



## **King County**

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***Lloyd Hara***  
***Assessor***

Dear Property Owners:

Property assessments for the 2014 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2014 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

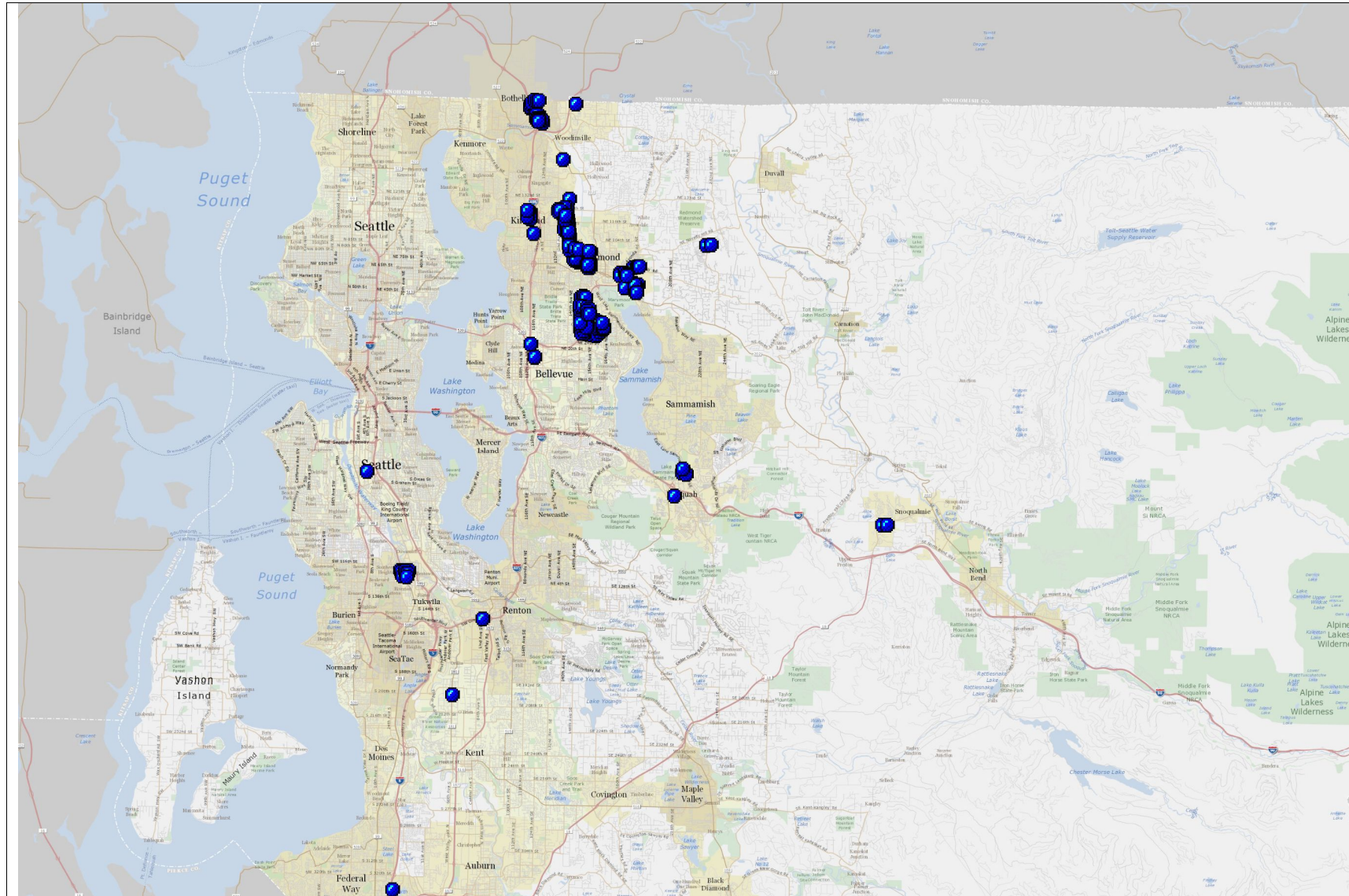
Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara  
Assessor

## HIGH – TECH / FLEX

## AREA 510



## **HIGH – TECH / FLEX**

## **AREA 510**

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**King County**

Assessmen

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6/2/14

# 2014 ANNUAL REVALUE REPORT

## KING COUNTY DEPARTMENT OF ASSESSMENTS

### HIGH-TECH/FLEX PROPERTIES





# Executive Summary Report

## HIGH TECH-FLEX PROPERTIES

**Appraisal Date 1/1/14 - 2014 Assessment Roll**

**Specialty Name:** High-Tech/Flex Properties

### Sales – Improved Analysis Summary

- Number of Sales: \*16
- Range of Sales Dates: 1/14/2011- 10/15/2013

### Sales – Ratio Study Summary:

	Improved Value	Sale Price	Ratio	COD*
<b>2013 Average Value</b>	\$9,169,300	\$10,413,100	88.1%	11.59%
<b>2014 Average Value</b>	\$9,547,700	\$10,413,100	91.7%	11.67%
<b>Change</b>	+\$378,400	0	+3.60%	+0.08%
<b>% Change</b>	+4.13%	0	+4.09%	+0.69%

\*COD is a measure of uniformity, the lower the number the better the uniformity. Positive figures of +0.08%% and +0.69% imply a slight deterioration in uniformity, but both are well within appropriate levels as determined by the IAAO (15% for urban areas). Price related differential (PRD) increased from 1.01 to 1.02 for the 2014 Assessment Year, and also remain within acceptable IAAO guidelines. The small sales sample size limits the reliability of inferences drawn for statistical analysis.

