

Commercial Revalue

2017 Assessment roll

**HIGH
TECH
AREA 510**

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

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

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

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

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

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

In Service,

John Wilson
King County Assessor

How Property Is Valued

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

What Are Mass Appraisal Techniques?

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

Are Properties Inspected?

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

How are Individual Commercial Properties Valued?

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

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

How is Assessment Uniformity Achieved?

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

tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional financial data sources. With up-to-date market rates we are able to uniformly apply the results to properties based on their unique set of attributes.

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

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

Source: IAAO, *Standard on Ratio Studies*, Table 2-3. www.IAAO.org

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

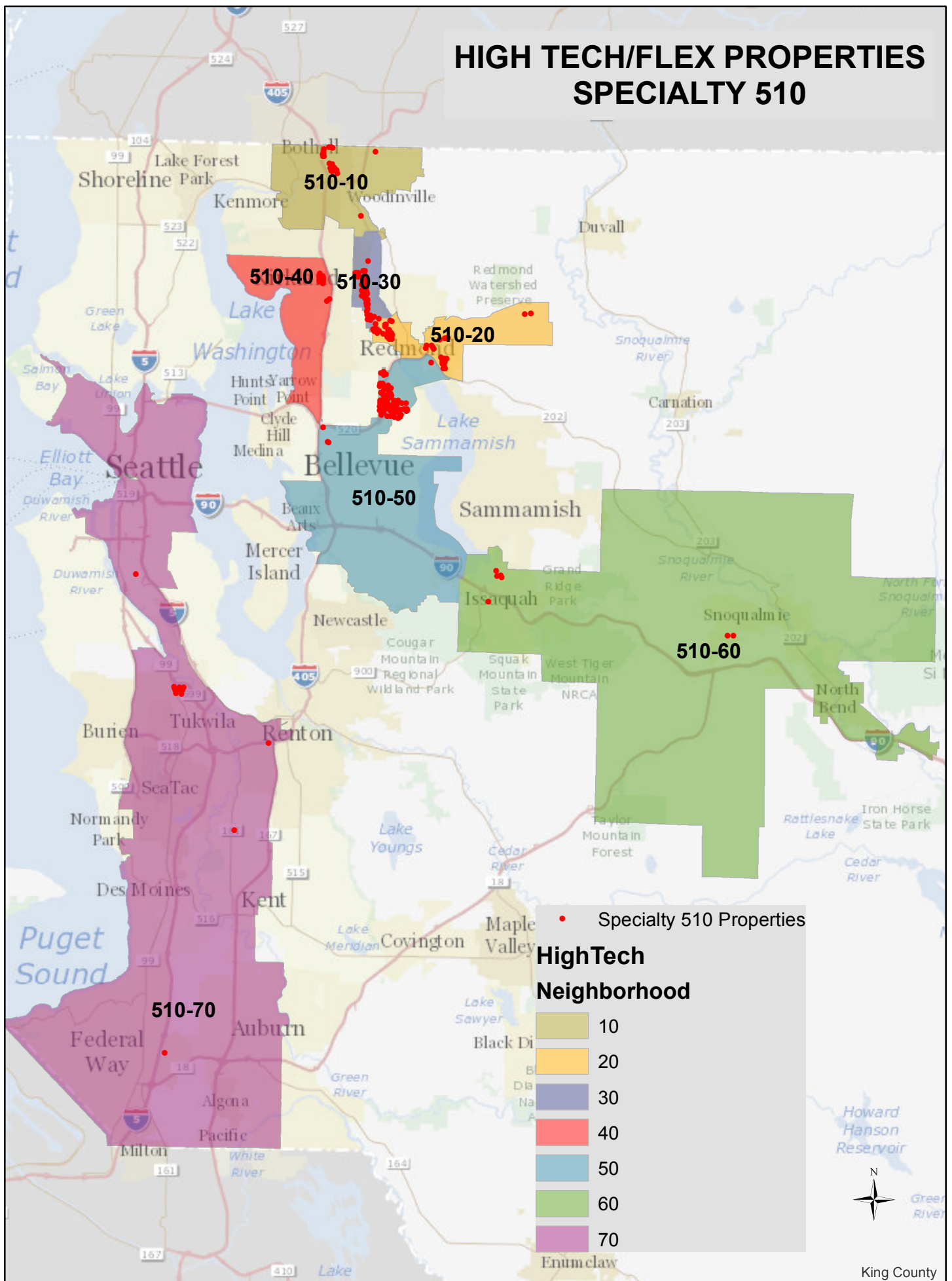
Requirements of State Law

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

Appraisal Area Reports

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

HIGH TECH/FLEX PROPERTIES SPECIALTY 510



2017 ANNUAL REVALUE REPORT

KING COUNTY DEPARTMENT OF ASSESSMENTS

HIGH-TECH/FLEX PROPERTIES



Executive Summary Report

Appraisal Date 1/1/17 - 2018 Assessment Roll

Specialty Name: High-Tech/Flex Properties

Physical Inspection: For the 2017 Assessment Year, annual inspection was performed on all High Tech/Flex properties within Neighborhood 510-50.

Sales – Improved Analysis Summary

- Number of Sales: **16
- Range of Sales Dates: 7/20/2014- 12/28/2016

Sales – Ratio Study Summary:

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. Due to bulk portfolio sales activity, sales involving credit tenants, and REIT acquisition activity, the appraisal ratio analysis and associated uniformity indicators were not considered as reliable as might otherwise be the case, and were de-emphasized for this valuation.

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 consideration, 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 rent levels and vacancy rates, support the overall high-tech/flex valuation for 01/01/2017 as being slightly improved as compared to 01/01/2016 values. Industry data for high-tech/flex properties within the Seattle/King County area used in value allocation resulted in an overall upward adjustment of 7.22%.

Total Population – Parcel Summary Data:

Parcel Summary Data:			
	Land	Imps	Total
2016 Value	\$1,235,457,300	\$2,307,052,300	\$3,542,509,600
2017 Value	\$1,352,290,400	\$2,445,937,000	\$3,798,228,400
Percent Change	+9.46%	+6.02%	+7.22%

- Number of Parcels in the population: **227**

Conclusion and Recommendation:

Assessed values for the 2017 revalue have increased on average 7.22%.

