

## **Executive Summary Report**

**Appraisal Date 1/1/08 - 2008 Assessment Roll**

**Specialty Name: Business Parks**

**Previous Physical Inspection: 1/2007**

### **Sales – Improved Analysis Summary:**

Number of Sales: 27

Range of Sales Dates: 1/2005 – 1/2008

<b>Sales – Ratio Study Summary:</b>				
	<b>Mean Assessed Value</b>	<b>Mean Sales Price</b>	<b>Ratio</b>	<b>COV*</b>
<b>2007 Value</b>	\$9,586,900	\$11,273,900	85.00%	20.47%
<b>2008 Value</b>	\$10,632,000	\$11,273,900	94.30%	13.91%
<b>Change</b>	+\$1,045,100		+9.30 %	- 6.56%
<b>% Change</b>	+ 10.90%		+ 10.94 %	- 32.05%

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

Sales used in Analysis: All improved sales that were verified as good that included land, and were not leased back to the seller, and have not been renovated, segregated or merged since being purchased, were included in the analysis.

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

<b>Population – Parcel Summary Data:</b>			
	<b>Land</b>	<b>Imps</b>	<b>Total</b>
<b>2007 Value</b>	\$449,247,500	\$894,651,200	\$1,343,898,700
<b>2008 Value</b>	\$578,812,600	\$849,975,800	\$1,428,788,400
<b>Percent Change</b>	+ 28.84 %	- 4.99 %	+ 6.32 %

Number of Parcels in the Ratio Study Population: 277

### **Conclusion and Recommendation:**

The values recommended in this report improve uniformity, assessment level and equity, therefore it is recommended they should be posted for the 2008 Assessment Roll.

### **Client and Intended Use of the Appraisal:**

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes. The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.*

### **Definition and date of value estimate:**

#### **Market Value**

*The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65). The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)*

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

**RCW 84.40.030** *All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*

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

**WAC 458-07-030 (3) True and fair value -- Highest and best use.** *Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

*If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))*

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

### **Date of Value Estimate**

*All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]*

*The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]*

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

### **Property rights appraised:**

#### **Fee Simple**

**Wash Constitution Article 7 § 1 Taxation:** *All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.*

**Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)** *"the entire [fee] estate is to be assessed and taxed as a unit"*

**Folsom v. Spokane County, 111 Wn. 2d 256 (1988)** *"the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee"*

*The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."*

## **Assumptions and Limiting Conditions:**

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
13. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
14. *I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
15. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

**Scope of Work Performed:**

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

**CERTIFICATION:**

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification.*

---

**Senior Commercial Appraiser**  
**Carol J. Venetiou**

**Date**

## **Analysis Process**

***Effective Date of Appraisal:*** January 1, 2008

***Date of Appraisal Report:*** June, 26, 2008

### ***Responsible Appraiser***

The following appraiser did the valuation of this specialty:  
Carol J. Venetiou – Senior Commercial Appraiser

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

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

**As if improved:** Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

**Standards and Measurement of Data Accuracy:** Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

### ***Special Assumptions and Limiting Conditions***

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

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

## **Identification of the Area**

**Name or Designation: Specialty Area 520: Business Parks**

### **Boundaries:**

All of King County

### **Maps:**

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

### **Area Description:**

The Business Park Specialty Properties are defined as being mostly multi-tenant properties and are generally of a low-rise architectural style with twelve to sixteen foot building heights. The frontage or street exposure tends to have the glass curtain wall and entry to the office space. In the rear of the buildings are roll up doors and access to the warehouse and/or light industrial space. They are also defined by their build-out ratio which is below the 40%, typical of High-Tech, and above the minimal 15% to 20% office build out typical of distribution warehousing and light industrial uses.

The concentration of business parks is in the Kent Valley (Kent, Auburn, & Tukwila) and the Sammamish Valley (Redmond & Woodinville) with a scattering of properties around King County in Bellevue, Renton, Issaquah, Preston, and the South Seattle Industrial area. There are five neighborhoods that have been established for valuation purposes in this specialty.

### **Neighborhood 520-10:**

#### **Boundaries:**

Neighborhood 520-10 is generally defined as those business park buildings that are located within the Kirkland (Totem Lake), and Redmond (Willows/Marymoor) neighborhoods. Within geographic area 520-10, there are 85 parcels that comprise approximately 31% of the business park specialty.



