

Executive Summary Report

Appraisal Date 1/1/08 - 2009 Assessment Roll

Specialty Name: Industrial

Previous Physical Inspection: South King County

Sales - Improved Summary:

Number of Sales: 7

Range of Sale Dates: 9/01/05 to 3/13/08

Most of the industrial property sales were verified as being non market transactions and are not included in this analysis. Typically industrial property sales include business value and or machinery and equipment. Consequently identification of the real property component is difficult to isolate from the total sales price. All improved sales that were verified as good, included land and were not leased back to the seller, have not been renovated, segregated or merged since purchased, were included in the analysis.

No ratio study was included in this report due to the small of number sales relative to the size of the population. The result of the arithmetic calculation does not reflect a good indication of any statistical measures relevant to the IAAO guidelines.

Total Population – Average Improved Parcel Summary Data:

	Land	Improvements	Total
2007 Value	\$ 534,466,800	\$ 511,560,900	\$ 1,046,027,700
2008 Value	\$ 701,370,900	\$ 493,033,400	\$ 1,194,404,300
Percent Change	+31.23%	-3.62%	+14.18%

Population: 81 economic units consisting of 116 parcels

Conclusion and Recommendation:

The values recommended in this report improve the assessment level and achieve better uniformity; therefore it is recommended that they should be posted for the 2008 Assessment Year.

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 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.*

Marie Ramirez - Commercial Appraiser II

Analysis Process

Effective Date of Appraisal: January 1, 2008

Date of Appraisal Report: June 15, 2008

Responsible Appraiser

The following appraiser did the valuation of this specialty:

Maria Ramirez, Commercial Appraiser II

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 use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the 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. 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 token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

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 by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of a minimum of three years of market information without adjustment for time averaged any net changes over that time period.

- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

- Sales from 1/01/05 to 3/13/08 were considered in all analyses.
- 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 time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6. The industrial appraiser has carefully considered the impact of the national and regional economy on King County's industrial real estate market. The changes in the software, high tech, water vessels and aircraft manufacturing business have been considered. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. In some areas, this may have an impact on sales price to assessed value relationships including coefficients of variation and ratios. In all cases, properties were valued uniformly with similar properties.

Identification of the Area

Name or Designation: Specialty Area – 540 Industrial Properties

Boundaries: King County

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Population:

<i>Total</i>	<i>Central West King Co.</i>	<i>Central East King Co.</i>	<i>South King Co.</i>	<i>North West King Co.</i>	<i>North East King Co.</i>	<i>East King Co.</i>
116	20	20	20	20	18	18

Specialty Description:

Industrial Property

“Ideally, a combination of land, improvements, and machinery which has been integrated into a functioning unit intended for the assembling, processing, and manufacturing of finished or partially finished products from raw materials or fabricated parts, such as factories; or a similar combination intended for rendering service, such as laundries, dry cleaners, storage; or for the production of natural resources, such as oil wells.”¹

The Encyclopedia of Real Estate Appraising lists these special characteristics of industrial properties:

1. Greater tendency towards special-use design.
2. Greater average annual obsolescence rate.
3. Large number of locational determinants.
4. Less speculative value in improved properties.
5. Reluctance of banks to make loans on industrial property.
6. Importance of credit rating of occupant.

For the 2008 revalue year, six parcels presently improved and used for broadcasting facilities are included in the specialty category for industrial property. Although these properties were not built for manufacturing nor intended for use as such, it was included in this specialty because of the special use of these facilities.

Puget Sound Economic Conditions

Factors impacting Industrial property value:

Value influencing factors unique to the industrial appraisal field include labor markets, rail and shipping connections, availability/cost of raw materials, actual production plant and plant layout functionality, investor's expectations, technological modernization, economy (supply and demand) and environmental concerns. These factors were considered in the physical depreciation, functional and economic obsolescence, and super adequacy of the improvements that affect the market value of the property.