The values recommended in this report improve uniformity and equity; therefore it is recommended they be posted for the 2017 Assessment Year.

Identification of the Area

Name or Designation: High-Tech/Flex Properties: Specialty Area 510

Boundaries: The properties are located throughout King County within seven neighborhoods but are predominantly situated within the Redmond and Bothell/North Creek areas.

Parcel Count: 227

Maps:

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

Area Overview

Specialty 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 (corporate offices of Microsoft and Nintendo are included). The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% office 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.

Tech Flex buildings have been segmented into seven distinct neighborhood regions described by their geographic location, totaling 227 separate tax parcels. Most of these properties (74%) are located in the Redmond and Bellevue/Overlake area, with the remainder located in Bothell (10%), Kirkland (7.5%), Seattle/Federal Way (5.5%), and Snoqualmie/Issaquah (3%). The East King County Tech Flex market, also sees significant leasing activity from smaller tenants, but stands in contrast to that of the broader industrial warehouse market with vacancy rates nearly double that of the eastside and higher than the average for industrial properties within the region.

Market Conditions:

The broader real estate market for warehouse properties in King County continues to tighten due to shrinking inventory and little new product meeting demand. Few quality buildings are on the market which drive prices up and reduce mitigating concessions offered by sellers. As a result, industrial warehouse parcel values are increasing. The Flex Tech market, as a segment of the broader industrial market, is showing increases based upon sales from a general standpoint, however, recent sale patterns continue to reflect bulk portfolio transfers, and/or high quality properties at or near full occupancy with rated tenants, which stands in contrast to the general Tech Flex population.

The Puget Sound area continues to be among the top commercial markets targeted by both private and publicly held companies. Due to lower capital requirements, and associated management and maintenance requirements, industrial properties continue to be considered a prime, sought after real estate investment class. From an investment perspective, and as a submarket of the Industrial Sector, Flex Tech properties are anticipated to reflect continued improvement with decreasing vacancies, increasing rents, and lower capitalization rates reflective of the broader Seattle Metro Industrial Sector activity.

Analysis Process

Effective Date of Appraisal: January 1, 2017

Date of Appraisal Report: May 24, 2017

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best 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.

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

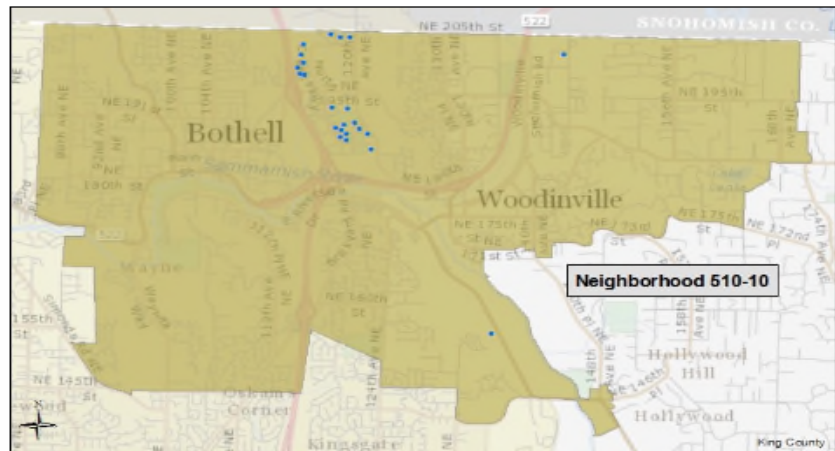
Area Description:

Within the High-Tech/Flex specialty assignment (Area 510), there are seven neighborhoods (Neighborhoods 10 through 70) totaling 227 parcels that have been established for valuation purposes. Of these 227 parcels, approximately 204 parcels are improved, and 23 parcels are vacant. The vacant parcels are typically viewed as contributing economic units contiguous to their respective improved parcels.

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).

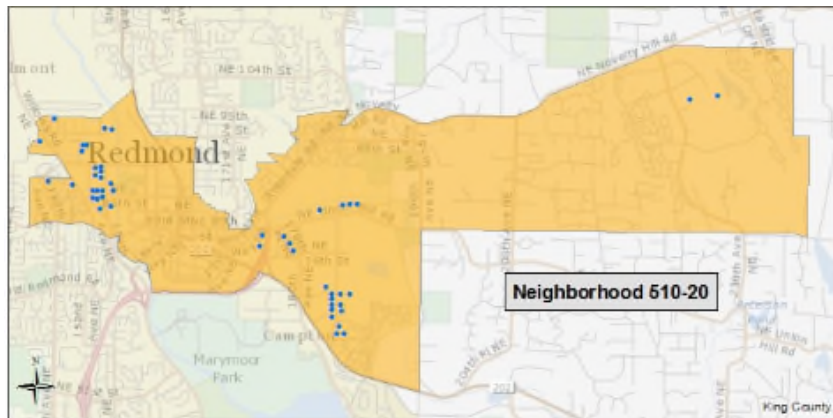
Neighborhood 510-10:

Neighborhood 510-10 is defined as those High-Tech/Flex buildings located within the Bothell (North Creek) and Woodinville neighborhoods within King County. Within geographic neighborhood 510-10, 23 parcels comprise the High-Tech/Flex specialty. The broader commercial and industrial market extends on into the Snohomish County



Canyon Park area to the north. The 510-10 neighborhood buildings range in age from 1979 to 2000, and in Gross Building Area from 16,596 to 173,721 SF, with multiple buildings on some parcels. Predominant use is office. No newly constructed buildings were added to the specialty for the 2017 Assessment Year.