**Neighborhood 520-20:**

**Boundaries:**

Neighborhood 520-20 is generally defined as those business park buildings located within the Bellevue (SR-520 & I-90 Corridor) and Redmond (Overlake) neighborhoods. Within geographic area 520-20, there are 50 parcels that comprise approximately 18% of the business park specialty.

**Neighborhood 520-30:**

**Boundaries:**

Neighborhood 520-30 is generally defined as those business park buildings located within the Kent, Auburn, Tukwila, and Federal Way neighborhoods. Within geographic area 520-30, there are 90 parcels that comprise approximately 32% of the business park specialty.

**Neighborhood 520-40:**

**Boundaries:**

Neighborhood 520-40 is generally defined as those business park buildings located within the South Seattle Industrial area, which also includes properties located in Sea-Tac and parts of Renton. Within geographic area 520-40, there are 27 parcels that comprise approximately 10% of the business park specialty.

**Neighborhood 520-50:**

**Boundaries:**

Neighborhood 520-50 is generally defined as those business park buildings located within the Bothell (North Creek) and Woodinville neighborhoods. Within geographic area 520-50, there are 25 parcels that comprise approximately 9% of the business park specialty.

**Puget Sound Economic Conditions**

The Puget Sound region remains strong with high demand from employers and steady movement through the Ports of Seattle and Tacoma. A majority of the new space delivered in the last quarter of 2007 was business park or incubator space with the typical

building size between 20,000 and 35,000 sq. ft. The strong Seattle economy will continue to push demand in the smaller industrial complexes.

**Physical Inspection Area:**

This year, Specialty Area 520-20 was physically inspected. This represents 50 parcels, approximately 18% of the total 277 parcels located in Specialty Area 520.

***Preliminary Ratio Analysis***

A preliminary Ratio Study was done just prior to the application of the 2008 recommended values. The study benchmarks the sales to 2007 posted values. It showed a COV of 20.47% and a weighted-mean ratio of 85.0%.

A Ratio Study was completed after deriving the 2008 assessment year values. The results are included in the validation section of this report and show an improvement in the COV from the previous rate of 20.47% to a new rate of 13.91%. The weighted-mean ratio is now 94.3%.

**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. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

## **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. There were 27 improved sales within the Business Park Specialty dating from 02/14/2005 to 12/13/2007 and considered fair market transactions. The sales were organized by neighborhood. Because of the limited number of comparable sales, the sales comparison approach was not used exclusively. The 27 sales were used, though, in the development of capitalization, rental, expense, and vacancy rates within the income approach. All sales were verified if possible by a call or written inquiry with either the purchaser or seller, inquires in the field, various publications, or calling the real estate agent. Characteristic data was verified for all sales if possible.

### **Sales comparison calibration**

Calibration of the coefficients utilized in the models applied via the sales comparison approach was established via an analysis of sales within each neighborhood. Neighborhoods were treated independent of one another as dictated by the market. Individual prices were applied based on various characteristics deemed appropriate by each market. Specific variables and prices for each neighborhood are discussed in more detail above.

### **Cost approach model description**

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. The cost was used in the newer business parks where the market indicators supported the cost value.

### **Cost calibration**

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

### **Income Capitalization Approach model description**

The income approach is considered the most reliable approach to valuation for Business Parks where relevant income and expense data is available to ascertain market rates. During the sales verification process, an attempt is made to obtain income and expense data from the parties involved in the transactions through interviews or via mail. 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 surveyed to collect similar data. Disclosure of this information is not required by law and therefore is often difficult to obtain. The return rate of mail surveys

varies and the data can be incomplete. Telephone interviews are dependent upon obtaining a valid number for a knowledgeable party and the opportunity to contact them. Interviews with tenants in the field usually yield rental and expense information only. As a supplement, lease information is gathered from Costar and other websites. In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. These publications tend to report data that is considered relevant to institutional-grade CBD and suburban real estate.

Economic income information was collected predominately from the market place. Other sources of income information include but are not limited to, sales reporting services such as: 'Comps', data collected in the field (both asking and actual rates), fee appraisals, journals and publications. Twenty-two economic income tables were developed to perform an income approach for all Business Parks. Tables were created for warehouse, warehouse office, industrial engineering, industrial manufacturing, storage mezzanine and retail store. A 'no income' table was created to include those uses where the income approach is not applicable such as basement parking.