The following factors affecting the market value and economic condition of Industrial Property:

¹ Encyclopedia of Real Estate Appraising, 3rd Edition, p479

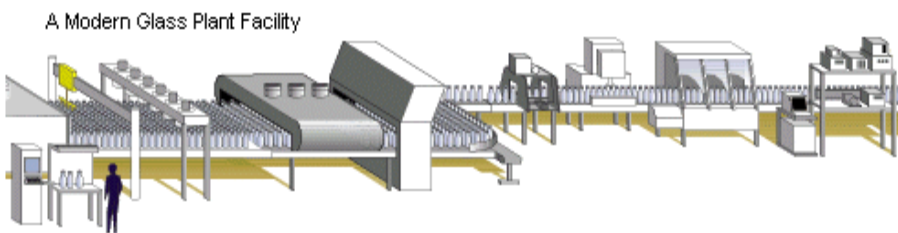
1. Changing consumer product demands.

Product innovation and technology as well as consumer changing needs affect the nations manufacturing industry. A good example of these is St. Gobain glass bottle manufacturing in West Marginal Way, Seattle. The plant was original built and designed



for bottle production in 1960. During that time, glass was the second largest container used in our nation's consumer product industry. Primarily dominated by metal container and followed by plastic. Today, glass bottle container use has dropped approximately 54% from a market share

of 27.9% in 1983 to 12.9% in 2006. Plastic containers on the other hand, gained 234% in market share over the



same period. This is the result of consumer demand switching to plastic from glass use. The lower cost of plastic containers and ease of use are the main attributes of the defeat of the bottle era. 95% of St. Gobain's glass manufacturing consists of wine bottles with only 5% for food jars. The plant experienced extremely high functional obsolescence due to the primitive design of the plant. A modern glass bottle production plant design is a one way flow assembly line. The production plant starts at the raw material bin, runs on a conveyor belt that goes to the furnace for the forming process, and then transforms the compact mass of gobs to a hollow shape by using a metal plunger or blown air forming the finished glass object. The finished glass travels on a conveyor belt while being inspected for quality using automatic and manual processes.



The final stage at the end of the line is packaging and shipping. One of the most expensive components of manufacturing bottles is the furnace. The furnaces are heated to a temperature of around 3,180 degrees Fahrenheit and operate 24 hours seven days a week and have a life span of eight to ten years. Contrary to a typical standard plant operation, the Seattle plant's layout starts in the middle of the property where the material supply bins are located. Then it runs thru one end of the building and goes to the other end where all four scattered furnaces are located. The bottles travel along a

windy conveyor belt that runs crisscross to accommodate the narrow building. The finished line ends at the east wall of the building where the product has to be manually boxed and packaged. A forklift driver will haul the products back to the middle of the property, where the production originally started, then across an abandoned street to a warehouse for storage. This facility is a classic example of an old building layout that suffers both functional and economic obsolescence.

2. Cost of investing new machinery & equipment to keep up with the market demand.



Ball Corporation is closing its business in Washington State since opening its door in 1980. All future production will occur at their existing plant in California. This is a corporate decision not to invest in new machinery & equipment in order to compete with the market. The plant

currently produces 12 ounce aluminum cans that supply various beverage products. According to the company, the current demand is for 20 and 24 ounce aluminum cans that supply popular energy drinks. The company decided not to compete in the Pacific Northwest market which is currently dominated by Rexam Aluminum (a can manufacturing plant located in Kent). Although the existing Ball plant is deemed highly efficient in their production process, employs highly skilled workers, and the plants functionality is standard for the market, the corporation decided to cut cost by eliminating this plant and merging production with another. The plant will lay off approximately 110+ employees by September of 2008. The future of the current facility is unknown at this time but the plant manager anticipates that it will eventually be sold in the open market.



3. Process Flow/ Functionality of Manufacturing Facilities.



Darigold is home to the Pacific Northwest and headquartered in Seattle. Since 1918, they have been producing the freshest products from Northwest dairy farms for generations and are unique because of the more than 600 dairy farmers that are also owners. Today they are one of the nation's largest agricultural cooperatives, producing the equivalent of two million gallons every day - that's seven billion pounds of milk every year.