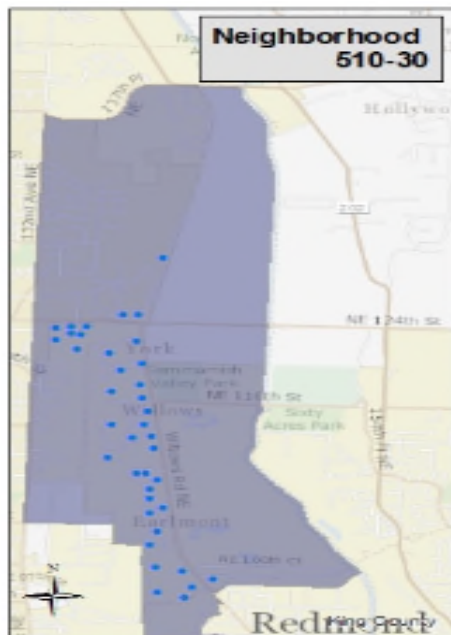
Neighborhood 510-20:



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 47 parcels that are part of the High-Tech/Flex specialty. They are equally distributed around both the Redmond city center and

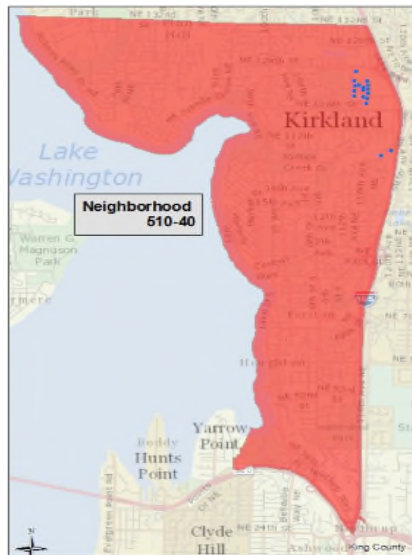
Marymoor Park. Building ages range from 1977 to 2008, and Gross Building Area ranges from 12,240 to 274,848 SF with some parcels having multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2017 Assessment Year.

Neighborhood 510-30:



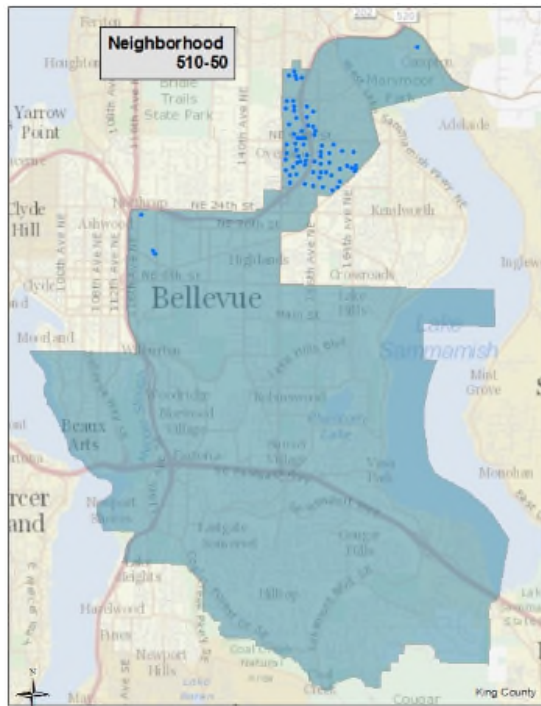
Neighborhood 510-30 is defined as those High-Tech/Flex buildings located within the Redmond (Willows Corridor) neighborhood. Within geographic area 510-30, there are 47 parcels that are part of the High-Tech/Flex specialty which are evenly distributed along Willows Road NE between NE 124th St on the North and NE 87th St on the South. Building age ranges from 1969 to 2008, with Gross Building Areas of 19,195 to 220,253 SF with some parcels have multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2017 Assessment Year.

Neighborhood 510-40:



Neighborhood 510-40 is defined as those High-Tech/Flex buildings located within Kirkland's Totem Lake neighborhood. Within geographic area 510-40, there are 17 parcels that are part of the High-Tech/Flex specialty, and predominantly located near Hwy 405 and NE 124th St. Predominant use is office space, with building ages range from 1966 to 1993, with Gross Building Areas ranging from 17,636 to 60,029 SF. No newly constructed buildings were added to the specialty for the 2017 Assessment Year.

Neighborhood 510-50:

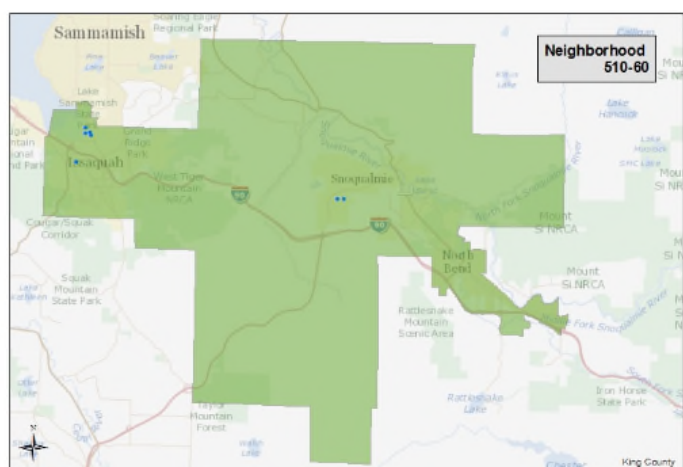


Neighborhood 510-50 is defined as those High-Tech/Flex buildings located within the Redmond (Overlake) and Bellevue (SR-520 & I-90 Corridor) neighborhoods. Within geographic area 510-50, there are 73 parcels that comprise the High-Tech/Flex specialty. This is the largest of the Tech Flex neighborhoods, and includes both Microsoft and Nintendo corporate headquarters. Located within the Overlake area, the neighborhood benefits from the confluence of these two tech employers, associated development under the Overlake Master Plan, and the Spring District's development near Bellevue. The University of Washington announced a partnership this year with the Tsinghua University called the Global Innovation Exchange, which is a graduate study program to be located within the Spring District. With partnership of the Microsoft Corporation, student enrollment is expected to grow to as many as 3,000 students by 2025.

Within this neighborhood the Microsoft Corporation has completed Building #83, a 270,000 SF office building with subterranean parking. Construction was halted during 2011 and the parking garage was capped off due to the negative economic market at that time. Building age ranges from 1960 to 2014 (Bldg. 83), with Gross Building Areas ranging from 17,069 to 1,643,975 SF, and many parcels having large multiple building structures. Predominate use is for office space.