### **Income approach calibration**

The tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using adjustments based on size, effective age, and construction quality as recorded in the Assessor's 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.

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

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

Capitalization Rates: Capitalization rates were determined by local published market surveys, such as CoStar, Real Estate Analytics, The American Council of Insurance Adjustors, Colliers International, Integra Realty Resources, and Korpaz. Other national reports include; Grubb & Ellis Capital Mkt. Update, Emerging Trends in Real Estate, Urban Land Institute, and Cushman & Wakefield – 16<sup>th</sup> Annual Real Estate Trends. The effective age and condition of each building determines the capitalization rate used by the appraiser. For example; a building with a lower effective age of lesser condition will typically warrant a higher capitalization rate and a building in better condition with a higher effective age will warrant a lower capitalization rate.

Source	Date	Location	Office	Industrial	Retail	Remarks
Colliers Private Capital News	Summer 2007	Puget Sound	6.70%	6.52%	6.37%	Transaction size \$1-15M
CBE Outlook 2007 in Review	1Q 2008	Puget Sound	6.00%-6.30%		6.50%	Transactions greater than \$5 million
Boulder Net Lease Funds LLC	2Q 2007	State	7.09%	7.71%	7.69%	
Real Capital Analytics	January 2008	National	5.46%	6.46%	6.31%	Weighted Average
Korpacz: PWC	4Q 2007	Pacific NW	7.81%			Institutional Grade
Korpacz: PWC	4Q 2007	National	6.64%-7.24%	6.48%-7.60%	6.68%-7.24%	
Puget Sound Business Journal	December 2007	Seattle	5.5%	6.3%	6.0%	From Real Capital Analytics, Inc.
IRR Viewpoint for 2008	January 2008	Seattle	6.00%-6.25%	6.25%-7.25%	6.00%-6.25%	Institutional Grade Properties
Emerging Trends in Real Estate 2008	October 2007	National	5.60%-6.52%	6.25%-6.71%	5.56%-6.36%	Rates as of July 2007
Dupree & Scott	February 2008	Tri-County				From RHA Update
Grubb & Ellis Forecast 2008	1Q 2008	Seattle	5.60%-5.90%	6.50%	6.60%	Transactions greater than \$5 million- from Real Capital Analytics

In area 520, many of the properties are considered to be non-institutional grade. They may present a higher risk to investors and therefore should be valued at a higher capitalization rate. The following table shows ranges of capitalization rates for institutional and non-institutional grade properties per a survey conducted in January 2008 by PricewaterhouseCoopers LLP.

Institutional Market	OAR Range	Non-Institutional OAR Range
National CBD Office	4.50%-9.00%	5.50%-10.00%
National Suburban Office	5.00%-10.50%	5.50%-11.75%
National Flex and R&D	5.50%-9.00%	8.00%-10.00%
National Warehouse	5.00%-8.00%	6.00%-9.50%

The preceding tables demonstrate ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in area 520 to develop the income model. The range of capitalization rates in the income model for area 520 reflects the variety of properties in this area.

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year, condition, and location are variables considered in the application of the income model to the parcels in the population best suited to be valued via the income approach. Property uses in area 520 that are valued by the income approach include, but are not limited to, offices, retail stores, and mixed-use warehouse buildings.

Stratification of these parameters:

**Area 520-10 – Totem Lake/Kirkland/Willows & Marymoor**

<b>Property Use:</b>	<b>Rent Range per Sq.Ft.</b>	<b>Vacancy/Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Capitalization Rate %</b>
<b>Whse.Office/OpenOffice/Industrial Engineering</b>	\$12.60 to \$15.60	7%	7.5%	6.50% to 8.75%
<b>Indust. Light Manufacturing/ Storage Mezzanine</b>	\$5.50 to \$7.80	7%	7.5%	6.50% to 8.75%
<b>Storage Whse./ Whse. Distribution</b>	\$6.20 to \$8.00	7%	7.5%	6.50% to 8.75%
<b>Mezzanine Office</b>	\$6.60 to \$12.00	7%	7.5%	6.50% to 8.75%

Typically Office, Open Office, Industrial Engineering annual rents range from \$12.60 to \$15.60 per square foot of net rentable area. The annual expenses are at 7.5%. Overall capitalization rates range from 6.50% to 8.75%. Buildings had vacancy and collection loss at 7%.

