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Executive Summary Report

Appraisal Date 1/1/08 – 2008 Assessment Year – 2009 Tax Roll year

Specialty Name: Major Retail Properties

Sales - Improved Analysis Summary:

Number of Sales: **three**

Range of Sale Dates: 9/2005 – 3/2007

Sales – Ratio Study Summary:

	Mean Assessed Value	Mean Sales Price	Weighted Mean Ratio	COV*
2007 Value	\$50,142,700	\$48,746,000	1.029%	3.83%
2008 Value	\$49,034,900	\$48,746,000	1.006%	4.18%
Change	-\$ 1,107,800		-.023	+.350
% Change	-2.26%		-2.28%	8.37%

*COV is a measure of uniformity, the lower the number the better the uniformity.

All sales within the retail specialty, verified as good, were included in the analysis, with the exception of properties which were significantly altered (buildings remodeled or enlarged, or changed parcel size, after the sale).

The Ratio Study Summary indicates a weighted mean ratio that is within the IAAO recommended standards. All other performance measures are also within IAAO guidelines.

Due to the small of number of sales relative to the size of the population the results of the ratio analysis does not reflect a good indication the whole population.

Population - Parcel Summary Data

	Land	Imps	Total
2007 Value	\$1,577,975,100	\$1,836,744,900	\$3,414,720,000
2008 Value	\$1,984,672,300	\$1,916,695,600	\$3,901,367,900
Percent Change	+25.77%	+4.35%	+14.25%

Number of Parcels in the Population: **248**

Conclusion and Recommendations

Since the values contained in this report improve assessment level, uniformity, equity, and reliability, it is recommended that these values be posted for the 2008 Assessment Roll.

Client and Intended Use of the Appraisal:

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others 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)

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

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. [1961 c 15 §84.36.005]

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. [1989 c 246 § 4]

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 a 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 definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the 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 are 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.*

Jean Platt, Commercial Appraiser II

Analysis Process

Effective Date of Appraisal: January 1, 2008

Date of Appraisal Report: June 15th, 2008

Responsible Appraiser

The following appraiser did the valuation of this specialty:

Jean Platt, Commercial Appraiser II.

Highest and Best Use Analysis

As if vacant: In general, the highest and best use of major retail properties is development of the site to retail use. In some cases other intense commercial use, such as office construction or a mixed-use commercial project, is feasible.

As if improved: Based on county-wide trends, both in 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. In most cases, the current improvements add value to the property and are considered the highest and best use of the property as improved. In some cases, land values have increased substantially in recent years and now the income approach will not support an improvement value. In these cases, a token value of \$1,000 is assigned to the improvements.

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 if possible and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions, Departures and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were adhered to:

- The Department uses three years of sales for developing market value.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without adjustment for time averaged any net changes over the three-year period.
- This report is intended to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Major Retail Property

Major retail properties consist of regional malls, single tenant discount retailers and big box retailers. The regional mall properties are defined as those multi-tenanted properties in excess of 200,000 square feet of gross leasable area. The single tenant discount retailers and big box properties are generally in excess of 100,000 square feet. The major retail properties, in total, consist of 248 improved parcels.

Boundaries: All of King County

Maps:

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

Area Description

King County major retail properties fall into a number of categories. The most visible are the Regional Shopping Centers such as Northgate, Bellevue Square and Southcenter. There are also the single tenant, discount retailers such as Fred Meyer, Target, Wal-Mart and Best Buy. There are the big box retail stores such as Lowe's, Home Depot, Sam's Club and Costco as well as a Factory Outlet Mall in the Great Northwest Factory Stores of North Bend. Properties that are more difficult to classify include the Supermall of the Great Northwest, Westlake Center and Pacific Place.