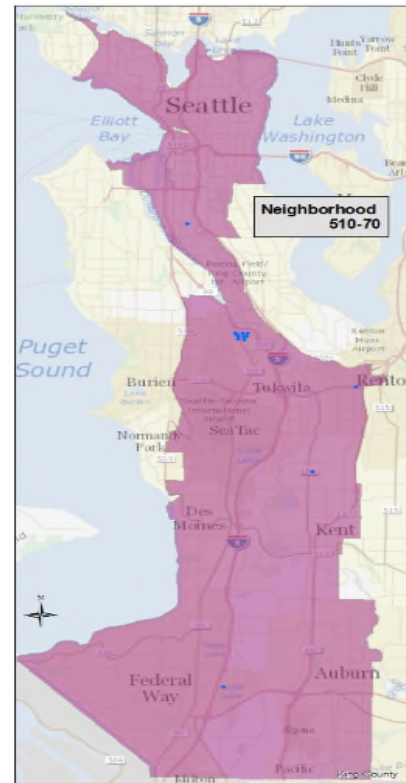
Neighborhood 510-60:

Neighborhood 510-60 is defined as those High-Tech/Flex buildings located within the Issaquah neighborhood. This is the smallest neighborhood within the specialty with 7 parcels. Five are located within the City of Issaquah, and two others are located within a developing commercial district in the City of Snoqualmie. Building age ranges from 1987 to 2000 with Gross Building Areas ranging from 53,555 to 1,285,024 SF, with several parcels having multiple building structures. Predominate use is for office space.



Neighborhood 510-70:

Neighborhood 510-70 is defined as those High-Tech/Flex buildings located within the Seattle, Kent, Auburn, Tukwila, and Federal Way neighborhoods, and demonstrates the market preferences with concentration of Tech Flex properties to the Bellevue/Eastside. Within geographic area 520-70, there are 13 parcels that are part of the High-Tech/Flex specialty. The largest of which is the International Headquarters of the Weyerhaeuser Corporation in Federal Way, a 420 acre campus which includes the Rhododendron Species Botanical Garden and the Pacific Bonsai Museum. With its move to the Pioneer Square area in Seattle, and completion of construction at 200 Occidental, the campus was sold under a multi-parcel sale with a leaseback provision to the Weyerhaeuser Corporation for occupancy of several buildings. Both the garden and museum will remain on campus.



Improved Parcel Total Values

Current Economic Conditions - High Tech/High Flex:

Properties within the Tech/Flex Specialty make up a small portion of the overall Industrial Market. Within the Seattle/Puget Sound Region's broader industrial market, vacancy and rental rates continued to stabilize throughout 2016 with modest increases in some markets.

Vacancy Rates: Vacancy rates continued to decline in 2016 across the Central Puget Sound region for the general Industrial Sector. However, Tech Flex vacancy has remained high in comparison, and stabilized around previous year's level approximating 15%. The Overlake Bellevue Neighborhood (510-50) was an exception, and showed continued relative improvement due to locational influences of development under the Overlake Master Plan and similar activity within the Bellevue Core.

Rental Rates: Rental rates remained relatively stable throughout 2016, with modest increases in markets where vacancy rates support this trend. Newer, well maintained, properties within preferred locations have benefited as tenants gravitate to these properties. Conversely, older and more outdated properties in less desirable locations continue to face difficulty signing tenants, as reflected by their higher vacancy and extended market exposure time prior to lease.

Rental Rates:

The Eastside Tech Flex Market is considered to be on an improving trend supported by the economic recovery of the region. Prior sales of distressed high-tech buildings have shown an increase from previous values, based upon repurposing for owner user occupancy, and/or lower vacancy with increased cash flow for investor managed properties. Credit availability slowly continues to improve for the commercial real estate sector as lending institutions improve their regulatory financial position and real estate lending portfolios. Local and national investment interest continues to increase, as evidenced by general office/industrial construction and sales activity. Sales support investor sentiment in anticipation of positive future benefits, and the Office and Tech/Flex portion of this market is anticipated to benefit from this improving trend, supported by sales, increasing rents, and declining vacancy.

The following chart gives a comparative overview of the current state of the economic conditions for the High Tech High Flex Specialty (510) relative to the broader Office and Industrial markets:

2016 YEAR END			
	OFFICE	INDUSTRIAL	HIGH-TECH
RENTAL RATE	INCREASE	SLIGHT INCREASE	SLIGHT INCREASE
VACANCY	STABLE to SLIGHT DECREASE	STABLE to SLIGHT DECREASE	STABLE
CAPITALIZATION RATE	DECREASE	DECREASE	DECREASE
IMPROVED PROPERTY VALUES	INCREASE	INCREASE	INCREASE
LAND VALUES	INCREASE	INCREASE	INCREASE

The following is a broad based survey of asking rents within the Seattle/Eastside/South End markets for Office and Industrial type properties relating to the Tech Flex Specialty.

Office: During 2016, surveyed area market reports indicate general increases over last year within the eastside market (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah). To retain tenants, however, landlords remain flexible in offering leasing concessions. Surveyed market reports indicate Eastside “Class A” office space (full service) rents averaged \$34.05/sf, while rents (full service) in all classes averaged \$31.92/sf. Bellevue CBD had reported “Class A” rents averaged \$41.23/sf, while office rents of all classes averaged \$40.93/sf

Property Type (Class)	2016 - 4 th Qtr. Asking Rents Eastside Suburban	2016 - 4 th Qtr. Asking Rents (Bellevue CBD)
Class A	\$34.05	\$41.23
All Classes	\$31.92	\$40.93

Cushman & Wakefield: Office Survey, Q4 2016

Industrial/Flex: For Year 2016, typical Industrial/Flex-tech asking lease rates stabilized and were considered unchanged from the previous year. Surveyed market reports indicate typical industrial/warehouse rents ranged from \$7.68/sf to \$20.16/sf, and flex-tech space (blended - office + industrial space) ranged from \$6.60/sf to \$24.00/sf.

Property Type	2016 - 4 th Qtr. Asking Rents (Bellevue)
Industrial/Warehouse	\$7.68 – \$20.16
Flex-Tech (Blended)	\$6.60 – \$24.00

Cushman & Wakefield: Industrial Survey, Q4 2016

Vacancy Rates:

Office: During 2016, surveyed area market reports indicate improvement 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 6.6% to 12.0%.