Typical Industrial Light Manufacturing and Storage Mezzanines have annual rents ranging from \$5.50 to \$7.80 per square foot of net rentable area. Operating expenses were estimated at 7.5%, with capitalization rates ranging from 6.50% to 8.75%. For Light Industrial, Storage Mezzanines the vacancy and credit loss was estimated at 7%.

Storage Warehouse and Warehouse Distribution rents range from \$6.20 to \$8.00 per square foot of net rentable area. Operating expenses were estimated at 7.5%, with capitalization rates ranging from 6.50% to 8.75%. Storage Warehouse and Warehouse Distribution had vacancy and credit loss rates at 7%.

Mezzanine Office has annual rent ranging from \$6.60 to \$12.00 per square foot of net rentable area. Operating expenses were estimated at 7.5% with capitalization rates ranging from 6.50% to 8.75%. Vacancy and collection rates were estimated at 7%.

#### **Area 520-20 – Bellevue/Redmond (Overlake)**

<b>Property Use:</b>	<b>Rent Range per Sq.Ft.</b>	<b>Vacancy/Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Capitalization Rate %</b>
<b>Whse.Office/Open Office/Industrial Engineering/Office/Retail Store</b>	\$12.60 to \$15.80	5%	7.5%	6.50% to 8.75%
<b>StorageWhse./WhseDistribution Industrial Light Manufacturing</b>	\$6.00 to \$8.60	5%	7.5%	6.50% to 9.00%
<b>Mezzanine Office</b>	\$6.40 to \$12.00	5%	7.5%	6.50% to 9.00%

Typically, Warehouse Office, Open Office, Industrial Engineering, Office & Retail annual rents range from \$12.60 to \$15.80 per square foot of net rentable area. The operating expenses were estimated at 7.5%. Overall capitalization rates range from 6.50% to 8.75%. Vacancy and collection loss rates were estimated at 5%.

Storage Warehouse, Warehouse Distribution & Industrial Light Manufacturing had annual rents at \$6.00 to \$8.60 per square foot of net rentable area. The operating expenses were estimated at 7.5% and vacancy and collection loss at 5%. Overall capitalization rates range from 6.50% to 9.00%.

Mezzanine Office rents range from \$6.40 to \$12.00 per square foot of net rentable area. The operating expenses were estimated at 7.5% and vacancy and collection loss at 5%. Overall capitalization rates range from 6.50% to 9.00%.

#### **Area 520-30 – Kent/Auburn/Tukwila & Federal Way**

<b>Property Use:</b>	<b>Rent Range per Sq.Ft.</b>	<b>Vacancy/Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Capitalization Rate %</b>
<b>Whse.Office/OpenOffice/Whse.Showroom/OfficeBldg./MezzanineDisplay</b>	\$8.20 to \$11.00	7%	7.5%	6.50% to 9.25%
<b>Retail Store</b>	\$8.00 to \$17.00	7%	7.5%	6.50% to 9.25%
<b>StorageWhse./DistributionWhse./Light Indust./MezzanineStorage</b>	\$3.60 to \$6.80	7%	7.5%	6.50% to 9.25%
<b>Mezzanine Office</b>	\$4.50 to \$6.80	7%	7.5%	6.50% to 9.25%

Typically, Warehouse Office, Open Office, Warehouse Showroom, Office & Mezzanine Display annual rents range from \$8.20 to \$11.00 per square foot of net rentable area. The offices/showrooms have annual expenses at 7.5%. Overall capitalization rates range from 6.50% to 9.25%. The vacancy and collection loss ranging is estimated at 7%.

Typical Retail Store annual rents range from \$8.00 to \$17.00 per square foot of net rentable area. Operating expenses were estimated at 7.5%, with capitalization rates ranging from 6.50% to 9.25%. For a retail store the vacancy and credit loss was estimated at 7%.

Storage Warehouse, Distribution Warehouse, Light Industrial & Mezzanine Storage rents range from \$3.60 to \$6.80 per square foot of net rentable area. Operating expenses were estimated at 7.5%, with capitalization rates ranging from 6.50% to 9.25%. Vacancy and collection loss was set at 7%.

Mezzanine Office rents range from \$4.50 to \$6.80 per square foot of net rentable area. The annual expenses are set at 7.5%. Capitalization rates range from 6.50% to 9.25%. The vacancy and collection loss was estimated at 7%.

