown Seattle. The neighborhood character exemplifies both ends of the spectrum, ranging from some of the oldest buildings in SODO/North and East Duwamish MIC, including turn of the twentieth century, multi-story, masonry warehouses, to newer development of modern football and baseball stadiums, as well as new modern class A office buildings adjacent to the stadiums. A significant amount of publically owned property allocated for Port of Seattle use and Railroad Operating property is located in neighborhood 35-10. Due to the age of many of the structures in this neighborhood, much of the economic growth is occurring through replacement and/or renovation of obsolete industrial properties.

Density driven development of mixed-use commercially zoned sites in Capitol Hill and the downtown Seattle CBD have superseded auto sales businesses, which generally have more ground level space requirements.

Mercedes Benz of Seattle located a used car sales and a service facility in SODO around a decade ago starting a wave of relocation and subsequent development of major automobile sales and service facilities. The Pike-Pine corridor on Capitol Hill was the home of Seattle's original "auto row," which is currently transitioning to higher density mixed use residential development. Prior to moving to SODO, both BMW Seattle and Mercedes Benz of Seattle had been located on Capitol Hill.



Relocating from the Seattle CBD, Honda and Toyota of Seattle completed their new dealership in SODO in 2014. In 2015 and 2016, a Ford dealership purchased land parcels south of the existing dealerships for development in the near future.

The Greyhound Bus Station, displaced from their location of over 85 years in the Seattle CBD for a two-tower hotel, office, and housing development, relocated in 2014 to neighborhood 10 at 6<sup>th</sup> Avenue South and Royal Brougham Way near the stadiums and adjacent a light rail stop.



A sports arena, predominantly for basketball use, is proposed in the immediate vicinity of the existing sport stadiums in the event that group backing the Seattle Arena (ArenaCo) is able to acquire a NBA or NHL franchise. The possible future siting of the arena is located within the Stadium Overlay zoning in the northern portion of neighborhood 10, just to the south of Century Link and Safeco Fields. The Memorandum of Understanding with the City of Seattle is in effect until December 3, 2017. The City of Seattle issued a Request for Proposals to redevelop the KeyArena, located north of the Seattle CBD, in the event ArenaCo has not satisfied the MOU.

One of the newest uses in the Duwamish MIC permitted by the city of Seattle Department of Planning and Development is business involving the growing, processing (food processing and light manufacturing,) selling, or delivery of marijuana. Since federal law requirements prohibits production and distribution of controlled substances within 1,000 feet of a school, playground, public housing, industrial areas with industrial oriented zoning readily lend itself to marijuana affiliated uses. In designated MIC centers within the city of Seattle, which includes portions of the Duwamish Valley, urban farm uses are specifically limited to rooftop and indoor agriculture operations. Other limitations include exclusion of siting any marijuana use within the Stadium



Transition Overlay District, and no additional indoor agriculture operations within the IG1 zones, unless they were established prior to November 2013 and not more than 5,000 square feet in size.

The first fully-permitted Seattle grow operation for medical marijuana was located within neighborhood 10 in 2013, just when the city was starting to consider rules for marijuana zoning. The operation has grown and since relocated in 2016 to a larger state-of-the-art medical and recreational cannabis cultivation facility within a newly remodeled storage warehouse. After the passage of the legal recreational pot initiative, Seattle's first state licensed store opened in SODO during April 2015, as recreational sales began statewide. Additional urban farms and retail sales operations have located in Area 35's neighborhoods since the opening of the first two landmark businesses.

Washington State leads a growing national craft distillery industry with approximately one fifth of the 500 distilleries licensed distilled spirit plants in the United States, with more on the way. A combination of the authorization to increase in allowable production to 150,000 gallons in 2014, and on premise sales, bode well for the expansion of the industry. Distillers qualify for tax breaks and run tasting rooms if they commit to utilizing 51% of the ingredients grown in Washington. Neighborhood 10 is the home of a number of distilleries, including Glass Distillery, 2bar Spirits, Westland and 3 Howls Distilleries. Additionally, a number of local microbrewers are also located in Area 35, within neighborhoods 10, 30 and 50.

## Neighborhood 35-30

### Boundaries:



The neighborhood boundaries of 35-30 are delineated by South Spokane Street to the north, South Michigan Street to the south (not including the showroom area adjacent to the former Seattle Design Center north of South Michigan Street and old downtown Georgetown area,) the Duwamish Waterway to the west and Interstate 5 to the east.

### Neighborhood Description:

Area 35-30 is located to the south of 35-10. Historically, the pattern of industrial development began closest to downtown Seattle in 35-10 and traveled southbound to 35-30. Approximately 85% of the buildings in Area 35-30 were constructed after 1960. The neighborhood is characterized by heavy industrial activity along the Duwamish Waterway, as well as a significant presence of railroad operating properties. Additionally, commercial development exists between 1<sup>st</sup> Ave South and 4<sup>th</sup> Ave South in the northeastern portion of the Georgetown area. This neighborhood is starting to experience land transactions equivalent to those occurring to the north in neighborhood 10 over the past five years. The largest number of improved transactions within Area 35 occurred in neighborhood 30 within the past three years. Some of the buildings may undergo a change of use to customize the

facility for the new owner. The East Duwamish MIC is a highly desirable location; therefore, many businesses are willing to purchase buildings that will need to undergo substantial renovations to modify and customize the use for their individual operations, as well as new office or warehouse construction when land parcels are available.

Neighborhood 30 houses a number of craft brewers, including the two pre-eminent brands in Washington, the Georgetown Brewery, founded in 2002, and the Elysian Brewery, a twenty one-year-old local craft brewing company. Elysian opened a new manufacturing operation in this neighborhood in 2011. They have outgrown their existing facility finalized their expansion to a newly constructed 33,000 square foot building in 2016. The new facility dedicates 14,000 square feet of capacity to their wood-aged beer program, increased storage, and office use. In January 2015, Anheuser-Busch, a subsidiary of the Belgian-Brazilian company InBev (owner of 47.2% of the U.S. beer market) purchased Elysian. The sales of the national beer brands have been declining in recent years, and the acquisition is an example of a national brand trying to counter declining sales by growing its craft-beer portfolio.



The Brewers Association reported that the craft brewing industry has grown from a niche market to contributing \$22.3 billion to the U.S. economy in 2015, which is 21% of beer's market share. Washington State ranked second nationally with 305 craft brewers in 2015, a 20% increase over 2014. The economic impact to Washington is \$1,654 million (2014.)

An extraordinarily rare, large developable site of almost 14 acres marketed and sold immediately to Prologis, a San Francisco based company that is an owner, operator and developer of industrial real estate focused on both global and regional markets across the Americas, Europe, and Asia. Due to land constraints in the East Duwamish MIC, even for a development on a larger site, the buyer is seeking permits to construct three multi-story 580,000 square foot warehouse distribution structure rather than the typical one-story warehouse developments elsewhere in King County. The three-story structure is expected to house lighter-scale warehouse operations. The building design will be the first of its kind in the U.S. and the anticipated configuration will look as if three warehouses are stacked on top of each other, with stacked loading bays and a ramp structure that will allow trucks to access the second level bay, and freight elevator access to the top floor. Multistory warehouses are already common in countries like Japan and Singapore, as well as elsewhere in Asia and Europe, where vacant land is scarce. The development potentially presents a new solution to diminishing industrial lands.

The King County Wastewater Treatment Division is in the early stages of planning the development of the Georgetown Wet Weather Treatment Facility with conveyor outfall to the Duwamish and combined sewer overflow. The project is in response to a Consent Decree by the United States Department of Ecology.

## Neighborhood 35-50

### Boundaries:

The neighborhood boundaries of 35-50 are delineated by South Dawson Street and Denver Avenue South to the north, South Michigan Street to the south, 4<sup>th</sup> Ave South to the west, with Airport Way South and Corson Avenue South to the east.



### Neighborhood Description:

Area 35-50 is the smallest neighborhood within the Area 35 industrial district. The old 'Benaroya Business Park' development was a catalyst to the low-rise warehouse, warehouse showroom, and warehouse office developments in this neighborhood. The buildings were primarily constructed between the 1950s and the 1970s and the area overall has improvements closest to being considered "Institutional Grade" industrial properties. One of the larger institutional grade buildings is the Seattle Design Center complex, which opened the Atrium Building in 1973, and added the Plaza Building in 1982. An institutional buyer purchased the complex at the end of 2014 with plans to consolidate the designer showroom space in the Atrium Building and reimagine the Plaza building, renamed Georgetown Squared. Renovation of over a quarter of a million square feet into creative/tech and conventional office space is currently underway.

## Neighborhood 35-60

### Boundaries:

Neighborhood 35-60 is comprised of the old downtown Georgetown neighborhood and the adjoining residential area to the south. The area boundaries are the King County Airport and South Willow Street to the south, Corson Avenue South and South Homer Street to the north, and Interstate 5 to the east, and 7<sup>th</sup> Ave South to the west.



### Neighborhood Description:

The Georgetown neighborhood, with settlement occurring in 1851, is considered the oldest neighborhood in Seattle. Historically, the area was home to saloons and breweries, and is said to have incorporated in 1904 largely as a defense against alcohol prohibitionism. Seattle annexed the city in 1910. More recently, the neighborhood has experienced a few signs of new construction and property renovation after years of little growth.



Located in the old downtown Georgetown, the buildings that comprise the landmarked original Seattle Brewing and Malt Company, which began operations in 1882, have been renamed the 'Rainier Center.' The complex houses many artists and small businesses. The influx of tenants to the Rainier Center has assisted in solidifying the neighborhood as an emerging and thriving artist community, as well as a mecca to fledgling small businesses.



The historic landmarked Brew House building underwent an extensive renovation in 2014, from a vacant structure to housing office and showroom space. The adjoining façade of the original Stock House was incorporated into the warehouse and light industrial addition to the Brew House. Fran's Chocolates production facility was the inaugural tenant occupying a portion of the original building and the new addition.

In 2015, the Charles Smith Wines Jet City opened a manufacturing facility with a tasting room and sales on the southern edge of Georgetown in a former Dr. Pepper bottling plant. Their location has a view of the main runways of Boeing Field along with the iconic profile of Washington's Mount Rainier. Charles Smith Winery has their headquarters in Walla Walla in eastern Washington.

Georgetown also encompasses a residential area to the south, which in part is intermingled with commercial/industrial properties from historical development patterns. Delineations to buffer residential uses from additional industrial development have been attempted through the implementation of zoning designations along the edges of the residential clusters within the MIC.

## Neighborhood 35-65



### Boundaries:

Area 35-65 is bounded by South Michigan Street to the north, South Boeing Access Road to the south, the Duwamish waterway to the west, and Interstate 5 to the east, not including the King County Airport.

### Neighborhood Description:

This neighborhood is characterized by commercial property, to the north, along South Michigan Street, the Boeing plants to the south

along the Duwamish Waterway, the railroad operating property to the south along I-5, and the commercial/industrial properties in the south around the Boeing Access Road. This neighborhood virtually surrounds the King County Airport.

The Boeing Company celebrated its' 2016 centennial year. Boeing's birthplace, the original factory known as The Red Barn, still stands in neighborhood 65 and houses exhibits at the Museum of Flight. The Museum of Flight's Aviation Pavilion, opened in 2016, is a covered, outside gallery spanning over 3 acres housing 19 aircraft encompassing the large aircraft, military, and commercial airliners from the 1930s to the present. The Pavilion also offers the first-ever exhibit about the business of airfreight.



The Raisbeck Aviation High School, completed in 2013, is located adjacent to the new Aviation Pavilion. The curriculum focuses on “STEM” subjects, science, technology, engineering and math, with an interactive, project based learning environment facilitated by the building’s layout designed to encourage collaboration.

## Neighborhood 35-70



### Boundaries:

Neighborhood 35-70 encompasses the King County Airport and Boeing Field, which are bounded by South Albion Place to the north, Airport Way South to the east, East Marginal Way South to the west, and South Norfolk Street to the south.

### Neighborhood Description:

The neighborhood is comprised of publically and privately owned airfield hangars and airfield administrative offices on the east side of the Airport, and Boeing buildings, as well as additional public hangars along the west side of the Airport.