Physical Inspection Area

The following malls were physically inspected for the 2008 assessment year:

- Nordstrom, downtown Seattle, Neighborhood 10
- Southcenter, Neighborhood 11
- Macy's, downtown Seattle, Neighborhood 12
- Bellevue Square, Neighborhood 21
- Northgate Mall, Neighborhood 23
- University Village, Neighborhood 25
- Parkway Supercenter, Neighborhood 32
- Westwood Village, Neighborhood 63
- The Commons at Federal Way Neighborhood 65

In addition to the above referenced malls, the following big box stores were inspected:

- Fred Meyer, Burien
- Home Depot, Tukwila, Utah Avenue South and Delridge Way SW, Seattle
- Lowe's HIW, Kent, Tukwila, Rainier Avenue South, Seattle
- Target, Renton, Tukwila, and South Barton Street, Seattle

Big box stores are all designated as Neighborhood 30. Below is a list of the retail properties included in this category:

Area	Neighborhood	Property Name
250	30	COSTCO
250	30	FRED MEYER
250	30	FRY'S ELECTRONICS
250	30	HOME DEPOT
250	30	IKEA
250	30	K-MART
250	30	LAMPHERE SPORTS ARENA
250	30	LEVITZ
250	30	LOWE'S HOME IMPROVEMENT CENTER
250	30	MCLENDON'S HARDWARE STORE
250	30	NORTHGATE NORTH
250	30	SAM'S CLUB
250	30	TARGET STORE
250	30	WAL-MART

The number of properties inspected for the 2008 assessment represents 27.24% of the major retail specialty. The percentage of properties was greater than usual due to new construction.

Below is a listing of all major retail neighborhoods

Area	Neighborhood	Property Name
250	10	NORDSTROM DOWNTOWN
250	11	SOUTHCENTER
250	12	MACY'S DOWNTOWN
250	13	PACIFIC PLACE
250	14	THE COMMONS AT FEDERAL WAY
250	15	MERIDIAN CENTER
250	20	WESTLAKE MALL
250	21	BELLEVUE SQUARE
250	22	REDMOND TOWN CENTER
250	23	NORTHGATE MALL
250	25	UNIVERSITY VILLAGE
250	30	BIG BOX
250	32	PARKWAY SUPERCENTER
250	33	CROSSROADS MALL
250	34	FAIRWOOD CENTER
250	37	DOWNTOWN WOODINVILLE - BSP
250	38	LAKE FOREST PARK SHOPPING CENTER
250	50	NW FACTORY OUTLET STORES
250	50	NW FACTORY OUTLET STORES
250	51	PARK PLACE CENTER
250	58	FACTORIA SQUARE
250	60	SUPERMALL OF THE GREAT NORTHWEST
250	61	PAVILIONS CENTRE
250	63	WESTWOOD VILLAGE SHOPPING CENTER
250	64	TOTEM LAKE MALL
250	65	THE COMMONS AT ISSAQUAH
250	66	OVERLAKE FASHION PLAZA
250	67	BELLA BOTTEGA
250	68	LINCOLN SQUARE

Neighborhood Descriptions

Properties that have similar characteristics including effective age, quality, predominate use and location are grouped into neighborhoods for the purpose of building economic

income models. For purposes of record keeping all of the malls have an individual neighborhood designation. The major retail properties vary greatly and generally do not lend themselves to neighborhood designations based on geographical location but rather on the composition of the tenants. Some exceptions include the following properties which utilize very similar models:

- Pacific Place, Westlake Mall, Meridian Center and Southcenter
- Seattle Macy's and Nordstrom
- Lincoln Square and Bellevue Square
- Redmond Town Center, Bella Bottega and Crossroads

Below is a listing of all major retail neighborhoods

Preliminary Ratio Analysis

A preliminary ratio study was calculated prior to the application of the 2008 recommended values. The study benchmarks the current assessment level using 2007-posted values. The ratio study was repeated after application of the 2008 recommended values. The results, which are included in the validation section of this report, show a change in the COV from 3.83% to 4.18%.

Scope of Data

Land Value Data

The land values for major retail properties were selected by the geographic appraiser for a given area. Please refer to the appropriate area reports for discussions of land valuation.

Improved Parcel Total Value Data

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. Interior inspections were made to the properties that were physically inspected for this revalue. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report.

Improved Parcel Total Values

General Market Conditions:

The National Economy

Continuous consumer spending, low vacancy rates and decent returns are keeping investors searching for acquisition and development opportunities. Neighborhood centers anchored by top grocers remain a preferred category within this sector. Top west coast investment locations include southern California's suburban cities and Seattle.¹

Puget Sound Economic Conditions

Seattle employers are on track to add 34,000 jobs by years end, a 1.9% increase. Of the metro's new jobs, 6,400 new aerospace manufacturing positions were added last year as well as 4,100 in the software sector. The city's growing cruise ship industry will provide a significant boost to the local economy.