#### **Area 520-40 – SouthSeattle/Sea-Tac & Renton**

<b>Property Use:</b>	<b>Rent Range per Sq.Ft.</b>	<b>Vacancy/ Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Capitalization Rate %</b>
<b>Whse.Office/Retail Store</b>	\$12.00 to \$15.00	7%	7.5%	6.50% to 9.50%
<b>StorageWhse./LightIndust./Mezz.Office/ Whse.Distribution/Mezz.Storage</b>	\$4.20 to \$7.40	7%	7.5%	6.50% to 9.50%
<b>Warehouse Showroom Store</b>	\$7.20 to \$9.00	7%	7.5%	6.50% to 9.50%

Typically, Warehouse Office and Retail Store annual rents range from \$12.00 to \$15.00 per square foot of net rentable area. The Warehouse Office and Store have annual expenses at 7.5%. Overall capitalization rates range from 6.50% to 9.50%. Office/Stores had vacancy and collection loss estimated at 7%.

Building use as Storage Warehouse, Light Industrial, Mezzanine Office, Warehouse Distribution or Mezzanine Storage have annual rents ranging from \$4.20 to \$7.40 per square foot of net rentable area. Operating expenses were estimated at 7.5%, with capitalization rates ranging from 6.50% to 9.50%. The vacancy and collection loss was estimated at 7%.

Warehouse Showroom Store rents range from \$7.20 to \$9.00 per square foot of net rentable area. Operating expenses were estimated at 7.50%, with capitalization rates ranging from 6.50% to 9.50%. Vacancy and collection loss was estimated at 7%.

#### **Area 520-50 – Bothell (North Creek) & Woodinville**

<b>Property Use:</b>	<b>Rent Range per Sq.Ft.</b>	<b>Vacancy/Coll. Loss %</b>	<b>Expense Rate %</b>	<b>Capitalization Rate %</b>
<b>WhseOffice/OpenOffice/ IndustrialEngineering</b>	\$12.60 to \$14.40	9%	7.5%	6.50% to 9.25%
<b>Industrial Light Manufacturing</b>	\$5.40 to \$7.80	9%	7.5%	6.50% to 9.25%
<b>StorageWhse./Whse.Distribution Mezz.Storage</b>	\$5.20 to \$7.60	9%	7.5%	6.50% to 9.25%
<b>Mezzanine-Office</b>	\$5.60 to \$8.00	9%	7.5%	6.50% to 9.25%



Typically, Warehouse Office, Open Office and Industrial Engineering annual rents range from \$12.60 to \$14.40 per square foot of net rentable area. Annual expenses are estimated at 7.5%. Overall capitalization rates range from 6.50% to 9.25%. Vacancy and collection loss is set at 9%.

Industrial Light Manufacturing has annual rents ranging from \$5.40 to \$7.80 per square foot of net rentable area. Operating expenses were estimated at 7.5% with capitalization rates ranging from 6.50% to 9.25%. The vacancy and collection loss was estimated at 9%.

Storage Warehouse, Warehouse Distribution and Mezzanine Storage rents range from \$5.20 to \$7.60 per square foot of net rentable area. Operating expenses were estimated at 7.5% with capitalization rates ranging from 6.50% to 9.25%. Vacancy and credit loss was estimated at 9%.

Mezzanine Office rents range from \$5.60 to \$8.00 per square foot of net rentable area. Operating expenses were estimated at 7.5%. The capitalization rates used ranged from 6.50% to 9.25%. Vacancy and collection loss was estimated at 9%.

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

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, and along with data from surveys and publications these parameters were applied to the income model.

The income approach to value was considered to be a reliable indicator of value in most instances. The market rental rate 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.

## Model Validation

### ***Total Value Conclusions, Recommendations and Validation:***

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

The new assessment level is reflected in the weighted mean ratio of 0.943%. The standard statistical measures of valuation performance are presented both in the Executive Summary and in the 2007 and 2008 Ratio Analysis charts included in this report.

The total assessed value for the 2007 assessment year for Specialty Area 520 was \$1,343,898,700. The total recommended assessed value for the 2008 assessment year is \$1,428,788,400.