## **Physical Inspection Identification**

WAC 458-07-015 requires each property to be physically inspected at least once during a 6-year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. During the current revalue year, inspection of the northern portion of neighborhood 10 was conducted.

## **Scope of Data**

### **Land Value Data**

Vacant land sales with closed transactions occurring during the period ranging from January 1, 2014 through December 31, 2016, were given primary consideration in the valuation of commercial and industrial zoned land parcels for the 2016 revalue for Area 35. Since January 2014, 19 transactions were verified as “good,” which are coded as “Y” in the Assessor’s records. The actual dates of the good sales occurred between April 10, 2014 and November 11, 2016. Multi-parcel sales were also considered after combining the various aspects of all parcels involved in the sales. “Shell” sales, “interim use” sales, “tear down” sales, and land transactions that may include plans and permits would also be included in the analysis of land value. Sales information was obtained from excise tax affidavits and reviewed initially, by the Accounting Division, Sales Identification Section. Information was then analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. The Comparative Sales Approach was considered the most reliable methodology for the valuation. Location and zoning were primary variables in the valuation process, and the price per square foot of land area was used for unit comparison and application. Appraiser judgment prevails in all decisions regarding individual parcel valuation. The appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

### **Improved Parcel Total Value Data**

Improved sales that were closed transactions, occurring during the period ranging from January 1, 2013 through December 31, 2015, received primary consideration for establishing total value estimates. Forty-three improved sale transactions occurred during this period, ranging from January 9, 2014 to November 27, 2016, which were used to establish a market relationship for similar properties that were not sold. Sales information was obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information was then analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. Property characteristic data for the sales was re-verified when possible. Due to time constraints and access issues, interior inspections were limited. Sales are located in the “Improved Sales Used” and “Improved Sales Not Used” sections of this report. Additional information may reside in the Assessor’s website, Assessor’s Real Property Database, separate studies, and statutes.

# Land Value

## Land Sales, Analysis, Conclusions

The land parcels that make up Area 35 have a predominantly industrial influence, with the exception of the Stadium Transition Overlay Area. The current market is supported by historical valuation patterns showing higher values on the east side of the Duwamish (Area 35) than the west side of the Duwamish (Area 36,) as well as to the north as proximity to the Seattle Core and Port facilities increase.

Land Valuation Schedules for each neighborhood, based on the Vacant Land Sale Analysis, were created as the standard for valuing properties in the area. The land sale analysis indicates differentials in land values due to zone classification, and location. Initial sale analysis involved zoning classifications. Distinctions in location, time of sale, useable area, utility (as impacted by shape, topography, and tidelands) were factors considered to influence valuation and evaluated in the process of establishing the land valuation schedule. Every effort to equalize the assessed land values of similarly zoned land between adjacent areas was made. Additionally, equalization adjustments occur based upon surrounding similar land values as new parcels are created or adjusted through reassignment, segregation, and/or mergers.

Market evidence has not supported diminishing returns on parcel size for valuation purposes in the Duwamish MIC. The supply of developable vacant land is limited; therefore, tear down of older industrial use buildings occurs to make way for newer development. Vacant land alone cannot accommodate the forecasted growth in industrial jobs; good land use management strategies are considered mandatory to maximize the area's growth potential.

In instances when no sale activity occurred or sales representation was limited, historical sales data and appraiser judgment was utilized in arriving at the "benchmark" price (referenced in Land Value Schedule chart.) The Assessor relied on sales of similarly zoned properties, with both higher and lower densities, to bracket the indicated values (referenced in Vacant Sales Used chart.) A list of vacant sales is listed in the "Sales Used" and "Sales Not Used" located in subsequent sections of this report.

The total assessed land value in area 35 for the 2016 assessment year was \$2,438,173,700. The 2017 recommended total assessed land value is \$2,683,163,900. Application of these recommended values for the 2017 assessment year represents an overall increase from the previous total assessed land value of 10.05%. The total land values include all taxable and nontaxable parcels in Area 35, with the exception specialty land and government owned parcels. Neighborhood 35-70 was not included in the chart below since all of the parcels in this neighborhood are government owned. Some of the increases are due to adjustments based on market sales, and is intended to improve uniformity and assessment levels for land within Area 35. Due to the large value adjustments applied to contaminated properties in Area 35, indicated changes in some instances may be misleading and reflect increases in land value of contaminated parcels to a market level of value prior to subsequent annual adjustment applied by the contaminated property specialist. From a broader perspective, the frequency of land sales has increased annually from the 2014 through 2016 calendar year but the scarcity of developable parcels and lack of sellers has limited the transactions. Land value reflects a recovered market.

| Change in Assessed Land Value by Area |                 |                 |          |
|---------------------------------------|-----------------|-----------------|----------|
| Neighborhood                          | 2016 Land Value | 2017 Land Value | % Change |
| 35-10                                 | \$1,373,364,700 | \$1,519,892,000 | 10.67%   |
| 35-30                                 | \$585,653,600   | \$604,618,900   | 3.24%    |
| 35-50                                 | \$94,509,900    | \$94,748,300    | 0.25%    |
| 35-60                                 | \$62,415,400    | \$70,684,300    | 13.25%   |
| 35-65                                 | \$322,230,100   | \$393,220,400   | 22.03%   |
| Total                                 | \$2,438,173,700 | \$2,683,163,900 | 10.05%   |

## Neighborhoods and Sales

The following is a summary of sales considered by neighborhood. The Assessor considered the sales, as well as historic sales, as a primary method of establishing new assessed values for each zoning classification within every neighborhood. Recent and historic commercial land sales within Areas 36 (West Duwamish,) 70 (Tukwila,) 40 (Rainier Valley,) and 30 (Seattle Central Business District) were also reviewed for relative comparison.

### Neighborhood 35-10

Neighborhood 10 falls entirely within the city of Seattle and is located in the northern most portion of Area 35. Land sales have occurred within the two zoning categories in Neighborhood 10, Industrial General and Industrial Commercial. The Industrial Commercial zoning falls within the Stadium Transition Overlay Area, which allows uses that encourage redevelopment and assist in maintaining a pedestrian vibrancy in the Stadium's vicinity, as well as discourage encroachment into the adjacent industrial uses. The Industrial General zoning, which is located outside of the Stadium overlay area, comprises the remainder of Neighborhood 10. The trend of "tear-down" sales also occurs in the industrial general zoning due to the high demand location with limited capacity due to the existing high density with well-established industrial use. Many of the sales have older improvements that have either been demolished or awaiting demolition. The holding and redevelopment period is typically lengthier than other neighborhoods in Seattle with mixed- use zoning. Eleven additional sales occurred which were not considered representative of market transactions.

| Major  | Minor | Land Area | Excise # | Sale Price  | Sale Date | SP/SF Land Area | Property Name             | Zone     | Parcel Count | Remarks                               |
|--------|-------|-----------|----------|-------------|-----------|-----------------|---------------------------|----------|--------------|---------------------------------------|
| 766620 | 5933  | 120,206   | 2832984  | \$8,300,000 | 11/7/16   | \$69.05         | MAC MILLAN-PIPER          | IG1 U/85 | 2            | Future Redevelopment                  |
| 766620 | 5845  | 88,920    | 2811098  | \$4,510,000 | 7/19/16   | \$50.72         | FORMER NORTRACK           | IG1 U/85 | 1            |                                       |
| 567950 | 0480  | 28,075    | 2800183  | \$1,100,000 | 6/1/16    | \$39.18         | JEMCO EQUIPMENT AND SALES | IG2 U/85 | 1            | Future Development of Auto Dealership |
| 766620 | 5930  | 42,343    | 2771169  | \$2,800,000 | 12/9/15   | \$66.13         | PACIFIC COAST & CONTAINER | IG1 U/85 | 1            | Future Redevelopment                  |
| 766620 | 3045  | 74,140    | 2770396  | \$4,200,000 | 12/1/15   | \$56.65         | VACANT LAND               | IG2 U/85 | 1            | Future Development of Auto Dealership |

| Major  | Minor | Land Area | Excise # | Sale Price  | Sale Date | SP/SF Land Area | Property Name            | Zone     | Parcel Count | Remarks              |
|--------|-------|-----------|----------|-------------|-----------|-----------------|--------------------------|----------|--------------|----------------------|
| 766620 | 3450  | 108,900   | 2748399  | \$8,400,000 | 7/30/15   | \$77.13         | PACIFIC ALASKA FOWARDING | IG1 U/85 | 1            | Future Redevelopment |

### Neighborhood 35-30

Neighborhood 30 is located on the southern border of Neighborhood 10. Zoning within this area is a continuation of the Industrial General classification found to the north, as well as pockets of Commercial Auto-Oriented Retail/Service zoning. Growth has historically followed a north to south pattern with Neighborhood 30 experiencing changes following those made in Neighborhood 10. The last three sales listed below have commercial zoning and are in the immediate vicinity of the former Seattle Design Center, which is undergoing a transformation to creative/tech office space. The remaining sales listed below have industrial zoning and two of the six are resales of the same property. Four additional sales occurred which were not considered representative of market transactions.

| Major  | Minor | Land Area | Excise # | Sale Price   | Sale Date | SP/SF Land Area | Property Name                       | Zone     | Parcel Count | Remarks                               |
|--------|-------|-----------|----------|--------------|-----------|-----------------|-------------------------------------|----------|--------------|---------------------------------------|
| 536720 | 0300  | 18,300    | 2796760  | \$1,450,000  | 5/17/16   | \$79.23         | TACO TIME                           | IG2 U/85 | 1            | Development of Wastewater Treatment   |
| 536720 | 0446  | 31,0151   | 2771074  | \$1,800,000  | 12/9/15   | \$57.97         | TAYAG'S AUTO REPAIR/DISCOUNT RETAIL | IG2 U/85 | 1            | Development of Wastewater Treatment   |
| 536720 | 0445  | 46,421    | 2766722  | \$2,3000,000 | 11/6/15   | \$49.55         | DUCKY'S WAREHOUSE                   | IG2 U/85 | 1            | Development of Wastewater Treatment   |
| 536720 | 0445  | 46,421    | 2661663  | \$1,800,000  | 4/10/14   | \$38.78         | WINTER'S SURPLUS                    | IG2 U/85 | 1            | Interim Use with Future Redevelopment |
| 536720 | 4646  | 596,454   | 2732841  | \$24,500,000 | 5/27/15   | \$41.08         | CONSOLIDATED FREIGHT WAYS           | IG2 U/85 | 1            | Industrial Development                |
| 202404 | 9054  | 118,395   | 2730049  | \$3,950,000  | 5/8/15    | \$33.36         | MOBILE CRANE                        | IG2 U/85 | 1            | Future Redevelopment                  |
| 172280 | 1310  | 6,006     | 2807407  | \$750,000    | 6/30/16   | \$124.88        | THE BLUE GROUSE                     | C1-65    | 1            | Tear Down                             |
| 172280 | 1300  | 6,006     | 2807387  | \$610,000    | 6/29/16   | \$101.57        | SFR                                 | C1-65    | 1            | Tear Down                             |
| 526330 | 0115  | 21,128    | 2675131  | \$950,000    | 6/23/14   | \$44.96         | VAC SHACK                           | C1-65    | 4            | Interim Use                           |

### Neighborhoods 35-50/60/65/70

Neighborhoods 50, 60, 65, and 70 have experienced limited market activity from 2014 through 2016. The Associated Grocer's site, at over 34 acres, was a transaction of the largest size in many years. Four sales that occurred during this period were not considered representative market transactions (refer to Vacant Sales not Used chart.) Increases in assessed value within these neighborhoods have been influenced by sales in other portions of Area 35 (East Duwamish MIC,) and nearby Areas 36 (West Duwamish MIC) and 70 (Tukwila,) which demonstrated increasing demand within the close-in industrial areas.