Executive Summary²

- Seattle's rating in the National Retail Index increased from fifth to third for 2008
- Job growth in the Seattle region is expected to increase 1.9%
- Developers will complete 2 million square feet of new retail space in 2008
- Developers are increasingly bringing mixed-use properties to the market
- Owners will increase asking rents 3.7 percent this year.
- Investor interest in Seattle's retail market will remain strong amid continued economic growth and solid fundamentals. Buyers will continue to compete for a limited number of quality properties, putting continued upward pressure on prices.

Sales Comparison Approach

Individual property sales were used to analyze individual property values but the sales comparison approach was generally not relied upon because of the relatively few sales that have taken place, and in the case of the regional malls, the difficulty in relating one mall to the other. Location, size, age, condition and tenant composition are characteristics that help stratify the individual property sales. There were three improved sales in the Major Retail specialty (area 250) with a sales price range of \$129 to \$217 per square foot of gross leaseable area (GLA) with an average sales price per square foot is \$162.

¹ Korpacz Real Estate Investor Survey, 4thth Quarter 2007, pg.5

² Marcus & Millichap, 2008 National Retail Report, pg. 49

Cost approach

Cost estimates are calculated using the Marshall and Swift cost valuation service model in the computerized “Real Property” program for all improved parcels. Depreciation is based on studies done by Marshall & Swift Valuation Service. The dynamics of the retail market as well as the fact that income is the primary characteristic, around which investment analysis revolves, make it difficult to utilize the cost approach in valuing most major retail properties. Accordingly, the cost approach is usually limited to valuing new construction and/or remodeling in the major retail properties.

Cost calibration

The Marshall & Swift cost-modeling system is built into the Department of Assessment’s Real Property application and automatically calibrates to the data in place in this application. This commercial cost estimator is also calibrated to the Western region and the Seattle area.

Income Capitalization

The income approach to valuing major retail properties is based upon the analysis of a rental income stream. Rental rates, operating expenses and capitalization rates are obtained from sold properties and local and national publications. These sources assist the Assessor in estimating the appropriate rental rates, operating expenses, and capitalization rates for local, major retail properties.

Puget Sound Retail Market / CB Richard Ellis/ 4th Qtr 2007

Location	SF Leased Area	Vacancy	Average NNN Rent
Downtown CBD	1,475,234	4.84%	\$37.24
Bellevue/Eastside	11,040,550	3.14%	\$30.36
Northgate/North Seattle	3,436,675	2.86%	\$25.16
South-end	11,296,778	3.97%	\$24.70

This report includes all multi-tenant buildings 50,000 square feet and greater, all freestanding buildings of at least 20,000 square feet and downtown buildings greater than or equal to 25,000 square feet.

American Council of Life Insurers (ACLI) provides data that is related to Commercial Mortgage Commitments (loans), made by its reporting members on commercial

properties, including retail properties. Here is a comparison of two years of the nation-wide, fixed rate loan data on retail properties. Figures for last year's report, the 4th quarter of 2006 are as follows:

Retail Loans by Loan Size	4th Qt. 2006 # Loans	\$ Amount Committed	Avg. Loan Amount	Cap. Rates	Loan/ Value
Less than \$2 million	71	78,400,000	1,104,000	8.1%	64.4%
\$2 million - \$4,999,999	38	112,705,000	2,966,000	8.0%	63.9%
\$5 million - \$14,999,999	47	411,534,000	8,756,000	7.5%	62.8%
\$15million - \$24,999,999	11	208,650,000	18,968,000	6.1%	62.6%
\$25 million and over	10	720,400,000	72,040,000	6.6%	63.7%
Total/or Average	177	1,531,690,000	8,654,000	7.0%	63.4% ⁶

The loan figures for the end of year 2007 show a slowing in the loans for the retail sector over 2006. The number of loans and the total loan amount decreased. Capitalization rates increased forty basis points. However, capitalization rates remain below historical averages.