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. \*Of the sixteen valid improved sales, three were not included in the Ratio Analysis: One property sold under triple net investment conditions associated with national tenants, and the other two were part of a larger portfolio liquidation.

Land values were provided by the appraiser for each geographical area and adjustments were made to total values.

While the Sales Comparison Approach was given significant weight, the Income Approach was used in final reconciliation to allocation value, as it allows greater equalization and uniformity of values among the various stratifications within the high-tech/flex classification, and because income data as of the valuation date was reasonably available. Current market income parameters, including lower capitalization rates, support the increase in the overall high-tech/flex

valuation as of 01/01/2014 as compared to 01/01/2013 values. Industry data for high-tech/flex properties within the Seattle/King County area was used to make overall upward adjustments of approximately 3.42%.

<b>Total Population - Parcel Summary Data: 226</b>			
	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2012 Value</b>	\$1,022,491,000	\$1,957,512,400	\$2,980,003,400
<b>2013 Value</b>	\$1,022,603,400	\$2,059,451,900	\$3,082,055,300
<b>Percent Change</b>	<b>0.01%</b>	<b>+5.21%</b>	<b>+3.42%</b>

- Number of Parcels in the population: **226**

### **Conclusion and Recommendation:**

Assessed values for the 2014 revalue have increased on average of 3.42%.

The values recommended in this report improve uniformity and equity; therefore it is recommended they be posted for the 2014 Assessment Year.

## Analysis Process

### Specialty

- Specialty Area – 510 - High-Tech/Flex Properties

### 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 nominal 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 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.

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

## Identification of the Area

- **Name or Designation:** High-Tech/Flex Properties
- **Boundaries:** The properties are located throughout King County but are predominantly situated between Redmond and Bothell/North Creek.

### Maps:

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

### Property Description:

The High-Tech/Flex Specialty properties are defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, medical instrumentations, and corporate offices. The corporate offices of Microsoft, Nintendo, Safeco, and Eddie Bauer are included. The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical office buildings or business park/flex buildings.

Also included in the high-tech specialty are data centers. A data center is a facility used to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, power conditioning equipment, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and security infrastructure.

### Area Description:

The highest concentration of High-Tech/Flex buildings are within the Redmond (Close-in, Willows, & Overlake) and Bothell (North Creek) market areas with a scattering of the remaining properties throughout King County (Auburn, Bellevue, Federal Way, Kent, Kirkland, Issaquah, & Woodinville).

Within the High-Tech/Flex specialty assignment (Area 510), there are seven neighborhoods (Neighborhoods 10 through 70) totaling 226 parcels that have been established for valuation purposes. Of the 226 parcels, approximately 203 parcels are improved, with 23 parcels vacant. The 23 vacant parcels are typically viewed as contributing economic units and contiguous to improved parcels.



<b><u>Neighborhood 510-10:</u></b>	Neighborhood 510-10 is defined as those High-Tech/Flex buildings located within the Bothell (North Creek) and Woodinville neighborhoods. Within geographic area 510-10, there are 23 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-20:</u></b>	Neighborhood 510-20 is defined as those High-Tech/Flex buildings located within the Redmond (Close-In & Marymoor Park) neighborhoods. Within geographic area 510-20, there are 48 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-30:</u></b>	Neighborhood 510-30 is defined as those High-Tech/Flex buildings located within the Redmond (Willows Corridor) neighborhood. Within geographic area 510-30, there are 47 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-40:</u></b>	Neighborhood 510-40 is defined as those High-Tech/Flex buildings located within the Kirkland (Totem Lake) neighborhood. Within geographic area 510-40, there are 16 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-50:</u></b>	Neighborhood 510-50 is defined as those High-Tech/Flex buildings located within the Redmond (Overlake) and Bellevue (SR-520 & I-90 Corridor) neighborhoods. Within geographic area 510-50, there are 73 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-60:</u></b>	Neighborhood 510-60 is defined as those High-Tech/Flex buildings located within the Issaquah neighborhood. Within geographic area 510-60, there are 7 parcels that are part of the High-Tech/Flex specialty.
<b><u>Neighborhood 510-70:</u></b>	Neighborhood 510-70 is defined as those High-Tech/Flex buildings located within the Seattle, Kent, Auburn, Tukwila, and Federal Way neighborhoods. Within geographic area 520-70, there are 13 parcels that are part of the High-Tech/Flex specialty.

## Improved Parcel Total Values

### Current Economic Conditions – Office/High-Tech:

The Eastside Market reflects continuing stabilization, as with the economic recovery of this region. Similarly, office and high-tech markets, once impacted with rising vacancy and declining overall values, are improving. Distressed office and high-tech buildings continue to revert back to lien holders with subsequent short sales, and commercial land values in some neighborhoods show some decline from previous values, contributing to downturn pressure within the general commercial market. However, credit availability has increased as lending institutions improve their financial position and real estate portfolios. And local and national investment interest has increased, as evidenced by general construction and sales activity. Sales are more frequent, and support investor sentiment in anticipation of positive future benefits. Overall, the Office/Tech market is considered to be on an improving trend which is expected to continue into the foreseeable future, and reflected with increased value.