| Major  | Minor | Land Area | Excise # | Sale Price   | Sale Date | SP/SF Land Area | Property Name              | Zone       | Parcel Count | Remarks              |
|--------|-------|-----------|----------|--------------|-----------|-----------------|----------------------------|------------|--------------|----------------------|
| 000340 | 0015  | 1,475,603 | 2836834  | \$78,880,000 | 11/22/16  | \$53.46         | ASSOCIATED GROCERS         | LI/IG2 U85 | 27           | Future Redevelopment |
| 542260 | 0060  | 1,067,031 | 2703118  | \$31,900,000 | 11/24/14  | \$29.90         | INSURANCE AUTO AUCTIONS    | MIC/H      | 1            | Future Redevelopment |
| 346880 | 0475  | 15,504    | 2809403  | \$600,000    | 7/14/16   | \$38.70         | COLIMAN MEXICAN RESTAURANT | C1-40      | 1            | Future Redevelopment |
| 346580 | 0035  | 18,150    | 2779098  | \$1,000,000  | 2/2/16    | \$55.10         | VACANT LAND                | LR2 RC     | 1            | Development          |

### Land Value Schedule

The Land Value Schedule summarizes the land valuation model as it applies to the parcels within the East Duwamish MIC (Area 35) broken down by neighborhood and zoning. The table demonstrates land value applied within Area 35, based on dollar per square foot of land area, as either a “benchmark” value or a range of land value. The table is intended as a guide to “typical” land values; therefore, individual parcel’s assessed value may deviate from the table resulting from additional adjustments for site variations as necessary.

| Jurisdiction   | Zoning           | Description                  | Nhbd.    | 2017 \$/SF  |
|----------------|------------------|------------------------------|----------|-------------|
| <b>Seattle</b> |                  |                              |          |             |
|                | <b>IG1 U/85'</b> | <b>General Industrial 1</b>  |          |             |
|                |                  |                              | 10       | \$40-\$75   |
|                |                  |                              | 30       | \$28-\$50   |
|                |                  |                              | 65       | \$30        |
|                | <b>IG2 U/85'</b> | <b>General Industrial 2</b>  |          |             |
|                |                  |                              | 10       | \$50-\$85   |
|                |                  |                              | 30       | \$33-\$38   |
|                |                  |                              | 50       | \$33-\$38   |
|                |                  |                              | 60/65/70 | \$30-\$40   |
|                | <b>IB U/65'</b>  | <b>Industrial Buffer</b>     |          |             |
|                |                  |                              | 50       | \$33-\$38   |
|                |                  |                              | 60       | \$38        |
|                |                  |                              | 65/70    | \$30-\$33   |
|                | <b>IC-65'</b>    | <b>Industrial Commercial</b> |          |             |
|                |                  |                              | 10       | \$160-\$180 |
|                | <b>IC-85'</b>    | <b>Industrial Commercial</b> |          |             |
|                |                  |                              | 10       | \$180       |
|                | <b>IC85-160'</b> | <b>Industrial Commercial</b> |          |             |
|                |                  |                              | 10       | \$125       |

|                    |                 |   |       |           |
|--------------------|-----------------|---|-------|-----------|
|                    | <b>C1-40'</b>   | <b>Commercial 1</b>                                   |       |           |
|                    |                 | Auto-Oriented Retail/Service                          | 65    | \$38      |
|                    | <b>C1-65'</b>   | <b>Commercial 1</b>                                   |       |           |
|                    |                 | Auto-Oriented Retail/Service                          | 30    | \$42-\$45 |
|                    | <b>C2- 40'</b>  | <b>Commercial 2</b>                                   |       |           |
|                    |                 | Auto-Oriented Non-Retail Commercial                   | 60    | \$38      |
|                    | <b>NC3-40'</b>  | <b>Neighborhood Commercial 3</b>                      |       |           |
|                    |                 | Pedestrian-Oriented Retail                            | 60    | \$38      |
|                    | <b>LR1, LR2</b> | <b>Lowrise 1 and 2</b>                                |       |           |
|                    |                 | Multifamily   | 60/65 | \$30-\$55 |
| <b>Tukwila</b>     |                 |   |       |           |
|                    | <b>LI</b>       | <b>Light Industrial District</b>                      |       |           |
|                    |                 |   | 65    | \$30      |
|                    | <b>MIC/H</b>    | <b>Manufacturing/Industrial Center/Heavy District</b> |       |           |
|                    |                 |   | 65/70 | \$30      |
| <b>King County</b> |                 |   |       |           |
|                    | <b>I</b>        | <b>Industrial</b>                                     |       |           |
|                    |                 |   | 65    | \$30      |

## Preliminary Ratio Analysis

The sales ratio study is an important assessment tool to ensure uniform assessment of properties based on market value. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales according to property type and geographic area. The resulting data can be used to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development. The two major aspects of appraisal accuracy: appraisal level and appraisal uniformity are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

| <b>Recommended IAAO Standards on Ratio Studies</b> |              |
|--|--------------|
| <b>Appraisal Level</b>                             | 0.90 to 1.10 |
| <b>Coefficient of Dispersion</b>                   | Under 15.0   |
| <b>Price Related Differential</b>                  | 0.98 to 1.03 |

IAAO July 1990

A Preliminary Ratio Study was completed prior to the application of the 2017 recommended values that benchmarks the current assessment level using 2016 posted assessment values. The results are discussed in the Appraisal Level and Appraisal Uniformity sections.

### **Appraisal (Assessment) Level**

Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic mean and median ratios where the weights are proportional to the sales prices. In addition, the weighted mean also is the ratio of the average assessed value to the average sales price. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to each parcel. Although weighted mean is an important statistic in its own right, it has an integral role in the computation of the Price Related Differential (PRD,) a measure of uniformity between low and high value properties.

The IAAO performance standards state that the weighted mean ratio should be between 0.90 and 1.10. The preliminary ratio study for Area 35 shows a weighted mean ratio of 0.821, which falls well under the IAAO guidelines, indicating that the current assessment level, as measured using recent sales, is below the acceptable range.

### **Appraisal (Assessment) Uniformity**

Measures of dispersion or variability relate to the uniformity of the ratios. Generally, the most useful measure of uniformity is the Coefficient of Dispersion (COD.) The COD measures the absolute average percentage deviation of the ratios from the median ratio within the sales ratio study and indicates how tightly the ratios are clustered around the median ratio.

The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing property in smaller, rural jurisdictions and between 5.0 and 15.0 for larger, urban market jurisdictions. A lower number represents better uniformity. Area 35's preliminary ratio study shows a COD of 12.99%, which is within the IAAO guidelines, indicates that the current level of assessment uniformity, as measured using recent sales, falls well within the acceptable range.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. It is the differential between arithmetic mean of ratios, and the weighted mean of ratios, where the sales prices themselves represent the weight.

The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressivity in the data where assessment level decreases with increases in sales price. As the PRD approaches 1.0, it is a greater indication that specific property ratios of sale-price to assessment-level are falling within the acceptable range, rather than just the arithmetic mean of the entire population being in the acceptable range. Thus, it is a measurement of property-specific assessment level, as well as an indicator of the uniformity within the pool of recent sales.

The preliminary ratio study for Area 35 shows a PRD of 1.02, which falls within recommended IAAO guidelines. There is an indication that the current level of assessment uniformity as

measured using recent sales leans towards regressively to the lower priced sales, indicating that assessment level slightly decreases with increases in value. Value related inequities between low and high value properties indicate high value properties are moderately under appraised relative to low valued properties.

The preliminary ratio study results fall within the IAAO standards for uniformity. The two measures test appraisal uniformity differently. The COD provides the measure of variation of individual assessments around the median. The PRD measures the variation of the assessment of property groups in relation to each other.

## **Improved Parcel Total Values**

### **Area 35 Industrial Market**

Overall, the Seattle/Puget Sound Industrial market has demonstrated improvement over the last year, with the East Duwamish MIC performing better year over year. With a limited real estate inventory available for either sale or lease within the MIC, the market for the smaller industrial properties, which make up the bulk of the industrial population, is expected to remain strong. Present interest rates are low, and many smaller companies are finding it financially feasible to become an owner/user and purchase property for their businesses. Investor grade properties are in high demand; however, due to limited inventory transactions frequently occur without listings.

Economic influences from regional activity conducted at the Port of Seattle and King County and Sea-Tac Airports not only play an important role for the Duwamish MIC, which provides support services from a land use standpoint, but also underscores their importance as major economic drivers to the statewide economy. With strong activity at regional ports, and improvement in consumer demand, our industrial sector is among the strongest commercial real estate markets within this area.

The Duwamish-North Tukwila area is a “strong demand/limited capacity” area in terms of having limited capacity to accommodate and absorb growth with the confines of the area’s desirable, existing vacant land, and land physically available for infill and underutilized parcels for redevelopment. Parcels are smaller than elsewhere in the region due to the denser urban development patterns; however, as a result the employment density is also higher. (Industrial Land Analysis for the Central Puget Sound Region, March 2015.)

The Industrial Land Analysis for the Central Puget Sound Region, as of March 2015, has concluded that the “Duwamish-North Tukwila (sub)area requires strategies to accommodate growth forecasts, given the low vacancy rates today and the very strong employment growth forecasted for core industrial lands in the area.” The Duwamish-North Tukwila (sub)area has experienced the highest industrial employment over time when compared to other industrial sub-areas regionally (from 1995 to 2012) Forecasts for employment in the Duwamish-North Tukwila (sub)area from 2012 thru 2040 show that most of the growth is anticipated to occur in industrial jobs (59%.)

According to Colliers International, the vacancy rate for Seattle close-in industrial in the 4<sup>th</sup> quarter 2016 was 1.1% for manufacturing space, and 2.6% for warehouse space. Current vacancy falls below pre-recession levels.



Rent increases have continued to rise since 2012. Colliers International indicates that within the industrial sector that rent increases for shell warehouse has grown to 22% as the market has tightened in the Seattle close-in market. However, due to the density and scarcity of available properties in comparison to other industrial areas in the region, the rental rates are higher overall in the East Duwamish MIC in comparison to the Seattle close-in market in general.

The compression in the national average capitalization rate for the traditional industrial sector caused the capitalization rates to reach a new all-time low below those set pre-recession. CBRE reported a decrease in of cap rates for the Seattle market between the first and second half of 2016, now hitting a low point in the fours. The East Duwamish MIC has historically experienced capitalization rates lower than that elsewhere within the greater Seattle/Puget Sound market.

## **Sales Comparison Approach Model Description**

Forty-three improved sales in the subject area, dating from January 29, 2014 to November 27, 2016 were considered good, fair market transactions, which were reflective of market conditions at the time of sale and considered in the overall analysis. Twenty-six of the sales were considered in the “modeling-analysis” and included in the ratio study. Sale parcels where the improvements or use changed after the sale were not included in the ratio study. Because these changes occurred subsequent to purchase, a current assessed value would no longer accurately reflect property characteristics in existence at the time of sale for purposes of comparison; therefore, not considered representative for purposes of broad consideration in value placement and statistical analysis. However, they are utilized as market value indications based upon existing property characteristics at the time of sale.

All sales were verified with a knowledgeable party and inspected when possible. The model for the Sales Comparison Approach was based on characteristics from the Assessor’s records including location, effective age, building quality, net rentable area, and use. Sales with location, characteristics and utility most similar to the subject properties generally received primary consideration. Improved commercial sales within Areas 36 (West Duwamish Industrial District,) 40 (Rainier Valley,) and 70 (Tukwila) were also reviewed for relative comparison.

Sales were most numerous in neighborhoods 35-10 (10) and 35-30 (16). Given the smaller sample size, these sales were not representative of all property types, but were used in support of income and cost methodologies applied to valuation models. These sales, with examination of the surrounding Geographical Area sale patterns, and review of surveys and forecasts referenced herein, support the assumption of improving market conditions for valuation adjustment.

## **Sales Comparison Calibration**

Although a number of improved sales occurred from 2014 through 2016, the Sales Comparison Approach was primarily used as a guideline in broader support of assessed value due to limited sales within some property types and neighborhoods. Together with income and cost modeling, the Sales Comparison Approach provides the basis and support for assessed values in Area 35.

When utilizing the Income Approach, sale prices assist in establishing general upper and lower market boundary ranges for the various property types within the East Duwamish MIC.

Neighborhoods were treated independent from one another when dictated by the market. In conjunction with market rent surveys, sale price per square foot of improved net rentable area help set the income parameters and capitalization rates driving the income models developed for the various neighborhoods.