Retail Loans by Loan Size	4th Qt. 2007 # Loans	\$ Amount Committed	Avg. Loan Amount	Cap. Rates	Loan/ Value
Less than \$2 million	98	103,249,000	1,054,000	7.7%	62.7%
\$2 million - \$4,999,999	51	159,029,000	3,118,000	7.7%	64.3%
\$5 million - \$14,999,999	34	297,323,000	8,745,000	7.0%	60.8%
\$15million - \$24,999,999	12	293,323,000	19,774,000	6.6%	62.0%
\$25 million and over	12	237,293,000	47,800,000	6.9%	65.3%
Total/or Average	207	1,307,494,000	6,621,000	7.0%	63.4% ⁶

This data illustrates that investors perceive that larger, more expensive investment quality properties, which require larger loans as having less risk and, therefore, have lower capitalization rates. This has been consistently the trend for a number of years.

The Korpacz Real Estate Investor Survey is a national publication that has a wealth of information. The survey represents a cross section of major institutional equity real estate market participants who invest primarily in institutional-grade (investment quality) property. Rates and other assumptions presented in the survey indicate the participant's expectations from institutional-grade real property investment. Institutional-grade properties are those properties sought out by institutional buyers that have the capacity to meet the prevalent institutional investment criteria, which are referred to in this survey.

In the retail market, Korpacz reports on the National Regional Mall Market, the National Power Center Market, and the National Strip Shopping Center Market.

National Regional Mall Market

“According to the current survey of participants, regional malls classifications based on inline store retail sales per square foot are as follows:

<u>Class</u>	<u>Inline Retail Sales PSF³</u>
A+	\$450 and up
A	\$350 to \$449
B+	\$300 to \$349
B	\$250 to \$299
C+	\$200 to \$249
C	\$125 to \$199
D	Less than \$125

The retail sector of commercial real estate investment has remained strong. In the Seattle Metropolitan Statistical Area, retail is the healthiest of all commercial property investments. Even though a lack of quality offerings, a competitive buying pool, and limited chances for both income and value appreciation are temporarily pushing some investors to the sidelines, others are eager to acquire retail assets, especially grocery-anchored centers and fortress malls. As a result, many investors believe that now is a good time to sell such properties. Top investment locations for retail assets include Orange County, Seattle, Miami, Los Angeles and metro Washington, DC⁴

Investment and Property Characteristics: National Markets

Capitalization Rates for National Regional Mall Market ⁵		
Class	Range	Average
Regional Mall	5.00% - 9.50%	6.68%
Power Center	5.50% - 9.00%	7.13%
National Strip Shopping Ctr	5.80 %- 9.00%	7.24%

Income approach calibration

Properties were valued based on an income model using economic rents, typical vacancy and credit loss, expenses, and capitalization rates. The income model was calibrated and adjustments were based on effective age and quality of construction. Fifteen tables were

³ Korpacz Real Estate Investor Survey, 4th Quarter 2007, pg. 80

⁴ Korpacz Real Estate Investor Survey, 4th Quarter 2005, pg. 4

⁵ Korpacz Real Estate Investor Survey, 4th Quarter 2007, pg 76

created to value the less complex mall properties and downtown Seattle department stores. The following parameters were used to value these properties: typical rents for retail (use code 353) ranged from \$15.00 to \$20.00 per square foot of rentable area and capitalization rates were 7.50% to 8.50%. Allowances for vacancy and collection loss were stabilized at 5% and expenses at 10%.

The complex mall properties in King County were appraised individually. Anchor stores have relatively low rents, less than \$9.00 per square foot per year where smaller retail stores in premium locations may lease for \$75 per square foot per year. Capitalization rates of 6.25% to 8.0% were used in the analysis of the regional malls. The investment quality of the property determined the capitalization rate. Location, condition, age, and tenancy were considered in the valuation of the regional malls.

Generally, the institutional grade properties were analyzed using higher average rents and lower capitalization rates than non-institutional grade properties.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The appraiser determines which value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