2013 YEAR END			
	OFFICE	HIGH-TECH	INDUSTRIAL
RENTAL RATE	STABLE	STABLE	STABLE to SLIGHT INCREASE
VACANCY	STABLE to SLIGHT DECREASE	STABLE to SLIGHT DECREASE	STABLE to SLIGHT DECREASE
CAPITALIZATION RATE	STABLE	DECREASE	DECREASE
IMPROVED PROPERTY VALUES	INCREASE	INCREASE	INCREASE
LAND VALUES	STABLE to SLIGHT INCREASE	STABLE to SLIGHT INCREASE	STABLE to SLIGHT INCREASE

### Lease Rates

**Office:** During 2013, surveyed area market reports indicate the eastside market area (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah) experienced slight increases in overall rent rates and slight decreases in overall vacancy rates. To retain tenants, landlords remain flexible in offering leasing concessions. Surveyed market reports indicate that Eastside “Class A” office space (full service) had reported asking rents ranging from \$21.00/sf to \$45.00/sf, while reported “Class B” asking rents (full service) ranged from \$18.00/sf to \$35.00/sf. Bellevue CBD had reported “Class A” asking rents ranging from \$28.00/sf to \$45.00/sf, while the “Class B” office asking rates were reported between \$26.00/sf to \$35.00/sf.

Property Type (Class)	2013 4 <sup>th</sup> Qtr. Asking Rents Total Eastside	2013 4 <sup>th</sup> Qtr. Asking Rents (Bellevue CBD)
Class A	\$21.00 to \$45.00	\$28.00 to \$45.00
Class B	\$18.00 to \$35.00	\$26.00 to \$35.00

**Industrial/Flex:** For Year 2013, typical flex-tech asking lease rates experienced slight decreases from the previous year. Surveyed market reports indicate typical industrial/warehouse rents ranged from \$6.48/sf to \$10.20/sf, and flex-tech space (blended - office + industrial space) ranged from \$12.24/sf to \$16.20/sf.

Property Type	2013 4 <sup>th</sup> Qtr. Asking Rents (Bellevue CBD)
Industrial/Warehouse	\$6.48 – \$10.20
Flex-Tech (Blended)	\$12.24 – \$16.20

### **Vacancy Rates:**

**Office:** During 2013, surveyed area market reports indicate stabilization in overall direct office vacancy rates on the Eastside (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah). Economic market surveys indicate that the overall Eastside Office Market area had direct vacancy rates ranging from 8.58% to 13.70%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield (Suburban)	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Direct	4 <sup>th</sup> Qtr. 2013	8.58%*	11.51%	10.90%	13.70%	11.17%

\*Includes Owner/User

**Industrial/Flex:** Economic market surveys indicate that the overall Eastside Industrial Market area had direct vacancy rates ranging from 10.56% to 22.80%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Total	4 <sup>th</sup> Qtr. 2013	10.56%*	15.70%	11.80%	22.80%	15.22%

\*Includes Owner/User

### **Capitalization Rates:**

The following tables demonstrate ranges of capitalization rates and trends that are compiled with information collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in area 510 to develop the income model. The range of capitalization rates in the income model for area 510 reflects the variety of properties in this area. The capitalization rates presented in the following tables aggregate many variables such as quality, condition, location, and leasing class, while the range of capitalization rates typically reflect the building age, quality and competitiveness within a given market with the lower rates applied to those buildings having superior quality, condition, and leasing class and higher cap rates applied to those buildings with inferior quality, condition, and leasing class. Higher cap rates might also be applied to the lesser quality office buildings or to properties that have higher than the normal sub-market vacancy, substantial sub-lease vacancy, or physical issues that require additional capital investment.

<b>SEATTLE / PACIFIC NW CAP RATES</b>						
<b>Source</b>	<b>Date</b>	<b>Location</b>	<b>Office</b>	<b>Industrial</b>	<b>Retail</b>	<b>Remarks</b>
ACLI	Yr. End 2013	Seattle MSA	5.83%	7.05%	7.16%	
		Pacific Region	6.21%	6.93%	6.37%	
PWC / Korpaz	4Q 2013	Seattle Pac. NW	6.61% 6.10% 7.13%	- - -	- - -	Range = 4.20% to 9.00% CBD Office Suburban Office
CBRE: Capital Markets Cap. Rate survey.	2 <sup>nd</sup> Half (2013)					CBRE professional's opinion of where cap rates are likely to trend in the 2 <sup>nd</sup> ½ of 2013 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	5.00% - 5.75% 6.00% - 6.50% 6.00% - 6.75% 7.00% - 8.00% 6.00% - 6.50% 7.50% - 8.50% 6.50% - 7.50% 8.25% - 9.25% - - - - - - - - - - - - - -	- - - - - - - - 5.00% - 5.50% 6.50% - 7.00% 5.50% - 6.00% 7.00% - 7.50% - - - - - - - - - - - -	- - - - - - - - - - - - - 5.00% - 5.75% 6.00% - 7.50% 6.00% - 6.75% 7.00% - 8.50% 6.00% - 7.00% 7.00% - 9.00% 6.75% - 7.50% 8.50% - 10.00% 5.25% - 5.75%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm. w/Grocery) Class A (Neigh./Comm.) – Value Added Class B (Neigh./Comm. w/Grocery) Class B (Neigh./Comm.) – Value Added Class A (Power Centers) Class A (Power Centers) – Value Added Class B (Power Centers) Class B (Power Centers) – Value Added High Street Retail (Urban Core)
IRR: Viewpoint	Yr. End	Seattle	5.50%	-	-	<u>Institutional Grade Properties"</u> CBD Office – Class A