The Sales Comparison, or Market Approach, was considered a more reliable value indicator for commercial condominium properties that are not supported by income modeling assumptions.

## **Cost Approach Model Description and Cost Calibration**

The Marshall & Swift cost modeling system, built into the Assessor's Real Property application, is calibrated to the Western Region and the Seattle area and adjusted on an annual basis. Depreciation was based on studies done by Marshall & Swift Valuation Service. The Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. In most instances, cost estimates were considered value indicators for valuing special use properties, due to the extremely limited market and/or lack of availability of income and expense information for many of the property types falling within this category. Additional consideration in utilizing the cost approach was based upon neighborhood and building utility. Cost estimates also served as value indicators for newly constructed properties, accessory buildings, airplane hangars, new construction projects, and in support to the other approaches to value.

## **Income Capitalization Approach Model Description**

The East Duwamish geographic area is comprised predominantly of industrial properties. Warehouse structures house a variety of uses, including distribution, light manufacturing, storage, shop area and open office space. Many properties are occupied by small sole proprietorships, and if tenant occupied, can tend to be marginally maintained as an interim use, especially in the northern portions of Area 35. Age and utility influence value, and are reflected in the valuation process. At the high end are newer properties offering greater utility, efficiency, quality of construction and appearance to the market.

Retail and office uses do not comprise a significant portion of the market in Area 35 and tend to be secondary support of warehouse-based uses. The major exceptions are the northern portion of Neighborhood 10 within the Stadium Overlay Transition Area and along 1<sup>st</sup> Avenue South.

Values were applied based on various characteristics deemed appropriate within each market on a dollar value per square foot of improved net rentable area. Location, use, quality, effective age and net rentable area were among factors considered for adjustment. Since sales, in some cases, may not be sufficient in number, valuation may rely on sales with a change of use, older sales, and those in competing neighborhoods to complete. Some properties require deviation from the typical value range due to issues including, but not limited to, location, size and condition, as well as appraiser judgment.

Application of a Land to Building Ratio guideline of 2:1 to improved properties, based on appraiser judgment, was employed in the valuation of improved properties in order to maximize highest and best use as reflected by the market. The guideline is supported by the typical land to

building ratios of properties located in Area 35. Further corroboration determined by the results a countywide study noted the average F.A.R. is .47 for all of urban King County commercial and mixed-use zones, and .46 for industrial zones (King County Buildable Lands Presentation reflecting Commercial/Industrial Development Activity: 1996-2000, 11/29/2009).

Three basic models were developed for income capitalization: storage warehouses/manufacturing, office, and retail/mixed use showroom. Income tables were developed and then applied to the population. Variables utilized within the tables were derived from multiple sources, including direct inquiry, market surveys and studies, and then subsequently applied to property data. A majority of the properties in Area 35 were valued utilizing an income approach (Direct Capitalization method.) The Income Approach, with support from the sales approach, was considered a reliable approach to valuation throughout Area 35 for improved properties where income and expense data was available.

**Income:** Similar uses were grouped together with income rates that were correlated to the effective age and building quality of the commercial property.

Income parameters were derived from the market place through various methodology including direct inquiry with property owners and tenants, the sales verification process, as well as listings, and published sources (i.e. CBRE, Colliers, Kidder Matthews, and Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

**Vacancy:** Vacancy rates used were derived mainly from published sources tempered by personal observation.

**Expenses:** Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area's rental practices. Within our income valuation models, the assessor used triple net expenses for typical industrial, retail/mixed-use showroom, and office type uses.

**Capitalization Rates:** During the verification process of market sales, an attempt was made to ascertain the capitalization rate. Additionally, capitalization rate data was collected from local and regional Pacific Northwest published market surveys (CBRE, RERC.)

The effective age and condition of each building contributes to the capitalization rate applied in the model. For example, a building in poorer condition with a lower effective year (1930, for example) will typically warrant a higher capitalization rate, and a building in better condition with a higher effective year (2010, for example) will warrant a lower capitalization rate. Parcel locations within the East Duwamish MIC tend to reflect lower rates due to close-in proximity, high percentage of owner occupancy, and limited availability.

The following tables demonstrate ranges of capitalization rates, lease rates, and trends compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in development of the income model. The range of lease and capitalization rates in the income model reflects the range of property characteristics in each area. In Area 35, properties that are considered non-institutional grade, with many purchased by owner users, may not be reflective of the capitalization rates found in published sources.

| SEATTLE / REGIONAL CAP RATES            |                             |                     |               |               |                |  |
|---|-----------------------------|---------------------|---------------|---------------|----------------|--|
| Source                                  | Date                        | Location            | Office        | Industrial    | Retail         | Remarks  |
| CBRE: Capital Markets Cap. Rate survey. | 2 <sup>nd</sup> Half (2016) |                     |               |               |                | CBRE professional's opinion of where cap rates are likely to trend in the 2 <sup>nd</sup> ½ of 2016 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions. |
|   |                             | Seattle             | 4.25% - 4.75% | -             | -              | CBD – Class AA   |
|   |                             |                     | 4.50% - 5.25% | -             | -              | CBD – Class A  |
|   |                             |                     | 5.75% - 7.00% | -             | -              | CBD – Class A – Value Added  |
|   |                             |                     | 5.25% - 6.00% | -             | -              | CBD – Class B  |
|   |                             |                     | 6.50% - 7.50% | -             | -              | CBD – Class B – Value Added  |
|   |                             |                     | 6.50% - 7.00% | -             | -              | CBD – Class C  |
|   |                             |                     | 7.50% - 9.00% | -             | -              | CBD – Class C – Value Added  |
|   |                             |                     | 5.25% - 5.75% | -             | -              | Suburban – Class AA  |
|   |                             |                     | 5.75% - 6.50% | -             | -              | Suburban – Class A   |
|   |                             |                     | 6.50% - 7.50% | -             | -              | Suburban – Class A – Value Added   |
|   |                             |                     | 6.75% - 7.50% | -             | -              | Suburban – Class B   |
|   |                             |                     | 7.50% - 8.50% | -             | -              | Suburban – Class B – Value Added   |
|   |                             |                     | 7.50% - 8.25% | -             | -              | Suburban – Class C   |
|   |                             |                     | 8.00% - 9.00% | -             | -              | Suburban – Class C – Value Added   |
|   |                             |                     | -             | 4.00% - 4.25% | -              | Class A  |
|   |                             |                     | -             | 5.00% - 6.00% | -              | Class A – Value Added  |
|   |                             |                     | -             | 4.50% - 5.25% | -              | Class B  |
|   |                             |                     | -             | 5.75% - 7.75% | -              | Class B – Value Added  |
|   |                             |                     | -             | 5.50% - 6.25% | -              | Class C  |
|   |                             |                     | -             | 7.25% - 8.50% | -              | Class C – Value Added  |
|   |                             |                     | -             | -             | 5.00% - 6.00%  | Class A (Neigh./Comm. w/Grocery)   |
|   |                             |                     | -             | -             | 6.50% - 7.00%  | Class A (Neigh./Comm.) – Value Added   |
|   |                             |                     | -             | -             | 6.00% - 7.00%  | Class B (Neigh./Comm. w/Grocery)   |
|   |                             |                     | -             | -             | 7.00% - 8.50%  | Class B (Neigh./Comm.) – Value Added   |
|   |                             |                     | -             | -             | 7.75% - 8.75%  | Class C (Neigh./Comm. w/Grocery)   |
|   |                             |                     | -             | -             | 8.25% - 9.00%  | Class C (Neigh./Comm.) – Value Added   |
|   |                             |                     | -             | -             | 5.50% - 6.50%  | Class A (Power Centers)  |
|   |                             |                     | -             | -             | 7.00% - 8.00%  | Class A (Power Centers) – Value Added  |
|   |                             |                     | -             | -             | 6.50% - 7.50%  | Class B (Power Centers)  |
|   |                             |                     | -             | -             | 8.00% - 9.00%  | Class B (Power Centers) – Value Added  |
|   |                             |                     | -             | -             | 7.50% - 9.50%  | Class C (Power Centers)  |
|   |                             |                     | -             | -             | 9.00% - 10.00% | Class C (Power Centers) – Value Added  |
|   |                             |                     | -             | -             | 4.50% - 5.50%  | High Street Retail (Urban Core)  |
| IRR: Viewpoint for 2016                 | Year-end 2016               | West Region         | 5.89%         | -             | -              | Institutional Grade Properties”  |
|   |                             |                     | 6.56%         | -             | -              | CBD Office – Class A   |
|   |                             |                     | 6.35%         | -             | -              | CBD Office – Class B   |
|   |                             |                     | 6.86%         | -             | -              | Suburban Office – Class A  |
|   |                             |                     | -             | 6.61%         | -              | Suburban Office – Class B  |
|   |                             |                     | -             | 5.93%         | -              | Flex Industrial  |
|   |                             |                     | -             | -             | -              | Industrial   |
|   |                             |                     | -             | -             | 5.98%          | Regional Mall  |
|   |                             |                     | -             | -             | 6.11%          | Community Retail   |
|   |                             |                     | -             | -             | 6.29%          | Neighborhood Retail  |
|   |                             |                     | -             | -             | 7.52%          | Hotel - Full Service   |
|   |                             |                     | -             | -             | 8.10%          | Hotel - Limited Service  |
| Colliers                                | 4th QTR 2016                | Seattle Puget Sound | 5.10%         | -             | -              | CBD Office   |
|   |                             |                     | 6.10%         | -             | -              | Suburban Office  |
|   |                             |                     | -             | 6.00%         | -              | Industrial   |
| CoStar                                  | Year-End 2016               | Seattle Puget Sound | 6.61%         | -             | -              | Building Size < 50,000 SF  |
|   |                             |                     | 6.25%         | -             | -              | Building Size 50,000 SF – 249,000 SF   |
|   |                             |                     | 4.65%         | -             | -              | Building Size 250,000 SF – 499,000 SF  |
|   |                             |                     | 4.20%         | -             | -              | Building Size >500,000 SF  |
|   |                             |                     | -             | 7.16%         | -              | Building Size < 25,000 SF  |
|   |                             |                     | -             | 6.46%         | -              | Building Size 25,000 SF – 99,000 SF  |
|   |                             |                     | -             | 5.98%         | -              | Building Size 100,000 SF – 249,000 SF  |
|   |                             |                     | -             | 9.41%         | -              | Building Size >250,000 SF  |
|   |                             |                     | -             | -             | 6.09%          | Building Size < 25,000 SF  |
|   |                             |                     | -             | -             | 6.54%          | Building Size 25,000 SF – 99,000 SF  |
|   |                             |                     | -             | -             | 6.27%          | Building Size 100,000 SF – 249,000 SF  |