	Eastside 4th Qtr. Vacancy Report	Office Space.Com	CoStar	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Direct	4th Qtr. 2016	12.0%	6.6%	8.6%	9.2%	9.10%

Industrial/Flex: Economic market surveys indicate that the overall Eastside Industrial Market area experienced improving direct vacancy rates ranging from 3.1% to 9.97%, with Tech Flex vacancy ranging from 11.95% to 12.8%.

	Eastside 4th Qtr. Vacancy Report	OfficeSpace.Com	CoStar	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Total	4 th Qtr. 2016	9.97% 11.95% (Flex all markets)	Whse. 3.1% Flex 5.2%	3.8%	5.5% 12.8 (Flex All County)	5.59% 12.38%(Flex)

Capitalization Rates:

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

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

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

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

Ratio Analysis

Given the small sample size, particularly in comparison to the recommended minimum for this data set, appraisal ratio and associated distribution analysis was not considered representative of the Tech Flex population, and not included for valuation purposes. Please refer to the sales discussion under **Sales Comparison Approach Model Description** below.

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

Because of the large number of portfolio sales within this specialty (reflected not only in Sales Used, but also Sales Not Used), a Sales Model was not applied in support of Income Approach valuation ranges for the 2017 Assessment Year. All "Sales Used" were verified, if possible, by contacting either the purchaser or seller review of 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 2014, there were sixteen improved sales within the High-Tech Specialty assignment. Of those sales, two were concentrated within the North Creek area of the Bothell/Woodinville neighborhood (510-10), with an indicated range of \$134.61 to \$175.32 per square foot of building area. The lower of these two sales were part of several structured portfolio transactions during the sale of the entire development by the seller/developer. The higher sale was subsequently segregated and changed the physical property characteristics for purposes of ratio analysis. The second concentration of two sales occurred in the Close-In Redmond neighborhood (510-20), with an indicated range of \$161.48 to \$166.78 per square foot, one of which was a multi-parcel transfer of 16 contiguous parcels. The largest concentration of sales (7) occurred in the Willows Corridor neighborhood (510-30), with an indicated range of \$151.11 to \$205.02 per square foot. These seven sales included the transfer of eleven parcels, nine of which were associated with a portfolio transfer. Two sales occurred in the Kirkland Totem Lake neighborhood (510-40) with an indicated range of \$150.24 to \$156.30 per square foot. Two sales occurred within the Bellevue Overlake neighborhood with an indicated range of \$218.54 to \$419.33 per square foot. Both of the 510-50 sales were within immediate proximity to the Microsoft Campus and were influenced by the credit ratings of tenants. The last sale occurred within the Issaquah neighborhood (510-60) with an indicated value of \$218.54 per square foot.

In terms of sale frequency, ten of the 16 sales (63%) were associated with portfolio transfers, credit tenancy, or segregation activity. This also represents 30 of 37, or 81%, from the perspective of parcels transferred over the 2014 through 2016 sales period. Portfolio “Sales Used” reflect arms-length transactions of contiguously located parcels with similar building types (Tech Flex/Warehouse), and which may or may not reflect REIT acquisition (public or private).

Although not applied for ratio study purposes, the “Sales Used” were considered to support income model valuation, and reflect benchmarks for continued market recovery and the national interest in high quality properties and tenants of the Tech Flex market of King County and the greater Puget Sound area, in the appraiser’s opinion.

Sales Comparison Calibration

Since there was no sales comparison model developed, no sales comparison calibration was performed. 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 may also be 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 determined as “Used or “Not Used” based on various characteristics appropriate within each sub-market. Specific variables and prices for each neighborhood are discussed in more detail above with sales 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. The model is additionally meant to reflect general market characteristics, in that the value allocation method is based upon a net lease rent structure as applied to Class B building types typical throughout the specialty.

Income Approach Calibration

The models were calibrated after setting base rents and 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, along with several other corporate real estate websites), and opinions expressed by real estate professionals active in the market. Within the income valuation model, as reflected by the market, the assessor applied a triple net lease structure assumption for value allocation.

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).

The following tables outline general income parameters applied within the income model for the Tech Flex parcel population. Neighborhoods 510-10, 20, and 30 were combined due to relatively similar characteristics.

AREA 510 Neighborhoods 10/20/30 – Bothell / Redmond / Willows

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$14.50 to \$16.50	15%	7.50%	6.75% to 7.50%
Industrial Engineering Space	\$10.55 to \$12.45	15%	7.50%	6.75% to 7.50%
Storage Whse. / Mezz. Stor.	\$6.00 to \$8.40	15%	7.50%	6.25% to 7.50%

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	\$14.50 to \$15.00	15%	7.50%	7.00% to 7.25%
Industrial Engineering Space	\$11.25 to \$11.50	15%	7.50%	7.00% to 7.25%
Storage Whse. / Mezz. Stor.	\$8.00 to \$8.25	15%	7.50%	7.00% to 7.25%

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	\$15.50 to \$18.00	10%	7.50%	6.50% to 6.75%
Industrial Engineering Space	\$12.00 to \$13.50	10%	7.50%	6.50% to 6.75%
Storage Whse. / Mezz. Stor.	\$7.50 to \$9.00	10%	7.50%	6.50% to 6.25%

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	\$16.00 to \$18.00	15%	7.50%	7.75% to 8.25%
Industrial Engineering Space	\$11.30 to \$12.95	15%	7.50%	7.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$6.60 to \$8.40	15%	7.50%	7.75% to 8.25%

AREA 510-70 – South King County

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Whse. Office	\$13.50 to \$15.00	15%	7.50%	7.50% to 8.00%
Mezz. Office	\$9.15 to \$10.80	15%	7.50%	7.50% to 8.00%
Industrial Engineering Space	\$9.15 to \$10.80	15%	7.50%	7.50% to 8.00%
Storage Whse. / Mezz. Stor.	\$4.80 to \$6.60	15%	7.50%	7.50% to 8.00%

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, or sales approach is considered a reliable indicator of value when comparable sales are available and reflective of the population, however the income approach was applied to most parcels in order to better equalize property valuation levels for the 2017 Assessment Year. However, the market approach was considered as a benchmark guideline in support of income modeling. Where 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 given the most weight, as it was considered to be a more reliable indicator for valuation and equalization within the Tech Flex Specialty. In some instances market rents 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 valuation range, with associated change of market conditions as they relate to valuation of individual parcels within 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 2016 assessment year for Specialty Area 510 was \$3,542,509,600. The total recommended assessed value for the 2017 assessment year is \$3,798,228,400.