SEATTLE / PACIFIC NW CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
for 2014	2013		6.50% 6.00% 7.50% - - - - - - - -	- - - 5.25% N/A 7.25% N/A - - - -	- - - - - - - 5.25% N/A 6.00% 6.50% 6.25% 6.72%	CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Industrial – Class A Industrial – Class B Flex Industrial – Class A Flex Industrial – Class B Reg. Mall – Class A Reg. Mall – Class B Community Retail – Class A Community Retail – Class B Neighborhood Retail – Class A Neighborhood Retail – Class B
RERC-CCIM: Investment Trends Quarterly	4Q 2013	West Region	8.00% 7.50% - - -	- - 7.30% 7.30% -	- - - - 7.20%	Office CBD Office Suburban Industrial Warehouse Flex Retail
Colliers Office Highlights	Q4 2013	Seattle/PS	8.00% 8.00%	- -	- -	CBD Office Suburban Office
Costar	Yr. End 2013	King County	5.11% 6.14% - - - -	- - 6.02% 6.60% - -	- - - - 6.71% 6.75%	SP=\$1mil. - \$5mil.; Cap. Rate = 1%-10% SP=\$5mil. +; Cap. Rate = 1%-10% SP=\$1mil. - \$5mil.; Cap. Rate = 1%-10% SP=\$5mil. +; Cap. Rate = 1%-10% SP=\$1mil. - \$5mil.; Cap. Rate = 1%-10% SP=\$5mil. +; Cap. Rate = 1%-10%
The Boulder Net Lease Report	4Q 2013	Pacific Region	-	-	6.63%	Big Box “Overall”
Chainlinks Realty Advisors	Q4 2013	Pacific Region	- - - - - -	- - - - - -	6.60% 6.60% 6.00% 5.70% 6.00% 7.30% 7.20%	Shopping Centers All Types Shopping Center (Neigh. & Comm. Cntrs.) Drug Store Quick Service Rest. Jr. Big Box - (20,000/SF – 39,999/SF) Mid. Big Box - (40,000/SF – 79,999/SF) Mega Big Box - (80,000/SF +)

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2013	National	6.26% 7.28% 7.09% - 7.23% 6.10%	7.10% 7.94% 7.61% - 7.99% 6.73%	6.65% 7.28% 7.09% - 7.23% 6.20%	Overall Sq.Ft. - <50k Sq.Ft. - 50k-200k Sq.Ft. - 200K+
PWC / Korpaz	4Q 2013	National	6.45% 6.98% 7.71% - - - - -	- - - 7.83% 6.22% - - -	- - - - - 6.56% 6.67% 6.98%	CBD Office - (4.00% - 9.00%) Sub. Office - (5.00% - 9.50%) Medical Office - (5.50% - 11.00%) Flex/R&D - (6.25% - 10.00%) Warehouse - (5.00 - 7.75%) A+ = 5.46%; A = 5.92%; B+ = 6.71% Power Center - (5.50% - 8.00%) Neigh. Strip Ctrs. - (5.00% - 10.00%)

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
IRR: Viewpoint for 2014	Yr. End 2013	Seattle	7.37% 8.01% 7.68% 8.23% - - - - - - -	- - - - 7.50% 8.09% 8.01% 8.53% - - -	- - - - - - - - 7.01% N/A 7.26% 7.72% 7.41% 7.93%	<u>Institutional Grade Properties</u> CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Industrial – Class A Industrial – Class B Flex Industrial – Class A Flex Industrial – Class B Reg. Mall – Class A Reg. Mall – Class B Community Retail – Class A Community Retail – Class B Neighborhood Retail – Class A Neighborhood Retail – Class B
RERC-CCIM: Investment Trends Quarterly	4Q 2013	National	7.70% 8.00% - - -	- - 7.80% 7.90% -	- - - - 7.50%	Office CBD Office Suburban Industrial Warehouse Flex Retail
Colliers International Office/Industrial Highlights	Q4 2013	National	7.27% 7.81% - - -	- - 7.50% 6.10% 7.22%	- - - - -	CBD Office Suburban Office\ U.S. Total Seattle/Puget Sound West Region
IAAO Webinar Cap. Rate Report	Yr End 2013	National	- - 7.20% - - - - - - -	- - - - - - - - - -	- - - 7.40% 7.20% 7.40% 7.50% 7.20% 6.70% 6.40% 7.00%	<u>“Transactions over \$2.5mil”</u> <u>(Real Cap Anal)</u> Single Tenant Office Big Box Grocery/Supermarket Anchored Strip Malls Unanchored Strip Malls Power Center Drug Stores Malls Average – All Subcategories
Calkain: Net Lease Economic Report	Yr End 2013	National	- - - - -	- - - - -	6.70% 7.10% 6.60% 7.30% 7.45% 5.95%	Overall (Average) Drug Store Quick Service Rest. Restaurant Big Box Banks
The Boulder Group: Net Lease Market Report	4Q 2013	National       West Region	7.70% - - - - - - -	8.00% - - - - - - -	7.02% 7.10% 6.25% 7.50% 7.05% 7.18% 7.58% 6.63%	Overall (Average) Big Box “Overall” Big Box “Investment Grade” Big Box “Non-Investment Grade” Jr. Big Box - (20,000/SF – 39,999/SF) Mid. Big Box - (40,000/SF – 79,999/SF) Mega Big Box - (80,000/SF +) Overall (Average)
Cassidy/Turley: Single Tenant Net Lease Overview	3Q 2013	National	- - - - -	7.60% - - - -	- 6.90% 6.90% 7.60% 7.90% 7.50%	Industrial Drug Store Quick Service Rest. Jr. Big Box - (20,000/SF – 39,999/SF) Mid. Big Box - (40,000/SF – 79,999/SF) Mega Big Box - (80,000/SF +)



## **Physical Inspection Area:**

WAC 458-07-015 4 (a) requires a complete re-inspection of the specialty over a six year period. For the 2014 Assessment Year, annual inspection was performed on all High Tech/Flex properties within Neighborhood 510-20.