| SEATTLE / REGIONAL CAP RATES                       |         |                                  |                |               |               |  |
|--|---------|----------------------------------|----------------|---------------|---------------|--|
| Source   | Date    | Location                         | Office         | Industrial    | Retail        | Remarks  |
| RERC: Real Estate Report Valuation Rates & Metrics | 4Q 2016 |                                  |                |               |               | 1 <sup>st</sup> Tier properties are defined as new or newer quality const. in prime to good location; 2 <sup>nd</sup> Tier properties are defined as aging, former 1 <sup>st</sup> tier in good to average locations; 3 <sup>rd</sup> Tier are defined as older properties w/ functional inadequacies and/or marginal locations. |
|  |         | Seattle                          | 5.40%<br>5.90% | -<br>-        | -<br>-        | Office CBD – 1 <sup>st</sup> Tier Properties<br>Suburban Office – 1 <sup>st</sup> Tier Properties<br>Warehouse – 1 <sup>st</sup> Tier Properties<br>R&D – 1 <sup>st</sup> Tier Properties<br>Flex – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | -              | 5.50%         | -             | Regional Mall – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | -              | 6.30%         | -             | Power Center – 1 <sup>st</sup> Tier Properties   |
|  |         |                                  | -              | 6.40%         | -             | Neigh/Comm. Ctrs. – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | -              | -             | 5.80%         | Office CBD – 1 <sup>st</sup> Tier Properties   |
|  |         |                                  | -              | -             | 6.30%         | Office CBD – 2 <sup>nd</sup> Tier Properties   |
|  |         |                                  | -              | -             | 5.90%         | Office CBD – 3 <sup>rd</sup> Tier Properties   |
|  |         | West Region                      | 4.50% - 7.50%  | -             | -             | Suburban Office – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | 5.00% - 8.00%  | -             | -             | Suburban Office – 2 <sup>nd</sup> Tier Properties  |
|  |         |                                  | 5.80% - 9.00%  | -             | -             | Suburban Office – 3 <sup>rd</sup> Tier Properties  |
|  |         |                                  | 5.00% - 8.00%  | -             | -             | Warehouse – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | 5.50% - 8.50%  | -             | -             | Warehouse – 2 <sup>nd</sup> Tier Properties  |
|  |         |                                  | 6.00% - 9.30%  | -             | -             | Warehouse – 3 <sup>rd</sup> Tier Properties  |
|  |         |                                  | -              | 4.00% - 8.50% | -             | R&D – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | -              | 4.00% - 9.00% | -             | R&D – 2 <sup>nd</sup> Tier Properties  |
|  |         |                                  | -              | 5.50% - 9.50% | -             | R&D – 3 <sup>rd</sup> Tier Properties  |
|  |         |                                  | -              | 5.30% - 8.00% | -             | Flex – 1 <sup>st</sup> Tier Properties   |
|  |         |                                  | -              | 5.50% - 8.50% | -             | Flex – 2 <sup>nd</sup> Tier Properties   |
|  |         |                                  | -              | 5.50% - 9.50% | -             | Flex – 3 <sup>rd</sup> Tier Properties   |
|  |         |                                  | -              | 6.00% - 8.00% | -             | Regional Mall – 1 <sup>st</sup> Tier Properties  |
|  |         |                                  | -              | 5.00% - 8.50% | -             | Regional Mall – 2 <sup>nd</sup> Tier Properties  |
|  |         |                                  | -              | 5.50% - 9.50% | -             | Regional Mall – 3 <sup>rd</sup> Tier Properties  |
|  |         |                                  | -              | -             | 4.80% - 8.00% | Power Center – 1 <sup>st</sup> Tier Properties   |
|  |         |                                  | -              | -             | 4.50% - 8.30% | Power Center – 2 <sup>nd</sup> Tier Properties   |
|  |         |                                  | -              | -             | 6.00% - 9.00% | Power Center – 3 <sup>rd</sup> Tier Properties   |
|  |         |                                  | -              | -             | 6.00% - 8.00% | Neigh/Comm. Ctr. – 1 <sup>st</sup> Tier Properties   |
|  |         |                                  | -              | -             | 6.00% - 8.30% | Neigh/Comm. Ctr. – 2 <sup>nd</sup> Tier Properties   |
|  |         |                                  | -              | -             | 6.00% - 9.00% | Neigh/Comm. Ctr. – 3 <sup>rd</sup> Tier Properties   |
|  |         |                                  | -              | -             | 4.00% - 8.00% |  |
|  |         |                                  | -              | -             | 4.50% - 8.50% |  |
|  |         |                                  | -              | -             | 5.00% - 9.00% |  |
| PWC / Korpaz                                       | 4Q 2016 | Seattle                          | 5.79%          | -             | -             | Overall – 4.50% - 8.00%  |
|  |         |                                  | 5.45%          | -             | -             | CBD Office – 4.50% - 8.00%   |
|  |         | Pac. NW                          | 6.13%          | -             | -             | Suburban Office – 5.00% - 7.00%  |
|  |         |                                  | 6.00%          | -             | -             | Overall - 4.00% to 9.00%   |
|  |         |                                  | 5.60%          | -             | -             | CBD Office – 4.50% - 8.00%   |
|  |         |                                  | 6.41%          | -             | -             | Suburban Office – 5.00% - 7.75%  |
|  |         |                                  | -              | 5.10%         | -             | Warehouse – 3.75% - 7.00%  |
| ACLI   | 4Q 2016 | Seattle – Bellevue - Everett MSA | 5.72%          | 7.30%         | 5.64%         | All Classes  |
|  |         | Pacific Region                   | 5.38%          | 5.77%         | 5.61%         | All Classes  |



| NATIONAL CAP RATES                                       |                        |          |  |   |  |   |
|--|------------------------|----------|--|---|--|---|
| Source   | Date                   | Location | Office   | Industrial  | Retail   | Remarks   |
| RERC: Real Estate Report Valuation Rates & Metrics       | 4Q 2016                |          |  |   |  | 1 <sup>st</sup> Tier properties are defined as new or newer quality const. in prime to good location  |
|  |                        | National | 4.30% -9.00%<br>4.80% - 10.0%<br>-<br>-<br>-<br>-<br>-         | -<br>-<br>4.00% - 10.0%<br>5.00% - 9.50%<br>5.30% - 10.0%<br>-<br>- | -<br>-<br>-<br>-<br>-<br>4.00% - 9.00%<br>5.00% - 9.00%<br>4.00% - 9.50% | Office CBD – 1 <sup>st</sup> Tier Properties<br>Suburban Office – 1 <sup>st</sup> Tier Properties<br>Warehouse – 1 <sup>st</sup> Tier Properties<br>R&D – 1 <sup>st</sup> Tier Properties<br>Flex – 1 <sup>st</sup> Tier Properties<br>Regional Mall – 1 <sup>st</sup> Tier Properties<br>Power Center – 1 <sup>st</sup> Tier Properties<br>Neigh/Comm. Ctrs. – 1 <sup>st</sup> Tier Properties |
| IRR: Viewpoint 2017 Commercial Real Estate Trends report | Yr. End 2016           | National | 6.73%<br>7.57%<br>7.07%<br>7.81%<br>-<br>-<br>-<br>-<br>-<br>- | -<br>-<br>-<br>-<br>6.75%<br>7.47%<br>-<br>-<br>-<br>-              | -<br>-<br>-<br>-<br>-<br>-<br>6.57%<br>6.77%<br>6.94%<br>7.86%<br>8.52%  | Institutional Grade Properties”<br>CBD Office – Class A<br>CBD Office – Class B<br>Suburban Office – Class A<br>Suburban Office – Class B<br>Industrial<br>Flex Industrial<br>Regional Mall<br>Community Retail<br>Neighborhood Retail<br>Hotel - Full Service<br>Hotel - Limited Service   |
| ACLI   | 4Q 2016                | National | 5.43%<br>6.10%<br>5.90%<br>5.96%<br>5.22%                      | 6.00%<br>7.29%<br>6.92%<br>6.65%<br>5.78%                           | 5.89%<br>6.65%<br>6.39%<br>6.28%<br>5.34%                                | Overall<br>Sq.Ft. - <50k<br>Sq.Ft. - 50k – 100k<br>Sq.Ft. – 100,001 – 200k<br>Sq.Ft. – 200k+  |
| PWC / Korpaz   | 4Q 2016                | National | 5.57%<br>6.63%<br>6.76%<br>7.36%<br>-<br>-<br>-<br>-<br>-      | -<br>-<br>-<br>-<br>7.05%<br>5.27%<br>-<br>-<br>-                   | -<br>-<br>-<br>-<br>-<br>-<br>6.10%<br>6.37%<br>6.18%                    | CBD Office<br>Suburban Office<br>Medical Office<br>Secondary Office<br>Flex/R&D - (5.75% - 9.00%)<br>Warehouse - (3.00% – 7.00%)<br>Regional Mall<br>Power Center<br>Neigh. Strip Centers   |
| PWC / Korpaz   | Latter Reports 4Q 2016 | National | 5.57%<br>6.43%<br>6.78%<br>-<br>-<br>-<br>-<br>-               | -<br>-<br>-<br>5.21%<br>7.10%<br>-<br>-<br>-                        | -<br>-<br>-<br>-<br>-<br>6.24%<br>6.35%<br>6.05%                         | U.S. CBD Office – 3.50% - 7.50%<br>U.S. Suburban Office – 4.50% - 9.00%<br>Medical Office – 4.50% - 10.00%<br>U.S. Warehouse – 3.00% - 7.00%<br>U.S. Flex/R&D – 5.50% - 9.00%<br>U.S. Strip Shop Ctrs – 4.50% -9.50%<br>U.S Power Centers – 5.00% - 8.00%<br>U.S. Regional Malls – 4.00% - 9.00%  |
| The Boulder Group: Net Lease Market Report               | 4Q 2016                | National | 7.08%  | 7.14%   | 6.10%  | Overall (Average)   |

## Income Approach Calibration

Income tables were developed to represent each neighborhood within the area for purposes of direct income capitalization. Tables created were for all warehouse, light industrial, service, storage, shop, retail, restaurant/tavern and office uses. Properties containing a number of differing section uses may have multiple tables that contribute to the valuation of the property as a whole. A “No Income” table was also created for those properties where the income approach is not considered applicable such as exempt properties including public utility buildings, and other special use properties where income/operating information is not available, or is considered less reliable.

Many improved warehouse type properties also required excess land adjustment for land to building ratios above the 2:1 guideline referenced earlier in this report. The income model assumes a land to building ratio threshold based on the market (2:1.) The excess land calculation is performed after generating an income value, then adding usable land area in excess of the ratio, for estimating total parcel value. The result reflects value from the basic economic unit, plus additional contributing value from excess or surplus land as valued by the market. Land value is market based, while usable land area is property specific and subjectively determined by the appraiser.

The predominant property use is industrial, which includes distribution warehouses, light industrial and storage warehouses, storage buildings of all types, service buildings, utility buildings and machine shops. Rents applied are lowest for older properties in poor condition, and highest for modern structures with more desirable configurations. No warehouses are currently classified with excellent building quality and those of good quality are rare. The vast majority of rents fall within the average to low-cost classifications. Capitalization rates applied to these properties also reflect investment risk, being higher for older, poorer quality buildings and lower for newer, better quality buildings.

The following tables outline a summary of the typical income parameters for the major property types (before stratification,) used in the income tables, which in turn provided the basis for the income value estimate calculations. It should be noted that due to the nature of commercial real estate not all properties fall within typical parameters. The tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using stratification of adjustments based on size, effective age, and construction quality as recorded in the Assessor’s records.

## Neighborhoods 10, 30, 50, 60, and 65

| Typical Income Parameters |             |           |              |      |                    |             |
|---------------------------|-------------|-----------|--------------|------|--------------------|-------------|
| Land Use                  | Rent Range* |           | Vacancy      |      | Expenses           |             |
|                           | per SF      |           | Coll. Loss % |      | per SF or % of EGI |             |
| Industrial                | \$4.50      | - \$13.00 | 4%           | - 6% | 5% - 10%           | 5% to 8.5%  |
| Storage Sheds             | \$2.40      |           | 4%           | - 6% | 5% - 7.5%          | 6% to 8.25% |
| Transit Warehouse         | \$9.50      | \$10.00   | 4%           | - 6% | 5% - 7.5%          | 5% to 7%    |
| Office/Retail             | \$8.50      | - \$24.00 | 4%           | - 6% | 5% - 10%           | 5% to 8.5%  |

\*Note: All rents are expressed as annual and triple net.

**Industrial:** Includes, but not limited to: Garages (storage & service repair,) Loft, Material Storage Building, Industrial Buildings (engineering, flex, light & heavy manufacturing,) Warehouse (storage, distribution, discount store,) Automotive Center, Equipment (Shop) Building.

**Storage Shed/Mezzanine:** Includes: Sheds (material storage & equipment,) Mezzanines (storage & balcony,) Basements (semi-finished, unfinished, parking & storage.)

**Office/Retail:** Includes, but not limited to: Office (building, open, medical & mixed use,) Mezzanines (office display,) Retail (line, restaurant, & tavern/bar,) Showroom (warehouse & auto,) Apartment, Bank, Basement (finished, office, & retail,) Barber Shop, Cold Storage, Convenience Market, Discount Store, Laboratories, Laundromat, Market.

## **Neighborhood 70**

The neighborhood primarily consists of the King County Airport. The airport buildings, many of which are located on government owned exempt, leased land, were valued using the cost approach.