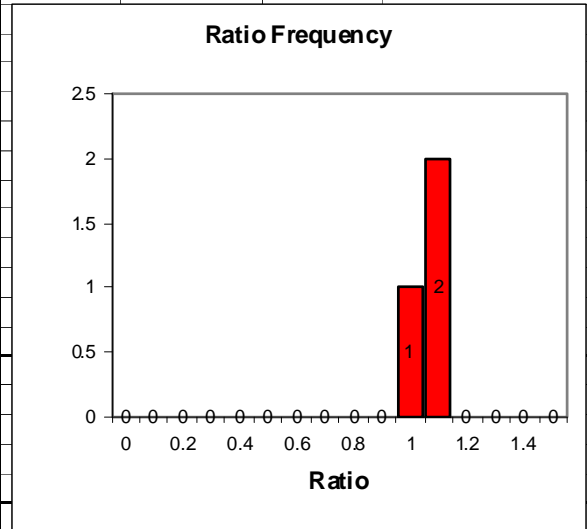
Application of the recommended values, results in improved assessment level, uniformity and reliability. The weighted mean ratio showed an improvement in the assessment level from 1.032% to .995%, the coefficient of variation changed from 3.83% to 4.18% and the price related differential changed from 1.00 to 1.01. The standard statistical measures of valuation performance are all within IAAO guidelines.

The total assessed value for the 2007 assessment year was \$3,414,720,000 and the total recommended assessed value for the 2008 assessment year is \$3,901,367,900. Application of these recommended values for the 2008 assessment year (taxes payable in 2009) results in a total change from the 2007 assessments of + 14.25%. The increase is due to market appreciation, lower income capitalization rates, new construction and updated property characteristics.

**Area 250 – Major Retail
2007 Assessment Ratio**

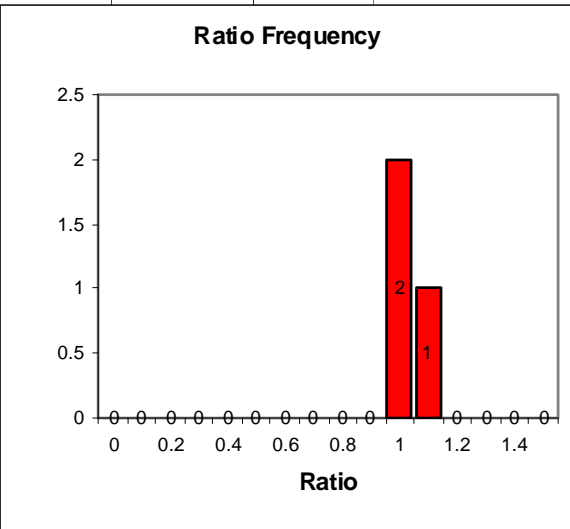
Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
East Crew	1/1/2007	4/22/2008	1/1/05 - 03/31/08
Area	Appr ID:	Prop Type:	Trend used?: Y / N
250	JPLA	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	3		
Mean Assessed Value	50,142,700		
Mean Sales Price	48,746,000		
Standard Deviation AV	37,137,132		
Standard Deviation SP	35,829,565		
ASSESSMENT LEVEL			
Arithmetic mean ratio	1.027		
Median Ratio	1.032		
Weighted Mean Ratio	1.029		
UNIFORMITY			
Lowest ratio	0.9850		
Highest ratio:	1.0630		
Coefficient of Dispersion	2.52%		
Standard Deviation	0.0393		
Coefficient of Variation	3.83%		
Price-related Differential	1.00		
RELIABILITY			
95% Confidence: Median			
Lower limit	#NUM!		
Upper limit	#NUM!		
95% Confidence: Mean			
Lower limit	0.982		
Upper limit	1.071		
SAMPLE SIZE EVALUATION			
N (population size)	173		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0393		
Recommended minimum:	2		
Actual sample size:	3		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	1		
# ratios above mean:	2		
Z:	0		
Conclusion:	Normal*		

*i.e., no evidence of non-normality



These figures reflect the ratio of assessed value to sales price before the 2008 revalue.

**Area 250 – Major Retail
2008 Assessment Ratio**

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
South Crew	1/1/2008	6/19/2008	1/1/05 - 05/31/08
Area	Appr ID:	Prop Type:	Trend used?: Y / N
250-000	JPLA	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	3		
Mean Assessed Value	49,034,900		
Mean Sales Price	48,746,000		
Standard Deviation AV	35,207,685		
Standard Deviation SP	35,829,565		
ASSESSMENT LEVEL			
Arithmetic mean ratio	1.015	<div>These figures reflect the ratio of sales price to assessed value after the 2008 revalue.</div>	
Median Ratio	0.995		
Weighted Mean Ratio	1.006		
UNIFORMITY			
Lowest ratio	0.9852		
Highest ratio:	1.0632		
Coefficient of Dispersion	2.61%		
Standard Deviation	0.0424		
Coefficient of Variation	4.18%		
Price-related Differential	1.01		
RELIABILITY			
95% Confidence: Median			
Lower limit	#NUM!		
Upper limit	#NUM!		
95% Confidence: Mean			
Lower limit	0.967		
Upper limit	1.063		
SAMPLE SIZE EVALUATION			
N (population size)	178		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0424		
Recommended minimum:	3		
Actual sample size:	3		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	2		
# ratios above mean:	1		
Z:	0		
Conclusion:	Normal*		