## **Ratio Analysis**

Ratio studies were included within this report due to the location and number of sales relative to the size of the specialty population. Of the sixteen improved sales from 1/14/2011 to 10/15/2013, four occurred in 2011, six occurred in 2012, and six in 2013. Of these sales, three were not included in the Ratio Analysis: Two properties were sold in a unique development within significantly larger portfolio sale(s), and one represented triple net investment conditions associated with national tenants. Due to the small sample size, however, the appraisal level and associated ratio analysis distribution was not considered reliable for valuation purposes.

## **Scope of Data**

### **Land Value Data:**

The geographic appraiser in the area in which the specialty property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion.

### **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. All sales considered were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides on the Assessor's website.

## **Improved Parcel Total Values**

### **Sales Comparison Approach Model Description**

The model for sales comparison was based on five data sources from the Assessor's records; occupancy codes, age, quality, size, and location.

Because of the limited number of sales within this specialty, the Sales Approach was used in support of Income Approach valuation ranges. All "Sales Used" were verified, if possible, by a call or interview with either the purchaser or seller inquires within the field, various publications, or by calling associated real estate broker/agents. Characteristic/building data was also verified, if possible, as of the time of sale. Since 2011, there were sixteen improved sales within the High-Tech Specialty assignment. Of those sales, three were concentrated within the Kirkland 405 Corporate Center with an indicated range of \$85.13 to \$177.61 per square foot of building area. Five sales were concentrated in the West Willows area with an indicated range of \$119.85 to \$240.93 per square foot of building area. The high sale involved a REIT acquisition under a triple net investment structure with a long term lease to a national tenant. In addition to the real property component, the REIT purchase typically reflects a credit premium associated with national corporations, long term leases, and structured cash flows atypical to the High Tech/Flex market of the Seattle Metro area. Four sales occurred within the Bothell area with an indicated range of \$125.37 to \$249.95 per square foot of net building area. Two of these sales, also at the high end of the indicated range, were part of several structured portfolio sales of the North Creek Tech Center, and a complete liquidation of the development (\$195.0 MM) by the seller/developer. From a mass appraisal perspective, the above sales are considered a positive reflection of market recovery for valuation purposes, and of national preference for high quality properties/tenants in the Tech Flex market of King County.

### **Sales Comparison Calibration**

Calibration of coefficients utilized for the model applied within the Sales Comparison approach is typically established via analysis of sales within each neighborhood. Sales from supporting geographic neighborhoods are also considered in revalue, as they relate to basic property types and/or use categories (single purpose office buildings, and warehouses, for example). Neighborhoods are treated independent of one another as dictated by the market, and individual prices are implied based on various characteristics deemed appropriate within each sub-market. Specific variables and prices for each neighborhood are discussed in more detail above and listed under "Sales Used" within this report.

### **Cost Approach Model Description**

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based upon annual studies completed by the Marshall Valuation Service. Costs were adjusted to both Western Region and Seattle areas. Marshall & Swift cost calculations are automatically calibrated to data within the Real Property Application of the Assessor's office.

The Cost Approach is typically applied in newer high-tech buildings where market indicators support a cost approach for value (new construction, for example).

## **Cost Calibration**

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

## **Income Capitalization Approach Model Description**

The income approach was considered the most reliable approach for the valuation and equalization of High-Tech/Flex properties, as reasonable income, expense, and capitalization rate data is considered available for application of model methodology. During the sales verification process, attempts are made to obtain income and expense data from parties directly involved with the transaction. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are also surveyed to collect similar data. Whereas disclosure of this information is not required by law, it is often difficult to obtain, and often incomplete or inaccurate. As a supplement, lease information is gathered from Costar or other similar websites. In order to calibrate a credible income model, it was also necessary to consider data from recognized published sources to assist in developing capitalization and lease rates. These publications tend to report data considered relevant for institutional-grade CBD and suburban real estate.

The specialty properties are located throughout King County with a concentration falling between Redmond and Bothell, generally referred to as the Technology Corridor. A map showing the respective parcel locations is included within this report.

The income tables within this specialty summary report are included to demonstrate typical income parameters (Rents, Vacancy, Expenses, and Capitalization Rates) in structuring the High-Tech / Flex Income Model. The model is based on the building size parameters specific to the specialty and is also dependent on effective year built, quality, and location. Vacancy rate, expense rate and capitalization rate ranges have been interpolated from market data.

## **Income Approach Calibration**

The models were calibrated after setting the base rents by using adjustments based on size, effective year built, construction class and quality as recorded in the Assessor's records. Properties were then valued based on the income tables included within this report. Additional factors which may enter into the calculation are excess land, existence of economic units, or other unique features associated to the specific property. Individual property valuation information is available within Assessor records.

Income: Income parameters were derived from the market place through the listed fair market sales as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, Multiple Corporate Real Estate Websites), and opinions expressed by real

estate professionals active in the market. Within the income valuation models, as reflected by the market, the assessor used a triple net lease structure to estimate the assessed value.

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.

Capitalization Rates: Capitalization rates were determined by personal analysis of the sales in the area on sold properties where income information was available, and local and national published market surveys, such as CoStar, The American Council of Insurance Adjustors, Colliers International, Integra Realty Resources among others (tables included above show Seattle/Pacific Northwest & National cap rate sources considered by the assessor).