## **Reconciliation**

All parcels were individually reviewed for correctness of model application before final value selection and reviewed by the senior appraiser prior to posting. The factors analyzed in the process of establishing value utilizing the model constructs were subject to adjustment by the appraiser.

Primary consideration in valuation was based on an Income Model with the application of the Direct Capitalization technique. Market rents (both in-place and asking) collected for income models were used as a guide in establishing the modeled economic parameters. The rents applied vary somewhat but fall within an acceptable range of established market indicators. Capitalization rates were based upon historical levels, and adjusted to reflect current market conditions referenced by local and national surveys of the greater Seattle/Puget Sound region and the Duwamish MIC.

In the 2017 valuation model, the income approach is used to value the majority of the income producing properties that are not obsolesced (where land value is greater than the value produced by the income method,) as there are an insufficient number and variety of sales to value the different sectors by the market approach. The income approach also insures greater uniformity and equalization of values. In the case of interim use properties, they might be purchased for investment value or future income rather than current income.

The total value generated from the income table calculations and the selected income values varied in some cases due to special circumstances, such as properties with excess land, inferior/superior location, super-adequacy, or physical/functional obsolescence. Appraisal judgment prevailed when determining when to depart from the Assessor's table generated income model.

The Market Approach to value has been employed in circumstances where sales demonstrate the willingness of the market participants to exceed the income producing capability of the improvements or in cases where rental data is scarce, such as commercial condominiums. Adjustments were made for age, size, condition, quality of construction, and location.

The Market Approach was de-emphasized in favor of the Income Approach where modeling reflected a valuation level within indicated market ranges, with the major exception of basing all land and/or site valuation upon Market Approach methodology. The income approach was applied to most improved properties in order to ensure greater uniformity and equalization of values of comparable properties. With improving market fundamentals, values by the income method are generally increasing although they sometimes are below the value of the sales.

The East Duwamish also has many industrial properties with excess or surplus land, which may affect either Income or Market valuation applied to the respective parcels. When the value of the property by the income approach plus any excess land calculation, if warranted, was less than the land value, a minimal \$1,000 value was allocated to the improvements.

For property uses where sales and income data was either limited or unavailable, such as tax exempt properties, the Cost Approach to value was also utilized. The Cost Approach was commonly applied to larger parcels, which are more prevalent in the southern portions of Area 35, where the land component comprises a significant proportion of overall property value.

A review of historical levels was conducted in support of Cost and Income, and Market methods applied.

The final determination of appropriate methodology for value allocation to individual parcels was based upon a reconciliation of overall property characteristics to the specific approach (Income, Market, or Cost Approach) in order to generate the most reliable value indication, in the Appraiser's judgment.

With application of the recommended values, the standard statistical measures for valuation performance are improved and within IAAO standards.

## Model Validation

### Total Value Conclusions, Recommendations and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. For each parcel, a value was selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate and methodology is appropriate to individual parcels and may adjust particular parcel characteristics and conditions as they occur in the valuation area. The process and results were reviewed for quality control and administrative purposes by the Senior Appraiser, Dan Atkinson. Management has reviewed the standard statistical measures for valuation performance.

The standard statistical measures of valuation performance are presented in both the 2016 and 2017 Ratio Analysis charts included in this report. Improved sales used for purposes of calculating the Ratio Results originate from a three-year period prior to the Appraisal Date. Of these sales, eight occurred in 2014, six occurred in 2015, and twelve occurred in 2016. A list of both improved sales used and those considered not reflective of market are included in subsequent sections.

A preliminary Ratio Study was completed just prior to the application of the 2017 recommended values. This study benchmarks the current assessment level using 2016 posted values. The ratio study completed after application of the 2017 year recommended values determines the difference new values would have on assessment level and uniformity. Application of the values described above resulted in the following changes under Assessment Level: the Weighted Mean increased from 82.1% to 90.7%; under Uniformity: the Coefficient of Dispersion decreased from 12.99% to 6.55%, and the Coefficient of Variation, also decreased from 16% to 8.13%. The remaining measure of uniformity, the Price-Related Differential, decreased from 1.02 to 1.00. The PRD improved to 1.00, the assessment level for the Weighted Mean Ratio improved to 90.7%, and the COD improved to 6.55%. With the application of 2017 recommended values, all indicators fall within normal performance standards for income properties within larger urban jurisdictions, as recommended by the IAAO (International Association of Assessing Officers.) Overall, the indicators reflect an improved Assessment Level and Uniformity over previous levels.

The Assessor has applied the Ratio Model as a sale based tool for measuring relative appraisal level and parcel equalization. The above Ratio Study results are considered reasonable in view of the frequency pattern exhibited by sales prior to the Appraisal Date, and a ratio sample size great enough to provide statistical significance, particularly in view of the heterogeneous pattern of property characteristics within the West Duwamish area.

The total assessed value for Area 35, excluding specialty and government owned exempt parcels, for the 2016 assessment year was \$4,378,658,999 and the total recommended value for the 2017 assessment year is \$4,702,095,930. Application of recommended values for the 2017 assessment year (taxes payable in 2018) result in a total change from the 2016 assessment year of 7.39%.

| Change in Total Assessed Value |                  |               |          |
|--------------------------------|------------------|---------------|----------|
| 2016 Total Value               | 2017 Total Value | \$ Change     | % Change |
| \$4,378,658,999                | \$4,702,095,930  | \$323,436,931 | 7.39%    |



# USPAP

## Client and Intended Use of the Appraisal:

This mass appraisal report is intended for use by the public, King County Assessor, and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others for other purposes is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a mass appraisal report as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.

## Definition and date of value estimate:

### Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65).

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

### Highest and Best Use

#### RCW 84.40.030

*All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*

*An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.*

**WAC 458-07-030 (3) True and fair value -- Highest and best use.**

*Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922))

The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

**Date of Value Estimate**

**RCW 84.36.005**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law.*

**RCW 36.21.080**

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year.*

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date of valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

## **Property Rights Appraised: Fee Simple**

### **Wash Constitution Article 7 § 1 Taxation:**

*All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.*

### **Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)**

*...the entire [fee] estate is to be assessed and taxed as a unit...*

### **Folsom v. Spokane County, 111 Wn. 2d 256 (1988)**

*...the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee...*

### **The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> Addition, Appraisal Institute.**

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

## **Assumptions and Limiting Conditions:**

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.
7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.
8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.
11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

### **Scope of Work Performed:**

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated

in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

## Certification:

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.
- The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification.
- Any services regarding the subject area performed within the prior three years, as an appraiser or in any other capacity are listed below: Michele Le Compte, Commercial Appraiser II; Nick Moody, Commercial Appraiser II; Joe Arnold, Commercial Appraiser II; Patty Haines, Commercial Appraiser II; Sonny Roberge, Commercial Appraiser I; Dan Atkinson, Senior Appraiser.
- Such duties, responsibilities and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.
- Any and all activities required under the respective Certificates of Appointment, under sworn oath, appointing these appraisers to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Senior and Commercial Appraiser I & II in the management and valuation of Commercial Area 35, or the SODO/Duwamish Industrial District. Such duties, responsibilities, and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.



# Area 35 Ratio Study Report

## PRE-REVALUE RATIO ANALYSIS

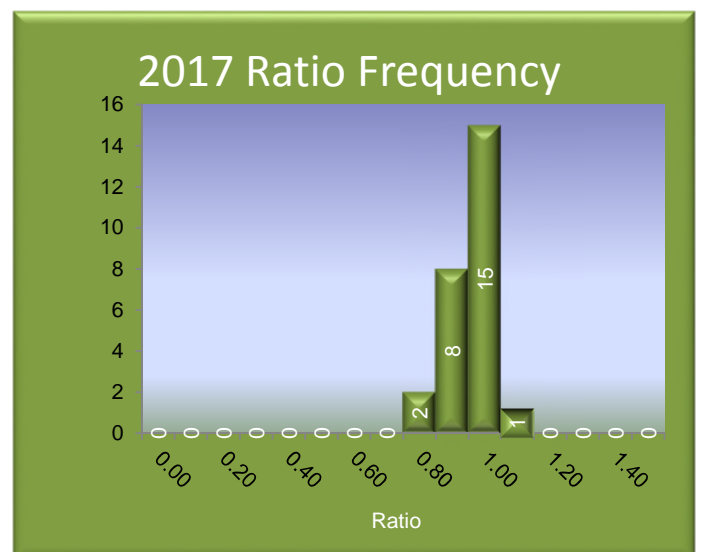
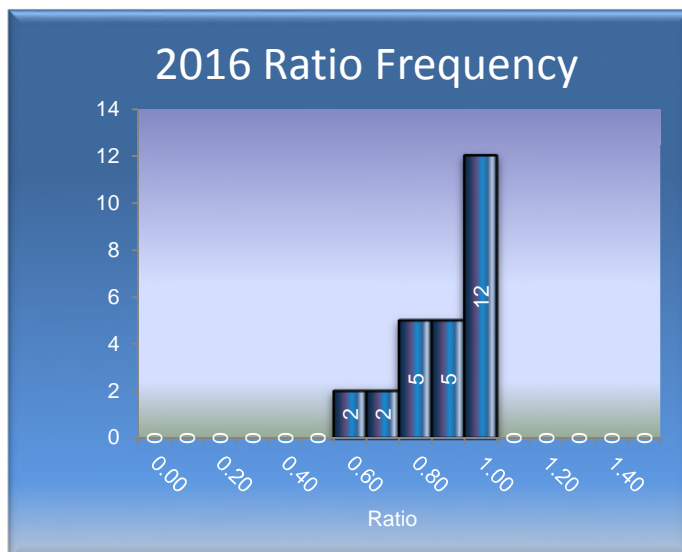
Pre-revalue ratio analysis compares sales from 2014 through 2016 in relation to the previous assessed value as of 1/1/2016.

| PRE-REVALUE RATIO SAMPLE STATISTICS     |             |
|---|-------------|
| <b>Sample size (n)</b>                  | 26          |
| <b>Mean Assessed Value</b>              | \$4,429,700 |
| <b>Mean Adj. Sales Price</b>            | \$5,394,300 |
| <b>Standard Deviation AV</b>            | \$5,651,343 |
| <b>Standard Deviation SP</b>            | \$6,410,918 |
| ASSESSMENT LEVEL                        |             |
| <b>Arithmetic Mean Ratio</b>            | 0.836       |
| <b>Median Ratio</b>                     | 0.857       |
| <b>Weighted Mean Ratio</b>              | 0.821       |
| UNIFORMITY                              |             |
| <b>Lowest ratio</b>                     | 0.5475      |
| <b>Highest ratio:</b>                   | 0.9948      |
| <b>Coefficient of Dispersion</b>        | 12.99%      |
| <b>Standard Deviation</b>               | 0.1337      |
| <b>Coefficient of Variation</b>         | 16.00%      |
| <b>Price Related Differential (PRD)</b> | 1.02        |

## POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2014 through 2016 and reflects the assessment level after the property has been revalued to 1/1/2017

| POST REVALUE RATIO SAMPLE STATISTICS    |             |
|---|-------------|
| <b>Sample size (n)</b>                  | 26          |
| <b>Mean Assessed Value</b>              | \$4,894,600 |
| <b>Mean Sales Price</b>                 | \$5,394,300 |
| <b>Standard Deviation AV</b>            | \$5,978,518 |
| <b>Standard Deviation SP</b>            | \$6,410,918 |
| ASSESSMENT LEVEL                        |             |
| <b>Arithmetic Mean Ratio</b>            | 0.910       |
| <b>Median Ratio</b>                     | 0.915       |
| <b>Weighted Mean Ratio</b>              | 0.907       |
| UNIFORMITY                              |             |
| <b>Lowest ratio</b>                     | 0.7331      |
| <b>Highest ratio:</b>                   | 1.0053      |
| <b>Coefficient of Dispersion</b>        | 6.55%       |
| <b>Standard Deviation</b>               | 0.0740      |
| <b>Coefficient of Variation</b>         | 8.13%       |
| <b>Price Related Differential (PRD)</b> | 1.00        |



| Area | Nbhd | Major  | Minor | Total NRA | E #     | Sale Price   | Sale Date | SP / NRA | Property Name                | Zone     | Par. Ct. | Ver. Code | Remarks                              |
|------|------|--------|-------|-----------|---------|--------------|-----------|----------|------------------------------|----------|----------|-----------|--------------------------------------|
| 035  | 010  | 339110 | 0070  | 1,452     | 2750880 | \$420,000    | 08/17/15  | \$289.26 | HOLGATE SQUARE CONDO         | IG2 U/85 | 1        | Y         |                                      |
| 035  | 010  | 766620 | 3186  | 20,016    | 2653700 | \$2,475,000  | 02/10/14  | \$123.65 | JOHNSTONE SUPPLY             | IG2 U/85 | 1        | Y         |                                      |
| 035  | 010  | 766620 | 3827  | 27,933    | 2716422 | \$3,690,000  | 03/02/15  | \$132.10 | BLANCHARD AUTO ELECTRIC      | IG2 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 010  | 766620 | 4625  | 47,368    | 2796666 | \$18,000,000 | 05/18/16  | \$380.00 | WA STATE DEPT OF CORRECTION  | IG2 U/85 | 1        | Y         |                                      |
| 035  | 010  | 766620 | 5175  | 1,830     | 2771476 | \$525,000    | 12/10/15  | \$286.89 | Touch of Class Spa           | IG1 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 010  | 766620 | 5882  | 14,488    | 2836918 | \$3,325,000  | 11/27/16  | \$229.50 | HALF-WAY HOUSE               | IG1 U/85 | 1        | Y         |                                      |
| 035  | 010  | 766620 | 7185  | 52,110    | 2768256 | \$2,300,000  | 11/24/15  | \$44.14  | MILLWORK SUPPLY CO           | IG2 U/85 | 1        | Y         |                                      |
| 035  | 010  | 766620 | 7496  | 73,015    | 2789483 | \$8,200,000  | 04/08/16  | \$112.31 | ROSS DISPLAY - MULTI TENANT  | IG1 U/85 | 2        | Y         |                                      |
| 035  | 030  | 172280 | 1335  | 8,940     | 2656653 | \$1,330,000  | 03/04/14  | \$148.77 | E F BAILEY CO                | C1-65    | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 030  | 172280 | 1430  | 1,324     | 2780857 | \$425,000    | 02/11/16  | \$321.00 | ALTERNATIVE CARE CLINIC      | C1-65    | 1        | Y         |                                      |
| 035  | 030  | 172280 | 2735  | 5,885     | 2724188 | \$675,000    | 04/15/15  | \$114.70 | DEPT OF HEALTH               | IG2 U/85 | 1        | Y         |                                      |
| 035  | 030  | 182404 | 9074  | 39,200    | 2727513 | \$4,432,500  | 04/29/15  | \$113.07 | HABITAT FOR HUMANITY         | IG1 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 030  | 357320 | 0250  | 99,482    | 2795207 | \$9,500,000  | 05/10/16  | \$95.49  | SOUTH SEATTLE INDUSTRIAL PAR | IG1 U/85 | 1        | Y         |                                      |
| 035  | 030  | 357320 | 0845  | 58,447    | 2692733 | \$10,625,000 | 09/29/14  | \$181.79 | REPUBLIC SERVICES            | IG2 U/85 | 2        | Y         |                                      |
| 035  | 030  | 357370 | 0195  | 37,247    | 2777369 | \$6,500,000  | 01/21/16  | \$174.51 | GRAINGER                     | IG1 U/85 | 1        | Y         |                                      |
| 035  | 030  | 395790 | 0060  | 50,832    | 2763484 | \$8,285,000  | 10/23/15  | \$162.99 | CASCADE DESIGNS              | IG1 U/85 | 1        | Y         |                                      |
| 035  | 030  | 395890 | 1240  | 6,050     | 2785337 | \$815,000    | 03/17/16  | \$134.71 | POR. OLD SWAN NET            | IG2 U/85 | 1        | Y         |                                      |
| 035  | 030  | 508440 | 0100  | 24,291    | 2794649 | \$4,740,500  | 05/03/16  | \$195.15 | LONG BUILDING TECHNOLOGIES   | IG1 U/85 | 1        | Y         |                                      |
| 035  | 030  | 526330 | 0425  | 14,800    | 2654180 | \$2,050,000  | 02/18/14  | \$138.51 | MASTERCRAFT                  | IG2 U/85 | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 030  | 526330 | 0770  | 4,032     | 2701400 | \$719,047    | 11/18/14  | \$178.34 | AL-VAN EQUIP                 | IG2 U/85 | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 030  | 737660 | 0005  | 14,366    | 2690159 | \$2,600,000  | 09/12/14  | \$180.98 | MDE ENGINEERS                | IG2 U/85 | 1        | Y         |                                      |
| 035  | 030  | 766620 | 4100  | 73,335    | 2802387 | \$10,600,000 | 06/14/16  | \$144.54 | OWL TRANSFER                 | IG1 U/85 | 3        | Y         |                                      |
| 035  | 030  | 788610 | 1125  | 14,320    | 2704845 | \$2,000,000  | 12/09/14  | \$139.66 | KANSAI COLLISION CENTER      | IG2 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 030  | 788610 | 1200  | 5,594     | 2658211 | \$880,000    | 03/19/14  | \$157.31 | BOGART'S CAFE AND COCKTAILS  | IG2 U/85 | 2        | Y         |                                      |
| 035  | 050  | 202404 | 9059  | 26,150    | 2803639 | \$4,500,000  | 06/06/16  | \$172.08 | ABBRIO/MASTER SOURCE         | IG2 U/85 | 1        | Y         |                                      |
| 035  | 050  | 273810 | 0415  | 5,120     | 2764280 | \$1,617,000  | 10/16/15  | \$315.82 | POLLY MC ARTHUR AND ASSOCIAT | IG2 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 050  | 273810 | 0425  | 50,200    | 2795266 | \$7,500,000  | 05/03/16  | \$149.40 | OREGON TILE AND MARBLE       | IG2 U/85 | 1        | Y         |                                      |
| 035  | 050  | 273810 | 0610  | 130,371   | 2745643 | \$28,575,000 | 07/27/15  | \$219.18 | GEORGETOWN CENTER            | IB U/65  | 2        | Y         |                                      |
| 035  | 050  | 508440 | 0065  | 6,126     | 2775602 | \$1,010,000  | 01/08/16  | \$164.87 | METAL SOLUTIONS              | IG2 U/85 | 1        | Y         |                                      |
| 035  | 060  | 036000 | 0020  | 11,949    | 2832374 | \$2,600,000  | 11/04/16  | \$217.59 | CENTRAL BAPTIST CHURCH       | NC3-40   | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 060  | 090100 | 0050  | 8,675     | 2690058 | \$1,695,000  | 09/12/14  | \$195.39 | Van Wild Interiors           | C2-40    | 1        | Y         |                                      |
| 035  | 060  | 273610 | 0010  | 14,400    | 2652766 | \$1,875,000  | 01/29/14  | \$130.21 | PACE ANALYTICAL              | IG2 U/85 | 2        | 26        | Imp changed after sale; not in ratio |
| 035  | 060  | 346780 | 0005  | 31,900    | 2672727 | \$2,875,000  | 06/09/14  | \$90.13  | RUNG WAREHOUSE               | C2-40    | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 060  | 700620 | 0405  | 6,584     | 2708687 | \$1,195,000  | 12/30/14  | \$181.50 | ALLIED TECHNICAL SVCS        | C2-40    | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 060  | 700620 | 0405  | 6,584     | 2649107 | \$1,075,000  | 01/09/14  | \$163.27 | ALLIED TECHNICAL SVCS        | C2-40    | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 060  | 700620 | 0650  | 13,044    | 2692674 | \$1,626,500  | 09/27/14  | \$124.69 | FABRIC SALES COMPANY         | C2-40    | 1        | Y         |                                      |
| 035  | 065  | 042304 | 9117  | 1,765     | 2657677 | \$295,000    | 03/12/14  | \$167.14 | CLUB 787                     | MIC/H    | 1        | Y         |                                      |
| 035  | 065  | 536720 | 1080  | 4,567     | 2772014 | \$1,075,000  | 12/14/15  | \$235.38 | OFFICE                       | IG2 U/85 | 1        | 26        | Imp changed after sale; not in ratio |
| 035  | 065  | 536720 | 1705  | 9,573     | 2693485 | \$1,384,000  | 10/01/14  | \$144.57 | PUENTES BROS.                | IG2 U/85 | 1        | Y         |                                      |
| 035  | 065  | 536720 | 1740  | 18,480    | 2771261 | \$3,300,000  | 12/07/15  | \$178.57 | PACKAGING SPECIALTIES        | IG2 U/85 | 1        | Y         |                                      |
| 035  | 065  | 536720 | 1770  | 23,600    | 2713045 | \$3,100,000  | 02/09/15  | \$131.36 | McKINNON FURNITURE           | IG2 U/85 | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 065  | 536720 | 1810  | 12,160    | 2713046 | \$1,380,000  | 02/09/15  | \$113.49 | AMERICAN DETAIL              | IG2 U/85 | 1        | 34        | Use-change after sale; not in ratio  |
| 035  | 065  | 536720 | 4100  | 71,718    | 2794473 | \$6,000,000  | 05/04/16  | \$83.66  | WESTCORE RIVER BUILDING      | IG1 U/85 | 1        | 26        | Imp changed after sale; not in ratio |

| Area | Nbhd. | Major  | Minor | Land Area | E #     | Sale Price   | Sale Date | SP / Ld. |                             | Zone     | Par.<br>Ct. | Ver.<br>Code | Remarks |
|------|-------|--------|-------|-----------|---------|--------------|-----------|----------|-----------------------------|----------|-------------|--------------|---------|
|      |       |        |       |           |         |              |           | Area     | Property Name               |          |             |              |         |
| 035  | 010   | 567950 | 0480  | 28,075    | 2800183 | \$1,100,000  | 06/01/16  | \$39.18  | JEMCO EQUIPMENT AND SALES   | IG2 U/85 | 1           | Y            |         |
| 035  | 010   | 766620 | 3045  | 74,140    | 2770396 | \$4,200,000  | 12/01/15  | \$56.65  | VACANT                      | IG2 U/85 | 2           | Y            |         |
| 035  | 010   | 766620 | 3450  | 108,900   | 2748399 | \$8,400,000  | 07/30/15  | \$77.13  | PACIFIC ALASKA FORWARDING   | IG1 U/85 | 1           | Y            |         |
| 035  | 010   | 766620 | 5845  | 88,920    | 2811098 | \$4,510,000  | 07/19/16  | \$50.72  | FORMER NORTRAK              | IG1 U/85 | 1           | Y            |         |
| 035  | 010   | 766620 | 5930  | 42,343    | 2771169 | \$2,800,000  | 12/09/15  | \$66.13  | PACIFIC COAST CONTAINER     | IG1 U/85 | 1           | Y            |         |
| 035  | 010   | 766620 | 5933  | 120,206   | 2832984 | \$8,300,000  | 11/07/16  | \$69.05  | MAC MILLAN-PIPER            | IG1 U/85 | 2           | Y            |         |
| 035  | 030   | 172280 | 1300  | 6,006     | 2807387 | \$610,000    | 06/29/16  | \$101.57 | SFR                         | C1-65    | 1           | Y            |         |
| 035  | 030   | 172280 | 1310  | 6,006     | 2807407 | \$750,000    | 06/30/16  | \$124.88 | THE BLU GROUSE              | C1-65    | 1           | Y            |         |
| 035  | 030   | 202404 | 9054  | 118,395   | 2730049 | \$3,950,000  | 05/08/15  | \$33.36  | MOBILE CRANE CO             | IG2 U/85 | 1           | Y            |         |
| 035  | 030   | 526330 | 0115  | 21,128    | 2675131 | \$950,000    | 06/23/14  | \$44.96  | THE VAC SHACK               | C1-65    | 4           | Y            |         |
| 035  | 030   | 536720 | 0300  | 18,300    | 2796760 | \$1,450,000  | 05/17/16  | \$79.23  | FORMER TACO TIME            | IG2 U/85 | 1           | Y            |         |
| 035  | 030   | 536720 | 0445  | 46,421    | 2661663 | \$1,800,000  | 04/10/14  | \$38.78  | WINTER'S SURPLUS            | IG2 U/85 | 1           | Y            |         |
| 035  | 030   | 536720 | 0445  | 46,421    | 2766722 | \$2,300,000  | 11/06/15  | \$49.55  | DUCKY'S WAREHOUSE           | IG2 U/85 | 1           | Y            |         |
| 035  | 030   | 536720 | 0446  | 31,051    | 2771074 | \$1,800,000  | 12/09/15  | \$57.97  | TAYAGS AUTO REPAIR / RETAIL | IG2 U/85 | 1           | Y            |         |
| 035  | 030   | 536720 | 4646  | 596,454   | 2732841 | \$24,500,000 | 05/27/15  | \$41.08  | CONSOLIDATED FREIGHT WAYS   | IG2 U/85 | 1           | Y            |         |
| 035  | 060   | 346580 | 0035  | 18,150    | 2779098 | \$1,000,000  | 02/02/16  | \$55.10  | VACANT LAND                 | LR2 RC   | 4           | Y            |         |
| 035  | 065   | 000340 | 0041  | 1,475,603 | 2836834 | \$78,880,000 | 11/22/16  | \$53.46  | ASSOCIATED GROCERS          | LI       | 27          | Y            |         |
| 035  | 065   | 346880 | 0475  | 15,504    | 2809403 | \$600,000    | 07/14/16  | \$38.70  | COLIMAN MEXICAN RESTAURANT  | C1-40    | 1           | Y            |         |
| 035  | 065   | 542260 | 0060  | 1,067,031 | 2703118 | \$31,900,000 | 11/26/14  | \$29.90  | INSURANCE AUTO AUCTIONS     | MIC/H    | 2           | Y            |         |