The income approach was primarily used to derive the total value for Business Parks. The land values set by the geographic appraisers was then subtracted out of the total value to determine the improvement value. Land values went up 28.84% thus pushing down improvement values to a 4.99% reduction. Application of these recommended values for the 2008 assessment year (taxes payable in 2009) results in an average total change from the 2007 assessments of +6.32%. The total value for the geographic assigned parcels increased as follows:

	2007 Total	2008 Total	\$ Increase	% Change
<b>Total Value</b>	\$1,343,898,700	\$1,428,788,400	\$84,889,700	+ 6.32%

**Note:** More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the assessor's office.

## Improvement Sales for Area 520 with Sales Used

06/03/2008

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
520	030	072205	9102	178,025	2327452	\$19,475,000	12/13/07	\$109.39	PACIFIC BUSINESS PARK	M2	1	Y	
520	030	346280	0045	34,370	2323498	\$3,100,000	12/05/07	\$90.19	Riverbend Commerce Park "Bldg D"	M1	1	Y	
520	020	272505	9142	44,524	2314304	\$5,500,000	10/04/07	\$123.53	ARNSON-CAMPBELL IND. SUPPLY	GC	1	Y	
520	020	282505	9263	51,260	2305409	\$9,500,000	08/06/07	\$185.33	BELLEVUE BUSINESS PARK	LI	3	Y	
520	030	261100	0040	93,022	2300663	\$13,566,000	07/17/07	\$145.84	KENT BUSINESS CENTER	M2	1	Y	
520	030	125371	0010	79,312	2297580	\$9,910,618	07/12/07	\$124.96	SPRINGBROOK II BUSINESS PARK	M1	1	Y	
520	030	125371	0050	104,960	2297584	\$10,781,882	07/12/07	\$102.72	SPRINGBROOK I BUSINESS PARK	M1	1	Y	
520	030	000660	0078	37,263	2286461	\$6,195,000	05/22/07	\$166.25	CENTRAL COMMERCE CENTER	CM-2	1	Y	
520	010	519550	0180	78,686	2284835	\$12,500,000	05/16/07	\$158.86	HELLY HANSON BUILDING	MP	1	Y	
520	010	630750	0020	31,782	2253557	\$3,200,000	12/01/06	\$100.69	OAK RIDGE PARK BLDG #2	MP	1	Y	
520	040	172280	0350	17,328	2251657	\$2,500,000	11/13/06	\$144.28	BLDG W	IG2 U/8	1	Y	
520	020	282505	9001	51,000	2220609	\$9,100,000	07/07/06	\$178.43	NORTHUP DISTRIBUTION CENTER	LI	2	Y	
520	030	926480	0080	78,151	2199248	\$6,850,000	04/04/06	\$87.65	Campus Park	BP	2	Y	
520	040	273810	0620	140,279	2197548	\$18,800,000	04/04/06	\$134.02	GEORGETOWN CENTER	IG2 U/8	2	Y	
520	030	630850	0010	320,366	2197052	\$36,400,000	03/28/06	\$113.62	OAKESDALE COMMERCE CENTER	IL	7	Y	
520	050	152605	9005	134,043	2183371	\$12,000,000	01/24/06	\$89.52	K & K BUSINESS PARK	I	1	Y	
520	050	697920	0080	151,905	2175963	\$21,350,000	12/09/05	\$140.55	BOTHELL 405 BUSINESS PARK	MU	2	Y	
520	050	664110	0010	237,281	2174275	\$25,850,000	12/07/05	\$108.94	THE PARK AT WOODINVILLE BLDG I	I	5	Y	
520	010	032505	9258	203,050	2173180	\$17,600,000	12/02/05	\$86.68	WILLOWS COMMERCE PARK PHASE	MP	2	26	Imp changed after sale; not in ratio
520	030	346280	0238	16,440	2171654	\$2,400,000	11/22/05	\$145.99	BUSINESS PARK	CM-2	1	Y	
520	010	943100	0010	27,844	2158568	\$3,960,000	09/28/05	\$142.22	WILLOWS NORTHWEST #1	MP	2	Y	
520	030	158060	0040	140,090	2147011	\$12,400,000	08/11/05	\$88.51	WestPark Corp Park Bldg D	M1	3	Y	
520	030	158060	0028	133,165	2139052	\$11,650,000	07/09/05	\$87.49	West Park Corp Park "Bldg A"	M1	2	Y	
520	010	943050	0110	55,975	2137929	\$5,800,000	07/07/05	\$103.62	WILLOWS EAST	MP	1	Y	
520	050	152605	9057	89,147	2127772	\$7,000,000	05/25/05	\$78.52	MACKIE DESIGNS, INC.	I	1	Y	
520	040	273810	0610	202,179	2113924	\$17,220,000	04/05/05	\$85.17	GEORGETOWN CENTER	IG2 U/8	2	Y	
520	030	788880	0010	227,070	2105185	\$14,888,000	02/25/05	\$65.57	West Valley Business Park	M2	1	Y	
520	020	282505	9159	23,316	2102523	\$2,500,000	02/14/05	\$107.22	STUSSER ELECTRIC	LI	1	Y	