#### **AREA 510-10 – Bothell / Woodinville**

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	6.75% to 8.25%
Industrial Engineering Space	\$9.20 to \$12.70	15%	7.50%	6.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$5.40 to \$8.40	15%	7.50%	6.75% to 8.25%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$12.70 for the Industrial Engineering Space, and \$5.40 to \$8.40 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 6.75% to 8.25%.

#### **AREA 510-20 – Redmond Close-In / Marymoor**

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.50 to \$17.00	15%	7.50%	6.75% to 8.25%
Industrial Engineering Space	\$9.45 to \$13.00	15%	7.50%	6.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	6.75% to 8.25%

The rental rates per square foot range from \$13.50 to \$17.00 for the office space, \$9.45 to \$13.00 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 6.75% to 8.25%.

## AREA 510-30 – Willows Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	7.00% to 8.50%
Industrial Engineering Space	\$9.20 to \$13.00	15%	7.50%	7.00% to 8.50%
Storage Whse. / Mezz. Stor.	\$5.40 to \$10.00	15%	7.50%	7.00% to 8.50%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$13.00 for the Industrial Engineering Space, and \$5.40 to \$10.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.00% to 8.50%.

## AREA 510-40 – Kirkland / Totem Lake

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$10.50 to \$16.00	20%	7.50%	7.50% to 8.75%
Industrial Engineering Space	\$8.25 to \$12.50	20%	7.50%	7.50% to 8.75%
Storage Whse. / Mezz. Stor.	\$6.00 to \$8.75	20%	7.50%	7.50% to 8.75%

The rental rates per square foot range from \$10.50 to \$16.00 for the office space, \$8.25 to \$12.50 for the Industrial Engineering Space, and \$6.00 to \$8.75 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 20%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 8.75%.

## AREA 510-50 – Overlake / Bellevue

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	6.75% to 8.25%
Industrial Engineering Space	\$9.25 to \$13.00	15%	7.50%	6.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$5.50 to \$9.00	15%	7.50%	6.75% to 8.25%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.25 to \$13.00 for the Industrial Engineering Space, and \$5.50 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 6.75% to 8.25%.

## AREA 510-60 – Issaquah / I-90 Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$14.00 to \$18.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.70 to \$13.50	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$14.00 to \$18.00 for the office space, \$9.70 to \$13.50 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

## AREA 510-70 – South King County

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Whse. Office	\$12.00 to \$15.50	15%	7.50%	7.25% to 8.75%
Mezz. Office	\$8.10 to \$11.35	15%	7.50%	7.25% to 8.75%
Industrial Engineering Space	\$8.10 to \$11.35	15%	7.50%	7.25% to 8.75%
Storage Whse. / Mezz. Stor.	\$4.20 to \$7.20	15%	7.50%	7.25% to 8.75%

The rental rates per square foot range from \$12.00 to \$15.50 for the office space, \$8.10 to \$11.35 for the mezz. office space, \$8.10 to \$11.35 for the Industrial Engineering Space, and \$4.20 to \$7.20 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.25% to 8.75%.

## Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach is considered the most reliable indicator of value when comparable sales were available, however the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, along with data from surveys and publications, and applied to the income model.



The income approach to value was considered to be a reliable indicator of value in most instances. In some instances the market rental applied to a few properties varied from the model but fell within an acceptable range of variation from the established guideline. Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. Implicit within this valuation model, is the recognition of a wide range and continued dynamic change of market conditions as they relate to valuation of parcels which comprise the High Tech/Flex specialty.

## MODEL VALIDATION

### Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel was reviewed and value allocated based on general and specific data as they relate to the market, and neighborhood of each parcel. The Appraiser determines which available value methodology estimate is appropriate, and may adjust for particular characteristics or conditions as they occur within the valuation area.

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

The total assessed value for the 2013 assessment year for Specialty Area 510 was \$2,980,003,400. The total recommended assessed value for the 2014 assessment year is \$3,082,055,300.

Application of these recommended values for the 2014 assessment year resulted in an average total upward adjustment from the 2013 assessment of 3.42%.

	2013 Total Assessed Value	2014 Total Assessed Value	Total Assessed Value Increase	Total % Change in Assessed Value
<b>Total Assessed Values</b>	\$2,980,003,400	\$3,082,055,300	\$102,051,900	3.42%

This total assessed value increase is due in part to slight changes in the local commercial real estate markets. From a High Tech/Flex perspective, the 2014 assessment year reflects continued movement to market stabilization, to include higher quality investment grade properties.

# USPAP Compliance

## 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:*

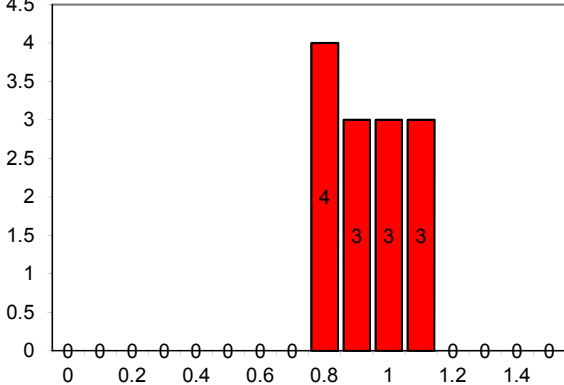
- *The statements of fact contained in this report are true and correct*
  - *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
  - *I have 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.*
  - *Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification, and identifying new construction and recording the corresponding data.*
-