Application of these recommended values for the 2017 assessment year would result in an upward adjustment from the 2016 assessment level of 7.22%.

	2016Total Assessed Value	2017 Total Assessed Value	Total Assessed Value Increase	Total % Change in Assessed Value
Total Assessed Values	\$3,542,509,600	\$3,798,228,400	\$255,718,800	+7.22%

The assessed value increase is due in part to improvement of the local commercial real estate market within the region. From a High Tech/Flex perspective, the 2017 assessment year reflects continued market improvement, supported by sales of 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, 3rd 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 High-Tech Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

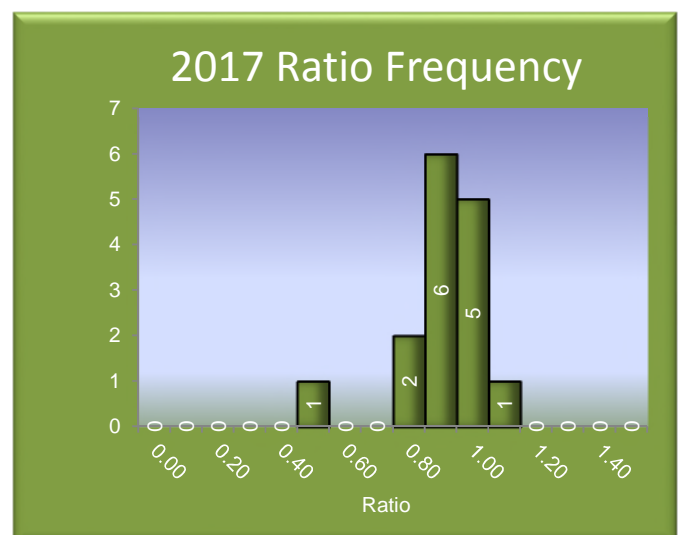
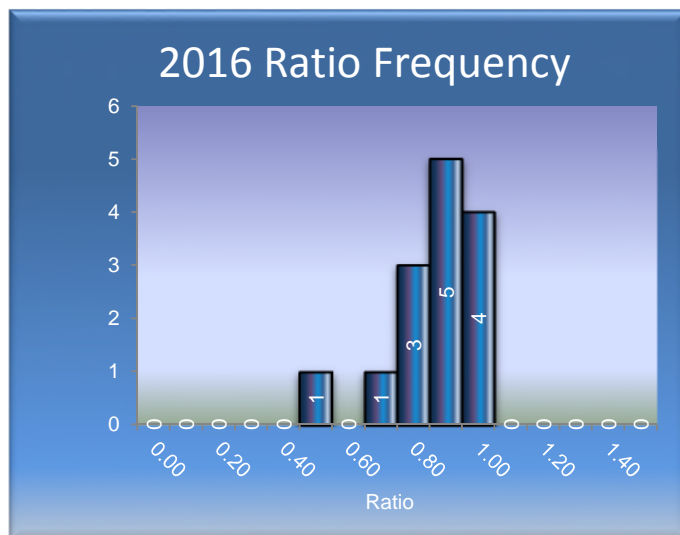
Pre-revalue ratio analysis compares sales from 2014 through 2016 in relation to the previous assessed value as of 1/1/2016.

PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	14
Mean Assessed Value	\$25,722,400
Mean Adj. Sales Price	\$33,493,000
Standard Deviation AV	\$34,013,439
Standard Deviation SP	\$42,186,017
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.802
Median Ratio	0.815
Weighted Mean Ratio	0.768
UNIFORMITY	
Lowest ratio	0.4538
Highest ratio:	0.9463
Coefficient of Dispersion	11.20%
Standard Deviation	0.1298
Coefficient of Variation	16.19%
Price Related Differential (PRD)	1.04

POST-REVALUE RATIO ANALYSIS

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

POST REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	15
Mean Assessed Value	\$26,183,600
Mean Sales Price	\$32,259,500
Standard Deviation AV	\$33,964,488
Standard Deviation SP	\$40,931,231
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.860
Median Ratio	0.887
Weighted Mean Ratio	0.812
UNIFORMITY	
Lowest ratio	0.4927
Highest ratio:	1.0164
Coefficient of Dispersion	10.02%
Standard Deviation	0.1309
Coefficient of Variation	15.22%
Price Related Differential (PRD)	1.06



Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	392700	0090	75,773	2682198	\$10,200,000	07/20/14	\$134.61	NORTH CREEK BUSINESS CENTER 1	R-AC, OP, CB, LI	1	Y	
510	010	697920	0250	101,531	2834760	\$17,800,000	11/18/16	\$175.32	QUADRANT PARKSIDE CTR BLDGS 3 & 4	R-AC, OP, CB, LI	2	29	Seg/merge after sale; not in ratio
510	020	659980	0010	767,486	2795195	\$128,000,000	05/10/16	\$166.78	WESTPARK	MP	16	Y	Bulk Portfolio Sale
510	020	720100	0010	126,328	2798464	\$20,400,000	05/26/16	\$161.48	REDMOND HEIGHTS TECH CENTER A B C	BP	2	Y	
510	030	272605	9037	31,765	2710769	\$4,800,000	01/09/15	\$151.11	QUADRANT TECH CENTER BLDG #C	BP	1	Y	
510	030	697950	0020	62,856	2841823	\$11,885,815	12/28/16	\$189.10	Quadrant Willows Corporate Ctr - Bldg B	BP	1	Y	Portfolio Sale
510	030	697950	0030	69,072	2783004	\$13,547,500	03/03/16	\$196.14	Quadrant Willows Corporate Ctr - Bldg C	BP	1	Y	Portfolio Sale
510	030	697950	0040	53,000	2841830	\$10,436,685	12/28/16	\$196.92	Quadrant Willows Corporate Ctr - Bldg D	BP	1	Y	Portfolio Sale
510	030	697950	0050	59,007	2783005	\$12,097,500	03/03/16	\$205.02	Quadrant Willows Corporate Ctr - Bldg E	BP	1	Y	Portfolio Sale
510	030	928690	0010	166,218	2721722	\$28,500,000	03/31/15	\$171.46	WEST WILLOWS TECH CENTER - BLDG A	MP	5	Y	Portfolio Sale
510	030	943005	0040	79,072	2729643	\$14,990,000	05/06/15	\$189.57	WILLOWS COMMERCE PARK - BLDG C	BP	1	Y	
510	040	332605	9243	51,584	2782263	\$7,750,000	02/26/16	\$150.24	Pathway Medical Tech	TL 10E	1	Y	
510	040	389060	0080	31,031	2796244	\$4,850,000	05/10/16	\$156.30	KIRKLAND 405 CORP CTR BLDG G	TL 10A	1	Y	
510	050	142505	9020	146,255	2810718	\$36,985,000	07/20/16	\$252.88	REDMOND WOODS	OBAT	1	Y	Credit Tenant
510	050	644830	0050	122,100	2726572	\$51,200,000	04/28/15	\$419.33	MICROSOFT BLDG 110	OBAT	1	Y	Credit Tenant
510	060	212406	9067	586,844	2710683	\$128,250,000	01/21/15	\$218.54	Sammamish Park Place	MU	1	Y	