## Improvement Sales for Area 520 with Sales not Used

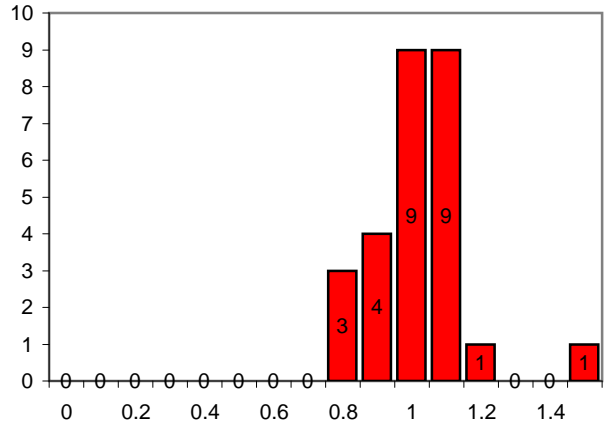
06/03/2008

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
520	010	720248	0050	29,000	2348120	\$1,220,000	05/16/08	\$42.07	REDMOOR INDUSTRIAL CENTER	BP	1		
520	010	519550	0010	35,124	2347669	\$4,550,000	05/12/08	\$129.54	PARK VIEW BUILDING	MP	1		
520	010	720248	0040	52,500	2338489	\$2,050,000	03/21/08	\$39.05	REDMOOR INDUSTRIAL CENTER	BP	1		
520	050	951710	0261	19,866	2329969	\$10,300,000	01/24/08	\$518.47	WOODINVILLE BUSINESS CENTER	GB	3		
520	010	072506	9058	47,800	2311784	\$6,056,000	09/10/07	\$126.69	REDMOOR INDUSTRIAL CENTER	MP	1	50	Condo wholesale
520	030	000660	0022	24,654	2293946	\$650,000	06/20/07	\$26.36	CENTRAL COMMERCE CENTER BL	CM-2	2	11	Corporate affiliates
520	010	332605	9145	103,320	2292693	\$92,987	06/06/07	\$0.90	KIRKLAND BUSINESS CENTER	TL 10D	1	16	Government agency
520	030	252304	9015	475,414	2290152	\$70,000,000	06/01/07	\$147.24	Tukwila Commerce Center	TUC	4	36	Plottage
520	010	272605	9092	31,000	2288027	\$2,200,000	05/30/07	\$70.97	ROSEN SUPPLY CO	I	1	2	1031 trade
520	030	000660	0022	24,654	2286459	\$4,305,000	05/22/07	\$174.62	CENTRAL COMMERCE CENTER BL	CM-2	2	22	Partial interest (1/3, 1/2, etc.)
520	010	519550	0210	31,287	2226741	\$760,000	08/02/06	\$24.29	MEYERS ELECTRO OPTICS	MP	1	12	Estate administrator, guardian, or e
520	040	092304	9068	267,570	2179998	\$33,825,000	12/29/05	\$126.42	GATEWAY NORTH BLDGS 2 & 4	MIC/L	3	15	No market exposure
520	040	271600	0010	442,528	2179996	\$73,300,000	12/29/05	\$165.64	GATEWAY CORP CENTER BLDG 1	C/LI	9	15	No market exposure
520	040	125381	0140	25,456	2151355	\$2,430,000	08/31/05	\$95.46	OAKESDALE COMMERCE CENTER	IL	1	N	
520	030	125360	0062	124,816	2113927	\$13,830,000	04/05/05	\$110.80	RENTON COMMERCE CENTER	IM	1	15	No market exposure
520	030	630850	0030	39,622	2099637	\$3,697,000	01/25/05	\$93.31		1 IL	1	55	Shell