Area 510 - High Tech Flex  
2013 Assessment Year

<i><b>Parcel Number</b></i>	<i><b>Assessed Value</b></i>	<i><b>Sale Price</b></i>	<i><b>Sale Date</b></i>	<i><b>Ratio</b></i>	<i><b>Diff: Median</b></i>
212406-9132	19,124,800	19,947,000	9/13/2011	0.9588	0.0950
212406-9132	19,124,800	22,300,000	9/30/2013	0.8576	0.0062
272605-9025	6,322,900	7,320,000	6/22/2012	0.8638	0.0000
272605-9106	8,600,000	8,450,000	8/31/2012	1.0178	0.1540
362930-0020	7,191,800	10,200,000	4/9/2013	0.7051	0.1587
389060-0030	6,752,100	9,500,000	5/24/2013	0.7107	0.1530
389060-0070	4,206,300	4,000,000	7/29/2011	1.0516	0.1878
389060-0170	4,360,800	4,300,000	1/14/2011	1.0141	0.1504
392700-0090	7,535,900	9,500,000	4/29/2013	0.7933	0.0705
697920-0100	5,419,400	5,452,824	7/13/2012	0.9939	0.1301
697950-0020	10,521,800	12,250,000	12/15/2012	0.8589	0.0049
719895-0080	3,584,000	4,750,000	12/14/2012	0.7545	0.1093
928690-0010	16,455,900	17,400,000	7/29/2011	0.9457	0.0820

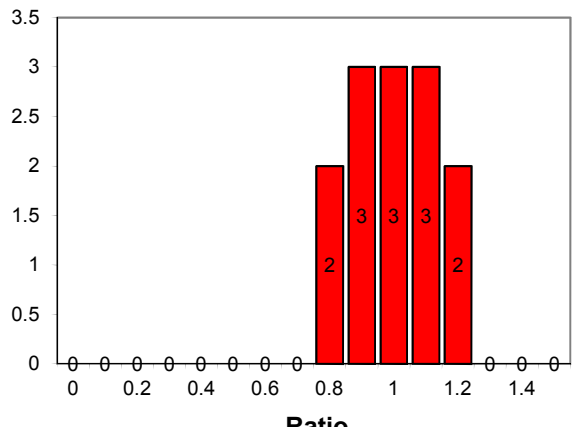
Area 510 - High Tech Flex  
2013 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:																																								
Central Crew	1/1/2013	4/15/2014	1/4/11 - 9/30/13																																								
Area	Appr ID:	Prop Type:	Trend used?: Y / N																																								
510	BZEL	Improvement	N																																								
SAMPLE STATISTICS																																											
Sample size (n)	13	<div>Ratio Frequency</div> 																																									
Mean Assessed Value	9,169,300																																										
Mean Sales Price	10,413,100																																										
Standard Deviation AV	5,530,262																																										
Standard Deviation SP	6,018,662																																										
ASSESSMENT LEVEL																																											
Arithmetic mean ratio	0.887	<div>These figures reflect measurements <u>before</u> posting new values.</div> <table><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table>																																									
Median Ratio	0.864																																										
Weighted Mean Ratio	0.881																																										
UNIFORMITY																																											
Lowest ratio	0.7051																																										
Highest ratio:	1.0516																																										
Coefficient of Dispersion	11.59%																																										
Standard Deviation	0.1201																																										
Coefficient of Variation	13.54%																																										
Price-related Differential	1.01																																										
RELIABILITY																																											
95% Confidence: Median																																											
Lower limit	0.755																																										
Upper limit	1.014																																										
95% Confidence: Mean																																											
Lower limit	0.821																																										
Upper limit	0.952																																										
SAMPLE SIZE EVALUATION																																											
N (population size)	204																																										
B (acceptable error - in decimal)	0.05																																										
S (estimated from this sample)	0.1201																																										
Recommended minimum:	21																																										
Actual sample size:	13																																										
Conclusion:																																											
NORMALITY																																											
Binomial Test																																											
# ratios below mean:	7																																										
# ratios above mean:	6																																										
z:	0																																										
Conclusion:	Normal*																																										
*i.e., no evidence of non-normality																																											

Area 510 - High Tech Flex  
2014 Assessment Year

<i><b>Parcel Number</b></i>	<i><b>Assessed Value</b></i>	<i><b>Sale Price</b></i>	<i><b>Sale Date</b></i>	<i><b>Ratio</b></i>	<i><b>Diff: Median</b></i>
212406-9132	19,124,800	19,947,000	9/13/2011	0.9588	0.0374
212406-9132	19,124,800	22,300,000	9/30/2013	0.8576	0.0638
272605-9025	6,744,400	7,320,000	6/22/2012	0.9214	0.0000
272605-9106	8,600,000	8,450,000	8/31/2012	1.0178	0.0964
362930-0020	7,191,800	10,200,000	4/9/2013	0.7051	0.2163
389060-0030	7,174,100	9,500,000	5/24/2013	0.7552	0.1662
389060-0070	4,469,200	4,000,000	7/29/2011	1.1173	0.1959
389060-0170	4,796,900	4,300,000	1/14/2011	1.1156	0.1942
392700-0090	8,315,500	9,500,000	4/29/2013	0.8753	0.0461
697920-0100	5,980,200	5,452,824	7/13/2012	1.0967	0.1754
697950-0020	11,247,400	12,250,000	12/15/2012	0.9182	0.0032
719895-0080	3,822,900	4,750,000	12/14/2012	0.8048	0.1165
928690-0010	17,528,300	17,400,000	7/29/2011	1.0074	0.0860