| Area | Nbhd | Major  | Minor | Total NRA | E #     | Sale Price   | Sale Date | SP / NRA | Property Name              | Zone     | Par. Ct. | Ver. Code | Remarks                                |
|------|------|--------|-------|-----------|---------|--------------|-----------|----------|----------------------------|----------|----------|-----------|--|
| 035  | 010  | 766620 | 4460  | 16,440    | 2663855 | \$3,050,000  | 04/22/14  | \$185.52 | PIUS KITCHEN AND BATH      | IG1 U/85 | 1        | 3         | Contract or cash sale                  |
| 035  | 010  | 766620 | 4636  | 16,501    | 2706682 | \$382,500    | 12/10/14  | \$23.18  | RESTORED WAREHOUSE         | IG2 U/85 | 1        | 22        | Partial interest (1/3, 1/2, etc.)      |
| 035  | 010  | 766620 | 5005  | 0         | 2816926 | \$550,000    | 08/19/16  | \$0.00   | OUTDOOR EMPORIUM-ECON UNIT | IG2 U/85 | 1        | 33        | Lease or lease-hold                    |
| 035  | 010  | 766620 | 5882  | 14,488    | 2787808 | \$1,346,839  | 03/25/16  | \$92.96  | HALF-WAY HOUSE             | IG1 U/85 | 1        | 22        | Partial interest (1/3, 1/2, etc.)      |
| 035  | 010  | 766620 | 6440  | 48,060    | 2828695 | \$25,000,000 | 10/17/16  | \$520.18 | FMR MCKINNON FURNITURE     | IC-85    | 2        | 46        | Non-representative sale                |
| 035  | 010  | 766620 | 7190  | 20,970    | 2788836 | \$3,200,000  | 04/04/16  | \$152.60 | MULTI-TEN WHSE             | IG2 U/85 | 1        | 46        | Non-representative sale                |
| 035  | 030  | 273810 | 0325  | 467       | 2782833 | \$287,000    | 02/29/16  | \$614.56 | ESPRESSO BY DESIGN         | C1-65    | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 030  | 395890 | 1250  | 4,440     | 2836882 | \$650,000    | 11/29/16  | \$146.40 | MACHINE SHOP               | IG2 U/85 | 1        | 51        | Related party, friend, or neighbor     |
| 035  | 030  | 526330 | 0660  | 20,092    | 2826682 | \$2,370,000  | 10/01/16  | \$117.96 | DRESSER-RAND COMPANY       | IG2 U/85 | 1        | 11        | Corporate affiliates                   |
| 035  | 030  | 617290 | 0300  | 30,990    | 2659143 | \$3,485,000  | 03/21/14  | \$112.46 | IMPEX                      | IG1 U/85 | 1        | 23        | Forced sale                            |
| 035  | 030  | 766620 | 3875  | 17,672    | 2688913 | \$1,875,000  | 08/28/14  | \$106.10 | SKYLINE PACIFIC NW         | IG2 U/85 | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 030  | 766620 | 3875  | 17,672    | 2796069 | \$2,225,000  | 05/10/16  | \$125.91 | SKYLINE PACIFIC NW         | IG2 U/85 | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 030  | 766620 | 7515  | 21,900    | 2832017 | \$3,413,117  | 11/01/16  | \$155.85 | BARGREEN-ELLINGSON INC     | IG1 U/85 | 1        | 51        | Related party, friend, or neighbor     |
| 035  | 030  | 766620 | 7515  | 21,900    | 2798889 | \$3,313,117  | 05/27/16  | \$151.28 | BARGREEN-ELLINGSON INC     | IG1 U/85 | 1        | 44        | Tenant                                 |
| 035  | 050  | 172280 | 0335  | 3,096     | 2759181 | \$740,000    | 09/30/15  | \$239.02 | BALANCING SERVICE CO       | IG2 U/85 | 1        | 11        | Corporate affiliates                   |
| 035  | 060  | 273410 | 0635  | 4,750     | 2704078 | \$755,236    | 11/05/14  | \$159.00 | GEORGETOWN GOSPEL CHAPEL   | LR1      | 2        | 5         | Full sales price not reported          |
| 035  | 060  | 535420 | 0260  | 5,250     | 2684706 | \$1,100,000  | 08/12/14  | \$209.52 | KOLLMAR SHEET METAL        | IG2 U/85 | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 065  | 536720 | 1920  | 1,935     | 2778656 | \$775,000    | 02/01/16  | \$400.52 | I LUV TERIYAKI RESTAURANT  | IG2 U/85 | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 065  | 536720 | 2135  | 3,916     | 2787298 | \$1,020,000  | 03/29/16  | \$260.47 | MIKOU TERIYAKI/PHO HA      | IG2 U/85 | 2        | 57        | Selling or buying costs affecting sale |
| 035  | 070  | 282404 | 9007  | 1,966,157 | 2762549 | \$5,500,000  | 10/16/15  | \$2.80   | KING CO AIRPORT (imps)     | IG2 U/85 | 1        | 33        | Lease or lease-hold                    |
| 035  | 070  | 282404 | 9007  | 1,966,157 | 2684296 | \$1,726,700  | 08/11/14  | \$0.88   | KING CO AIRPORT (imps)     | IG2 U/85 | 1        | 33        | Lease or lease-hold                    |
| 035  | 070  | 282404 | 9007  | 19,787    | 2747629 | \$4,650,000  | 07/31/15  | \$235.00 | KING CO AIRPORT (imps)     | IG2 U/85 | 1        | 33        | Lease or lease-hold                    |

| Area | Nbhd. | Major  | Minor | Land Area | E #     | Sale Price   | Sale Date | SP / Ld. |                         | Zone      | Par. Ct. | Ver. Code | Remarks                                |
|------|-------|--------|-------|-----------|---------|--------------|-----------|----------|-------------------------|-----------|----------|-----------|--|
|      |       |        |       |           |         |              |           | Area     | Property Name           |           |          |           |  |
| 035  | 010   | 377030 | 0192  | 4,400     | 2655333 | \$180,125    | 01/09/14  | \$40.94  | FMR RR ROW              | IG2 U/85  | 1        | 51        | Related party, friend, or neighbor     |
| 035  | 010   | 567950 | 0531  | 2,160     | 2833120 | \$68,000     | 11/03/16  | \$31.48  | PORTION OF RR ROW       | IG2 U/85  | 1        | 18        | Quit claim deed                        |
| 035  | 010   | 766620 | 2740  | 101,609   | 2807959 | \$8,400,000  | 07/07/16  | \$82.67  | BMW SEATTLE             | IC 85-160 | 3        | 33        | Lease or lease-hold                    |
| 035  | 010   | 766620 | 2861  | 1,560     | 2793675 | \$25,000     | 04/05/16  | \$16.03  | ENVIROSERVICE INC       | IG2 U/85  | 1        | 11        | Corporate affiliates                   |
| 035  | 010   | 766620 | 4449  | 61,419    | 2692937 | \$3,800,000  | 09/30/14  | \$61.87  | WESCO                   | IG1 U/85  | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 010   | 766620 | 4531  | 1,800     | 2789216 | \$4,500      | 04/05/16  | \$11.11  | PORTION OF RR ROW       | IG2 U/85  | 1        | 15        | No market exposure                     |
| 035  | 010   | 766620 | 4533  | 1,800     | 2810267 | \$4,500      | 07/19/16  | \$2.50   | FMR RR ROW              | IG2 U/85  | 1        | 18        | Quit claim deed                        |
| 035  | 010   | 766620 | 4533  | 1,800     | 2757789 | \$20,000     | 09/24/15  | \$11.11  | FMR RR ROW              | IG2 U/85  | 1        | 15        | No market exposure                     |
| 035  | 010   | 766620 | 4875  | 1,061     | 2746465 | \$63,000     | 07/23/15  | \$59.38  | PORTION OF RR ROW       | IC-65     | 1        | 51        | Related party, friend, or neighbor     |
| 035  | 010   | 766620 | 5140  | 36,900    | 2802754 | \$375,000    | 06/15/16  | \$10.16  | STAR RENTALS            | IG1 U/85  | 1        | 11        | Corporate affiliates                   |
| 035  | 010   | 766620 | 6055  | 27,000    | 2682372 | \$1,854,500  | 07/28/14  | \$68.69  | BANK OF AMERICA         | IG2 U/85  | 1        | 33        | Lease or lease-hold                    |
| 035  | 030   | 172280 | 1300  | 6,006     | 2655829 | \$185,000    | 02/26/14  | \$30.80  | SFR                     | C1-65     | 1        | 13        | Bankruptcy - receiver or trustee       |
| 035  | 030   | 386840 | 0270  | 54,964    | 2710332 | \$2,250,000  | 10/28/14  | \$40.94  | PRESERVATIVE PAINT CO   | IG2 U/85  | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 030   | 526330 | 0195  | 20,000    | 2651839 | \$537,000    | 01/16/14  | \$26.85  | VACANT LAND             | IG2 U/85  | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 030   | 536720 | 0025  | 50,732    | 2786800 | \$110,000    | 03/09/16  | \$2.17   | SEATTLE TRUCK REPAIR    | IG1 U/85  | 3        | 33        | Lease or lease-hold                    |
| 035  | 065   | 000180 | 0089  | 51,999    | 2672520 | \$597,950    | 05/23/14  | \$11.50  | VACANT LAND             | IG1 U/85  | 1        | 22        | Partial interest (1/3, 1/2, etc.)      |
| 035  | 065   | 213620 | 0641  | 690,795   | 2663664 | \$10,000,000 | 04/17/14  | \$14.48  | CROWLEY MARINE SERVICES | IG1 U/85  | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 065   | 273410 | 0270  | 140,465   | 2769355 | \$2,700,000  | 11/30/15  | \$19.22  | TRUCK STORAGE           | IG1 U/85  | 1        | 57        | Selling or buying costs affecting sale |
| 035  | 065   | 542260 | 0015  | 8,521     | 2703114 | \$3,500      | 11/24/14  | \$0.41   | PORTION OF RR ROW       | MIC/H     | 1        | 51        | Related party, friend, or neighbor     |

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| 52404  | 9018 |
| 377030 | 0160 |
| 377030 | 0182 |
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| 377030 | 0192 |
| 683470 | 0100 |
| 683470 | 0175 |
| 766620 | 2705 |
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