*i.e., no evidence of non-normality

*i.e., no evidence of non-normality

Improvement Sales for Area 250 with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
250	015	197670	0055	415,187	2158933	\$90,100,000	09/30/05	\$217.01	MERIDIAN CENTER EAST	DOC2 50	2	Y	
250	038	401930	1655	208,563	2223831	\$27,000,000	07/14/06	\$129.46	LAKE FOREST PARK SHOPPING CENTER	TC	1	Y	
250	038	401930	1655	208,563	2272019	\$29,138,000	03/15/07	\$139.71	LAKE FOREST PARK SHOPPING CENTER	TC	1	Y	

Improvement Sales for Area 250 with Sales not Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
250	030	292104	9096	119,657	2107975	\$16,400,000	03/07/05	\$137.06	LOWES HARDWARE	BP	1	44	Tenant
250	023	292604	9488	59,216	2111956	\$1,250,200	03/30/05	\$21.11	LAMONTS	NC3-85	1	22	Partial interest (1/3, 1/2, etc.)
250	030	212204	9135	93,190	2131233	\$8,277	04/12/05	\$0.09	FRED MEYER	GC	1	24	Easement or right-of-way
250	066	262505	9274	80,555	2131727	\$23,895,017	06/01/05	\$296.63	OVERLAKE FASHION PLAZA	RC	3	7	Questionable per sales identificatio
250	030	272505	9201	158,021	2131219	\$5,900	06/06/05	\$0.04	FRED MEYER STORE	CB	1	24	Easement or right-of-way
250	030	282605	9122	155,172	2153156	\$12,180,426	09/08/05	\$78.50	FRED MEYER INC (Assoc. Pkng. TL	BC	1	33	Lease or lease-hold
250	011	359700	0240	86,115	2178285	\$1,345,100	12/23/05	\$15.62	SOUTHCENTER-MERVYN'S	TUC	1	18	Quit claim deed
250	011	359700	0240	86,115	2178286	\$1,345,100	12/23/05	\$15.62	SOUTHCENTER-MERVYN'S	TUC	1	22	Partial interest (1/3, 1/2, etc.)
250	030	362403	9166	113,390	2179932	\$1,000	12/28/05	\$0.01	TARGET STORE	C1-40	1	32	\$1,000 sale or less
250	015	197670	0055	267,335	2238307	\$908,846	09/14/06	\$3.40	MERIDIAN CENTER EAST	DOC2 50	1	33	Lease or lease-hold
250	011	262304	9023	0	2240296	\$200,000,000	09/28/06	\$0.00	SOUTHCENTER-NORDSTROM & MALL ST	TUC	12	15	No market exposure
250	058	162405	9310	132,899	2264119	\$11,000,000	01/31/07	\$82.77	MERVYN'S - FACTORIA SQUARE	F1	2	22	Partial interest (1/3, 1/2, etc.)
250	030	092104	9017	101,909	2286021	\$7,300,000	05/18/07	\$71.63	former TARGET STORE-vacant	CF	1	8	Questionable per appraisal
250	051	124870	0051	228,029	2309273	\$59,990,000	09/01/07	\$263.08	PARK PLACE CENTER	CBD 5	1	15	No market exposure
250	030	322305	9016	249,891	2311864	\$32,795,000	09/21/07	\$131.24	NORTH BENSON PLAZA	CB	1	44	Tenant
250	030	362205	9007	171,497	2312489	\$2,592,000	09/25/07	\$15.11	FRED MEYER	CD	1	16	Government agency
250	030	362205	9007	171,497	2326678	\$1,240,834	12/21/07	\$7.24	FRED MEYER	CD	1	22	Partial interest (1/3, 1/2, etc.)