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	697920	0250	50,739	2834765	\$5,500,000	11/18/16	\$108.40	QUADRANT PARKSIDE CTR BLDGS 3 & 4	R-AC, OF	1	17	Non-profit organization
510	020	072506	9131	83,029	2744967	\$11,432,796	07/15/15	\$137.70	DIGITAL SYSTEMS	BP	1	59	Bulk portfolio sale
510	020	719895	0030	80,420	2744973	\$11,615,770	07/15/15	\$144.44	REDMOND EAST BUSINESS CAMPUS BLDG #1	MP	1	59	Bulk portfolio sale
510	020	719895	0060	68,679	2744971	\$9,696,375	07/15/15	\$141.18	REDMOND EAST BUSINESS CAMPUS BLDG #5	MP	1	59	Bulk portfolio sale
510	020	719895	0110	54,896	2744963	\$7,758,342	07/15/15	\$141.33	REDMOND EAST BUS CAMPUS BLDG #16	MP	1	59	Bulk portfolio sale
510	020	719895	0130	35,091	2744965	\$4,954,287	07/15/15	\$141.18	REDMOND EAST BUSINESS CAMPUS	MP	1	59	Bulk portfolio sale
510	020	719895	0140	44,376	2744968	\$5,992,130	07/15/15	\$135.03	REDMOND EAST BUSINESS CAMPUS - BLDG #13	MP	1	59	Bulk portfolio sale
510	020	719895	0160	32,508	2744969	\$4,589,609	07/15/15	\$141.18	REDMOND EAST BUSINESS CAMPUS - MICROWAVE INC	MP	1	59	Bulk portfolio sale
510	020	719897	0020	90,880	2744997	\$14,289,543	07/15/15	\$157.24	REDMOND HILLTOP OFFICE - CONCUR TECHNOLOGY	BP	2	59	Bulk portfolio sale
510	030	942810	0010	95,441	2744999	\$14,893,497	07/15/15	\$156.05	Willow Creek Corp. Center - Building G	BP	1	59	Bulk portfolio sale
510	030	942810	0020	50,028	2744986	\$7,669,941	07/15/15	\$153.31	Willow Creek Corp. Center - Building #2	BP	1	59	Bulk portfolio sale
510	030	942810	0030	49,194	2744977	\$7,670,096	07/15/15	\$155.92	Willow Creek Corp. Center - Building #3	BP	1	59	Bulk portfolio sale
510	030	942810	0040	42,738	2744981	\$6,657,417	07/15/15	\$155.77	Willow Creek Corp. Center - Building #4	BP	1	59	Bulk portfolio sale
510	030	942810	0050	49,122	2744980	\$7,651,871	07/15/15	\$155.77	Willow Creek Corp. Center - Building #5	BP	1	59	Bulk portfolio sale
510	030	942810	0060	66,569	2744983	\$10,350,946	07/15/15	\$155.49	Willow Creek Corp. Center - Building #6	BP	1	59	Bulk portfolio sale
510	030	942810	0070	66,449	2744989	\$10,350,946	07/15/15	\$155.77	Willow Creek Corp. Center - Building #7	BP	1	59	Bulk portfolio sale
510	040	389060	0110	19,283	2783286	\$10,400,000	03/03/16	\$539.34	KIRKLAND 405 CORP CTR BLDG J	TL 10A	1	64	Sales/leaseback
510	050	249990	0020	102,704	2834124	\$109,990,808	11/10/16	\$1,070.95	LAGUNA NORTH EXCHANGE LLC	OBAT	3	59	Bulk portfolio sale
510	050	644820	0010	228,036	2834118	\$93,999,905	11/13/16	\$412.22	Daytona Bldg. + Daycare Center	OBAT	1	59	Bulk portfolio sale
510	060	212406	9003	93,036	2832145	\$12,880,000	11/01/16	\$138.44	Sammamish Park Place - Bldg A	MU	1	63	Sale price updated by sales id group
510	060	212406	9131	102,585	2832146	\$12,756,000	11/01/16	\$124.35	Sammamish Park Place - Bldg B	MU	1	63	Sale price updated by sales id group
510	060	212406	9131	195,621	2794191	\$21,000,000	05/02/16	\$107.35	Sammamish Park Place - Bldg B	MU	2	61	Financial institution resale
510	070	162104	9013	751,920	2779463	\$70,500,000	02/04/16	\$93.76	WEYERHAEUSER TECH CTR	CP-1	16	64	Sales/leaseback