Area 510 - High Tech Flex  
2014 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
Central Crew	1/1/2014	4/15/2014	1/4/11 - 9/30/13
Area	Appr ID:	Prop Type:	Trend used?: Y / N
510	BZEL	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	13	<div>Ratio Frequency</div> 	
Mean Assessed Value	9,547,700		
Mean Sales Price	10,413,100		
Standard Deviation AV	5,517,710		
Standard Deviation SP	6,018,662		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.935	<div>These figures reflect measurements <u>after</u> posting new values.</div>	
Median Ratio	0.921		
Weighted Mean Ratio	0.917		
UNIFORMITY			
Lowest ratio	0.7051		
Highest ratio:	1.1173		
Coefficient of Dispersion	11.67%		
Standard Deviation	0.1344		
Coefficient of Variation	14.38%		
Price-related Differential	1.02		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.805		
Upper limit	1.097		
95% Confidence: Mean			
Lower limit	0.862		
Upper limit	1.008		
SAMPLE SIZE EVALUATION			
N (population size)	204		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1344		
Recommended minimum:	25		
Actual sample size:	13		
Conclusion:			
NORMALITY			
Binomial Test			
# ratios below mean:	7		
# ratios above mean:	6		
z:	0		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

## Improvement Sales for Area 510 with Sales Used

04/08/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	392700	0020	38,643	2635837	\$9,658,716	10/15/13	\$249.95	NORTH CREEK TECH CTR - BLDG "C"	R-AC, OP,	1	Y	
510	010	392700	0030	156,087	2588155	\$25,800,000	02/07/13	\$165.29	NORTH CREEK TECH CTR BLDG # 2	R-AC, OP,	3	Y	
510	010	392700	0090	75,773	2602011	\$9,500,000	04/29/13	\$125.37	NORTH CREEK BUSINESS CENTER 1	R-AC, OP,	1	Y	
510	010	697920	0100	43,248	2554658	\$5,452,824	07/13/12	\$126.08	VIXEL	R-AC, OP,	1	Y	
510	020	719895	0080	32,022	2580689	\$4,750,000	12/14/12	\$148.34	SUMMIT VISTA CORPORATION	MP	1	Y	
510	030	272605	9025	61,077	2549895	\$7,320,000	06/22/12	\$119.85	WILLOWS 124 BLDG B	TL 7	1	Y	
510	030	272605	9106	70,082	2562038	\$8,450,000	08/31/12	\$120.57	WILLOWS 124 BLDG A	TL 7	1	Y	
510	030	697950	0020	62,856	2580708	\$12,250,000	12/15/12	\$194.89	QUADRANT WILLOWS COPR CTR - BLDG B	BP	1	Y	
510	030	928690	0010	144,910	2503513	\$17,400,000	07/29/11	\$120.07	WEST WILLOWS TECH CENTER - BLDG A	MP	5	Y	
510	030	928690	0110	166,024	2528278	\$40,000,000	01/31/12	\$240.93	WEST WILLOWS - SEAMED	MP	3	Y	
510	040	389060	0030	53,488	2607717	\$9,500,000	05/24/13	\$177.61	KIRKLAND 405 CORP CTR BLDG B	TL 10A	1	Y	
510	040	389060	0070	33,728	2502942	\$4,000,000	07/29/11	\$118.60	KIRKLAND 405 CORP CTR BLDG F	TL 10A	1	Y	
510	040	389060	0170	50,511	2475542	\$4,300,000	01/14/11	\$85.13	KIRKLAND 405 CORP CTR BLDG W	TL 10A	1	Y	
510	060	212406	9132	133,960	2509358	\$19,947,000	09/13/11	\$148.90	SIEMENS MEDICAL SYSTEMS	PO	1	Y	
510	060	212406	9132	133,960	2633290	\$22,300,000	09/30/13	\$166.47	SIEMENS MEDICAL SYSTEMS	MU	1	Y	
510	060	362930	0020	52,686	2598459	\$10,200,000	04/09/13	\$193.60	12TH & NEWPORT BLDG (APPLIED PRECISION)	R	1	Y	

## Improvement Sales for Area 510 with Sales not Used

04/08/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	697920	0320	95,543	2522881	\$7,400,000	12/16/11	\$77.45	NORTH CREEK CORP CTR BLDG A	AR-AC, OP	1	57	Selling or buying costs affecting sale
510	020	943050	0130	49,765	2603202	\$3,450,000	04/29/13	\$69.33	95 RIVERSIDE PARK "BLDG. B"	MP	1	61	Financial institution resale
510	030	272605	9002	88,300	2490752	\$5,188,000	05/11/11	\$58.75	Sammamish Ridge Tech Center (Buil	IPSO	4	61	Financial institution resale
510	030	272605	9106	131,159	2484004	\$10,250,000	03/25/11	\$78.15	WILLOWS 124 BLDG A/B	I	2	61	Financial institution resale
510	030	697950	0040	53,000	2546267	\$6,095,000	05/31/12	\$115.00	Quadrant Willows Corporate Ctr - Bld	BP	1	60	Short sale
510	030	697950	0040	53,000	2566588	\$6,206,386	09/28/12	\$117.10	Quadrant Willows Corporate Ctr - Bld	BP	1	11	Corporate affiliates
510	050	282505	9141	38,143	2584179	\$8,700,000	01/10/13	\$228.09	ICOM AMERICA INC	LI	2	16	Government agency
510	060	785180	0080	176,609	2564134	\$13,875,000	09/13/12	\$78.56	Phillips	MU	1	46	Non-representative sale
510	070	172280	0285	40,029	2647877	\$4,590,000	12/26/13	\$114.67	HATHAWAY BLDG	IG2 U/85	3	12	Estate administrator, or guardian