Area 520 - BUSINESS PARKS  
2008 Assessment Year  
A 2008 Ratio Looking At Sales Using the 2007 Assessed Values

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:																		
East Crew	1/1/2007	6/18/2008	2/14/05 - 12/13/07																		
Area	Appr ID:	Prop Type:	Trend used?: Y / N																		
520	CVEN	Improvement	N																		
SAMPLE STATISTICS																					
Sample size (n)	27	<div>Ratio Frequency</div> <table><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.6-0.7</td><td>3</td></tr><tr><td>0.7-0.8</td><td>3</td></tr><tr><td>0.8-0.9</td><td>3</td></tr><tr><td>0.9-1.0</td><td>3</td></tr><tr><td>1.0-1.1</td><td>10</td></tr><tr><td>1.1-1.2</td><td>4</td></tr><tr><td>1.2-1.3</td><td>1</td></tr><tr><td>1.3-1.4</td><td>0</td></tr></tbody></table>		Ratio	Frequency	0.6-0.7	3	0.7-0.8	3	0.8-0.9	3	0.9-1.0	3	1.0-1.1	10	1.1-1.2	4	1.2-1.3	1	1.3-1.4	0
Ratio	Frequency																				
0.6-0.7	3																				
0.7-0.8	3																				
0.8-0.9	3																				
0.9-1.0	3																				
1.0-1.1	10																				
1.1-1.2	4																				
1.2-1.3	1																				
1.3-1.4	0																				
Mean Assessed Value	9,586,900																				
Mean Sales Price	11,273,900																				
Standard Deviation AV	7,163,391																				
Standard Deviation SP	8,041,796																				
ASSESSMENT LEVEL																					
Arithmetic mean ratio	0.862																				
Median Ratio	0.937																				
Weighted Mean Ratio	0.850																				
UNIFORMITY																					
Lowest ratio	0.5238																				
Highest ratio:	1.1029																				
Coefficient of Dispersion	15.08%																				
Standard Deviation	0.1764																				
Coefficient of Variation	20.47%																				
Price-related Differential	1.01																				
RELIABILITY																					
95% Confidence: Median																					
Lower limit	0.732																				
Upper limit	0.996	These figures reflect measurements <u>before</u> posting new values.																			
95% Confidence: Mean																					
Lower limit	0.795																				
Upper limit	0.928																				
SAMPLE SIZE EVALUATION																					
N (population size)	277																				
B (acceptable error - in decimal)	0.05																				
S (estimated from this sample)	0.1764																				
Recommended minimum:	42																				
Actual sample size:	27																				
Conclusion:	Uh-oh																				
NORMALITY																					
Binomial Test																					
# ratios below mean:	10																				
# ratios above mean:	17																				
z:	1.154700538																				
Conclusion:	Normal*																				
*i.e., no evidence of non-normality																					

Area 520 - BUSINESS PARKS  
2008 Assessment Year  
Ratio of Sales to 2008 Assessed Values

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
East Crew	1/1/2008	6/18/2008	2/14/05 - 12/13/07
Area	Appr ID:	Prop Type:	Trend used?: Y / N
520	CVEN	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	27	<div>Ratio Frequency</div>  <p>A histogram showing the frequency of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Ratio Frequency' and ranges from 0 to 10. The bars are red with black outlines. The frequencies for each ratio bin are: 0.8-0.9: 3; 0.9-1.0: 4; 1.0-1.1: 9; 1.1-1.2: 9; 1.2-1.3: 1; 1.3-1.4: 1.</p>	
Mean Assessed Value	10,632,000		
Mean Sales Price	11,273,900		
Standard Deviation AV	7,191,500		
Standard Deviation SP	8,041,796		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.968		
Median Ratio	0.966		
Weighted Mean Ratio	0.943		
UNIFORMITY			
Lowest ratio	0.7547		
Highest ratio:	1.4166		
Coefficient of Dispersion	9.78%		
Standard Deviation	0.1346		
Coefficient of Variation	13.91%		
Price-related Differential	1.03		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.914		
Upper limit	1.017	These figures reflect measurements <u>after</u> posting new values.	
95% Confidence: Mean			
Lower limit	0.917		
Upper limit	1.019		
SAMPLE SIZE EVALUATION			
N (population size)	277		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1346		
Recommended minimum:	26		
Actual sample size:	27		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	14		
# ratios above mean:	13		
z:	0		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			