2017 HIGH TECH HIGH FLEX INSPECTION LIST

NEIGHBORHOOD 510 - 050

Major	Minor	PropName	Address
067310	0004	Microsoft Buildings #40, #41 & Cafeteria	15563 NE 31ST ST
067310	0010	Microsoft Building #22	3050 152ND AVE NE
109910	0001	VACANT - EASEMENT Assoc w/ -0025	1425 120TH AVE NE
109910	0005	VACANT COMMERCIAL LAND	No Situs Address
142505	9010	VACANT - (ECON. UNIT FOR MINOR #9054) -	15200 NE 40TH ST
142505	9012	NINTENDO OF AMERICA	4900 150TH AVE NE
142505	9014	VACANT - (ECON. UNIT FOR MINOR #9100 & #	15200 NE 40TH ST
142505	9020	REDMOND WOODS	5000 148TH AVE NE
142505	9021	NINTENDO OF AMERICA - Economic unit with	No Situs Address
142505	9054	Microsoft Building #122	15120 NE 40TH ST
142505	9061	Microsoft Building #127 (Visitors Center	4400 148TH AVE NE
142505	9068	Microsoft Building #50	4001 156TH AVE NE
142505	9100	Microsoft Building #121	15220 NE 40TH ST
142505	9111	Microsoft #120 (Former State Farm Bldg.)	15320 NE 40TH ST
142505	9125	VACANT - MICROSOFT (ECON. UNIT FOR MINOR	4201 156TH AVE NE
142505	9140	NEW NINTENDO CORPORATE HEADQUARTERS	No Situs Address
142505	9141	Microsoft Building #123	4200 150TH AVE NE
218250	0010	MICROSOFT REDWEST BLDGS A, C, & F	5600 148TH AVE NE
218250	0020	MICROSOFT REDWEST BLDG B	5600 148TH AVE NE
218250	0030	MICROSOFT REDWEST BLDG D	5600 148TH AVE NE
218250	0035	MICROSOFT REDWEST BLDG E	5600 148TH AVE NE
218250	0040	MICROSOFT - GARAGE	No Situs Address
232505	9049	Microsoft Buildings #42, #43 & #44 & Caf	15590 NE 31ST ST
232505	9120	VACANT - ECON. UNIT FOR MINOR #9049	No Situs Address
249990	0010	Microsoft Buildings (Cedar Court) #112,	14865 NE 31ST WAY
249990	0020	LAGUNA NORTH EXCHANGE LLC	15011 NE 36TH ST
249990	0030	LAGUNA SOUTH BLDG (Honeywell Building)	14980 NE 31ST WAY
255290	0015	NINTENDO OF AMERICA	5001 150TH AVE NE
255290	0050	VACANT - NINTENDO	5000 150TH AVE NE
282505	9141	ICOM AMERICA INC	2380 116TH AVE NE
519550	0090	MICROSOFT ARCADE	17760 NE 67TH CT
550300	0010	Microsoft Buildings #26 & #27 + Parking	3089 157TH PL NE
550300	0020	Microsoft Parking Lot (Econ. Unit for Mi	No Situs Address
550300	0030	Microsoft Building #11 (Econ. unit on mi	3301 157TH AVE NE
550300	0040	Microsoft Building #11A & #24	3401 157TH AVE NE
550300	0050	Microsoft Building #19	15660 NE 36TH ST
550300	0060	Microsoft Building #20	3709 157TH AVE NE
550300	0070	Microsoft Building #25 + Parking Garage	15700 NE 39TH ST
550300	0080	Microsoft Parking Lot (Econ. Unit for Mi	No Situs Address
550300	0090	Econ. Unit for #0130 - (Parking Lot, Roa	No Situs Address
550300	0100	Microsoft Building #16, #17, #18	15701 NE 39TH ST

2017 HIGH TECH HIGH FLEX INSPECTION LIST

NEIGHBORHOOD 510 - 050

Major	Minor	PropName	Address
550300	0110	Microsoft Building #21	3925 159TH AVE NE
550300	0120	Microsoft Building #28	3028 157TH PL NE
550300	0130	Microsoft Building #8, #9, #10 + Cafe (E	3460 157TH AVE NE
550300	0140	Vacant Lot	No Situs Address
550300	0150	Microsoft Building #37 + Parking Garage	No Situs Address
550300	0160	Microsoft Building #1, #2, #3, #4, #5, #	16011 NE 36TH WAY
550300	0170	Microsoft Building #33, #34, #35, Cafete	16070 NE 36TH WAY
550300	0180	Microsoft Building #36	16255 NE 36TH WAY
550300	0190	Vacant Lot - Econ. Unit for parcel #0180	No Situs Address
550300	0200	Vacant Lot - Econ. Unit for parcel #0180	No Situs Address
550300	0210	Vacant Lot - Econ. Unit for parcel #0180	No Situs Address
550300	0220	Vacant Lot - Econ. Unit for parcel #0180	No Situs Address
550300	0230	Microsoft Building #30, #31, #32, Cafe +	3910 163RD AVE NE
550350	0010	Microsoft Bldg. #96	15101 NE 40TH ST
550350	0020	Microsoft Bldg. #97	15291 NE 40TH ST
550350	0030	Microsoft Bldgs. #98-North, #98-South,	15010 NE 36TH ST
550350	0040	Microsoft Bldg. #95 (Econ. Unit #0080)	3640 150TH AVE NE
550350	0050	Microsoft Bldg. #94	15030 NE 36TH ST
550350	0060	Econ. Unit For Minor #0070 (Microsoft Bl	No Situs Address
550350	0070	Microsoft Bldg. #92 (Econ. Unit #0060)	15010 NE 36TH ST
550350	0080	Econ. Unit For Minor #0040 (Microsoft B	No Situs Address
644820	0010	Daytona Bldg. + Daycare Center	14850 NE 31ST CIR
644820	0030	Honeywell	15001 NE 31ST WAY
644830	0010	Microsoft Building #99	No Situs Address
644830	0050	MICROSOFT BLDG 110	15050 NE 36TH ST
644830	0111	Microsoft Buildings #118 & #119 (Lakerid	3900 148TH AVE NE
644830	0112	Microsoft Buildings #116 & #117 (Lakerid	3800 148TH AVE NE
750311	0010	Microsoft Building #88 (Olympic Bldg.)	5069 154TH PL NE
750311	0020	MICROSOFT BLDGS. #84-SHASTA, #85-ADAMS,	4514 154TH PL NE
750311	0030	MICROSOFT BLDGS. #87-PACIFIC	4729 154TH PL NE
750311	0040	SAFECO - COLUMBIA BUILDING	15319 154TH PL NE
750311	0050	MICROSOFT BUILDING #83 AND UNDERGROUND	No Situs Address