Darigold produces a full line of dairy-based and other products for wholesale, retail, grocery and foodservice customers. Their milk plant is located on Rainier Ave. in Seattle. The milk plant site was built in 1963 and an Ice cream plant was added on in 1969. In 2005, the ice cream plant ceased operation and the building was idle for 2 years. All of the machinery and equipment for the ice cream plant was sold and scrapped. At the time the management decided to close the ice cream plant, the future of the building was uncertain. For the past 2 years, Rainier Avenue has changed dramatically from an old industrial small town neighborhood to a vast growth of retail, some big box retail, mixed-use condo and apartment complexes. This is the direct result of the construction and expansion of Sound Transit Light Railway System along Rainier Valley. This neighborhood has shown significant real estate growth and appreciation over the past 3 years. Land values have almost tripled since 2005. Late last year, Darigold invested a large amount of capital resources and developed a state of the art milk processing facility. With their highly sophisticated innovation, they are in the development process of producing a much more efficient hygienic milk production. In addition to this hi-tech plant, they also have the patent pending for a caseless milk jug. This new innovative milk jug is cost effective and is green to our environment. With the new milk jug design, boxes, plastic cases (that holds the milk jugs for delivery), and the cleaning and washing of the plastic case becomes unnecessary. The savings on these materials will be passed on to the consumer. As the new technology gets implemented, a few hurdles have arisen. The company has experienced several problems that come with the complexity of this project. The first hurdle was the size of the building which required some creative engineering and caused for some extra unforeseen costs. The second issue is the milk jug lid. They are in the



process of redesigning a more consumer friendly lid to satisfy the consumer needs. The overall project went beyond the projected timeline and budget. The third challenge is the land size and location. The plant is now surrounded mostly by a residential neighborhood. The City of Seattle restricted approximately 88 feet x 588 feet of the west portion of the property for any kind of use in order to create a sound barrier to the neighboring residential parcels. With the current new technology in place the plant still suffers functional obsolescence and super adequacy. This is reflective in their lower utilization of production capacity as compared to the industry standard.

4. **Skilled labor work force:**

In a manufacturing facility, raw material supplies are the key ingredients of production as well as manpower. A shortage of skilled laborer is an issue in some manufacturing



plants in this region. One good example of this is Chemithon Enterprise Inc. This company manufactures and engineers chemical plant equipment & specializes in sulfonation systems to produce surfactants used in a wide variety of consumer and industrial products. Surfactants are key ingredients in detergents, shampoos, toothpaste, oil additives and numerous other consumer and industrial

products. They also design and fabricate custom process equipment for various process industries; design and manufacture pollution control systems for the power generation industry; and provide equipment, processes and supplies to the surface finishing and printed circuit board industries. The company is highly specialized in the process development, engineering, and construction of plant equipment manufacturing. The company's production plant is basically a metal & steel fabrication that is run by highly skilled welders and machinists. The company is having difficulty employing skilled workers, especially experienced welders. Due to changes in our nation's economy, production and manufacturing is slowly being phased out and outsourced to other countries. The Puget sound labor workforce has seen a dramatic change from blue-collar to white-collar jobs with recent graduates entering more sophisticated office type work rather than factory employment.

PHYSICAL INSPECTION AREA:

The physical inspection for Industrial properties for this revalue year is located in the West Central area of King County. The following are the 21 parcels (13 economic properties) inspected:

PROPERTY NAME	PROPERTY DESCRIPTION	PARCEL NUMBER
Saint Gobain Container	Manufactures glass bottle container.	172280-2315
LaFarge Cement	Manufactures Cement products using wet process.	192404-9003
Duwamish Shipyards	Manufactures Small boats & marine vessels	192404-9028
Longview Fiber Company	This property manufactures corrugated paper/box packaging and graphics in the Northwest.	192404-9091
Glacier Northwest	The largest supplier of Ready Mixed Concrete, Sand, Gravel, Rock, Cement & Building Materials in the Northwest	192404-9075
Glacier Northwest	This site is Cement receiving & Storage. Cements are imported from China.	192404-9029
CertainTeed	This plant manufactures gypsum wallboard products. CertainTeed is a subsidiary of Saint-Gobain Corporation.	192404-9092
Chemithon	Manufactures and engineer chemical plant equipment & specialize in sulfonation system for Chemical processing. It also design and fabricate custom process equipment for various process industries; design and manufacture pollution control systems for the power generation industry; and provide equipment, processes and supplies to the surface finishing and printed circuit board industries.	192404-9098
Nucor Steel	Manufacturers of steel products including carbon and alloy steel --in bars, beams, sheet, and plate; steel joists and joist girders and other steel products.	244510-0110
Ash Grove Cement	Manufactures Cement products using Dry process.	766670-0350
Ash Grove Cement		766670-0395
Young Corporation	Meltec Foundry manufactures high quality steel castings and specializes in Carbon Steel, Low Alloy steel for high strength, Stainless steel for corrosion and heat resistance and Manganese Steel for work hardened wear..	766670-2155
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3015

Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3016
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3020
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3025
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3030
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3035
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3040
Former Pendleton Mills	Leased back to Pendleton Mills for warehouse distribution.	766670-3050
Red Dot Corporation	Commercial Grade HVAC Manufacturer	262304-9094
Red Dot Corporation	Commercial Grade HVAC Manufacturer	262304-9115

Preliminary Ratio Analysis:

No ratio study was performed for industrial properties. The market for heavy industrial properties is extremely limited. By definition, these properties are useful for a single or special limited purpose and rarely sell for investment reasons.

Land Value

Land Sales, Analysis, Conclusions:

The geographic appraiser in the area which the industrial property is located is responsible for the land value used. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

Sales comparison approach model description:

The sales comparison approach was generally not utilized because there are not enough sales to analyze for the different types of industrial properties. Those sales that did occur were plagued by the problems discussed under Preliminary Ratio Analysis. Although the sales comparison approach was not directly used to value the industrial properties, it was used for certain types of property for reconciliation purpose and was considered only for those properties that have a degree of alternative use. In the case of broadcast facilities, the market approach was used to arrive at market value. Sales of class A & B office buildings in the Seattle CBD, Lake Union and Bell Town neighborhoods were used to arrive at a range of market value per net rentable area.

Cost approach model description:

The cost approach was the primary valuation methodology utilized for industrial properties. Data to perform the cost approach was available and was therefore considered on most properties in the population. Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. The Department of Revenue (DOR) trended/depreciation tables were used for all the accessories.

Extraordinary (functional and economic) obsolescence was calculated from the cost to cure, supply and demand, and from excess capacity.

Cost calibration:

The Marshall & Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

Income capitalization approach model description:

The income approach to value was considered only for those properties that have a degree of alternative use. In those cases an economic income approach was completed. Although the income approach was not directly used to value the industrial properties, it was used for certain types of property for reconciliation purposes only.

Income approach calibration:

Income parameter data developed in the Specialty Warehouse/Light Industrial Report was relied upon in the aforementioned instances. Please see that report for rates used.

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. Extraordinary obsolescence was considered on a case by case basis. Appropriate adjustments were applied when warranted and adequate documentation was provided.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

Application of the recommended industrial values for the 2008 assessment year results in an average total increase from the 2007 assessments of 14.18%. This change is due mostly to the market increase of land values in the West and East Duwamish neighborhoods in Seattle, the Rainier Valley and close in eastside neighborhoods. The average increase in land values in the industrial specialty area is 31.23%. The Bellevue area experienced an increase of as much as 186% and +50% increase in the Rainier Valley. The land values in this area, in its highest and best use, exceed the sum of value of the entire property in its existing use and the cost to remove the improvements. In those properties where the improvement is not at its highest and best use, a token value of \$1,000 is assigned to the improvements. The 3.62% decrease on the improvement values is the direct result of upward land values. The other factors affecting assessed values were the previous assessment levels, industrial market conditions, and updating of property characteristics.