

Executive Summary Report

Appraisal Date 1/1/09 - 2010 Assessment Roll

Specialty Name: Industrial

Sales - Improved Summary:

Number of Sales: 4

Range of Sale Dates: 01/01/06 to 1/01/09

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

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

Total Population – Average Improved Parcel Summary Data:

	Land	Improvements	Total
2008 Value	\$ 688,071,900	\$ 483,390,700	\$ 1,171,462,600
2009 Value	\$ 728,150,600	\$ 463,258,100	\$ 1,191,408,700
Percent Change	+5.82%	-4.16%	+1.70%

Population: 83 economic units consisting of 118 parcels

Conclusion and Recommendation:

The values recommended in this report improve equity, the specialty appraiser recommends posting them for the 2009 Assessment Year.

Client and Intended Use of the Appraisal

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.

Definition and date of value estimate:

Market Value

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

Highest and Best Use

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

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

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

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

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

Date of Value Estimate

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

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

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then

the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

- 1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
- 2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
- 3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
- 4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
- 5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
- 6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
- 7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been*

given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

- 8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
- 9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
- 10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
- 11. An attempt to segregate personal property from the real estate in this appraisal has been made.*
- 12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
- 13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
- 14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
- 15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Scope of Work Performed:

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

CERTIFICATION:

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

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

Marie Ramirez – Commercial Senior Appraiser

Analysis Process

Effective Date of Appraisal: January 1, 2009

Date of Appraisal Report: June 15, 2009

Responsible Appraiser

The following appraiser did the valuation of this specialty:

Marie Ramirez, Commercial Senior 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, Departures and Limiting Conditions

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

The following Departmental guidelines were considered and adhered to:

- Sales from 1/01/06 to 1/01/09 were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.

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

Identification of the Area

Name or Designation: Specialty Area – 540 Industrial Properties

Boundaries: King County

Maps:

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

Population:

<i>Total</i>	<i>Central West King Co.</i>	<i>Central East King Co.</i>	<i>South King Co.</i>	<i>North West King Co.</i>	<i>North East King Co.</i>	<i>East King Co.</i>
118	20	21	22	20	17	18

Specialty Description:

Industrial Property

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

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

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

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

For the 2009 revalue year, six parcels presently improved and used for broadcasting facilities are included in the specialty category for industrial property. Although these properties were not built for manufacturing nor intended for use as such, they were included in the industrial specialty because of the special purpose use of these facilities.

Puget Sound Economic Conditions

Factors impacting the market value and economic condition of Industrial property:

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

1. *Recognition of all forms of Depreciation* - Depreciation is a loss in property value from any cause. All of the components of depreciation are typically categorized in the following three forms:²

- *Physical deterioration* is a decrease in property value due to age, wear and tear, disintegration, use in service, and the action of the elements.
- *Functional obsolescence* results in a decrease in value due to the subject property's inability to perform the function for which it was originally designed or intended. Functional obsolescence is generally quantified by (1) capitalizing excess operating costs, (2) reducing value by the capital cost of the excess capacity, or (3) estimating the capital costs to cure the deficiency. There are two common causes to functional obsolescence:
 1. The functional changes in design and improvements in production processes. The intended function remains the same but the subject property no longer performs that function as well as it did when the property was new.

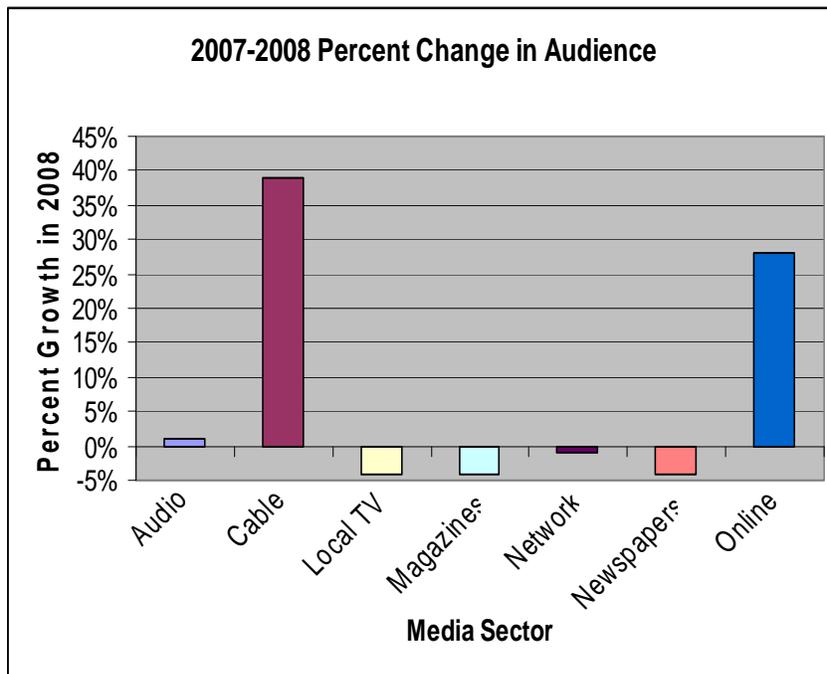
² The Appraisal of Real Estate, 12th edition

2. The technological changes caused by new inventions. The subject property may work as well as when it was new. However, the intended function has become outdated.
 - *External obsolescence* results in a decrease in value of the subject property due to outside forces such as locational and economic factors. External obsolescence can be quantified by capitalizing the loss of income or using the sales comparison method.

2. Changing consumer product demands.

Product innovation and technology as well as consumer changing needs affect the nations manufacturing industry. A good example of these is a newspaper publication plant. U.S. newspapers are losing circulation, compounding the pain of an industry reeling from even larger drops in the advertising revenue. The average sales of newspapers declined 7.1 percent in the October-March period from the same six-month span in 2007-2008. The comparison is drawn from 395 daily U.S. newspapers that reported in both periods³.

This is the most severe downturn since newspaper circulation began to collapse in the early 1990s. The decline has been accelerating during the recession of the past 16 months: U.S. newspaper circulation decreased 4.6 percent in the April-September period of 2008 after falling 3.6 percent in the October 2007-March 2008 span. Major newspapers typically get anywhere from 15 percent to 30 percent of their revenue from subscriptions and copies sold at newsstands. Advertising remains newspapers' main money maker, but that revenue source has been disintegrating⁴.



The numbers were depressing for newspapers in print, though better for their digital editions. Circulation fell 4.6 % daily and 4.8% Sunday for the latest period compared with a year earlier. That brings them down 13.5% daily and 17.3% Sunday since 2001. Traffic to newspaper websites is growing, however. Unduplicated Web audiences are now estimated to add 8.4% to the average newspaper's readership, making up most, but not all, of the audience decline.⁵

³ Audit Bureau of Circulations

⁴ Newspaper Association of America

⁵ Project for Excellence in Journalism

Newspapers have not yet started to shut down in large numbers, but it is only a matter of time. Over the next few decades, half of the United States general papers may fold. Jobs are already disappearing. According to the Newspaper Association of America, the number of people employed in the industry fell by 18% between 1990 and 2004. The number translates to about 3,500 and 3,800 newsroom jobs have been lost since 2000 because of media consolidation and declining readership.

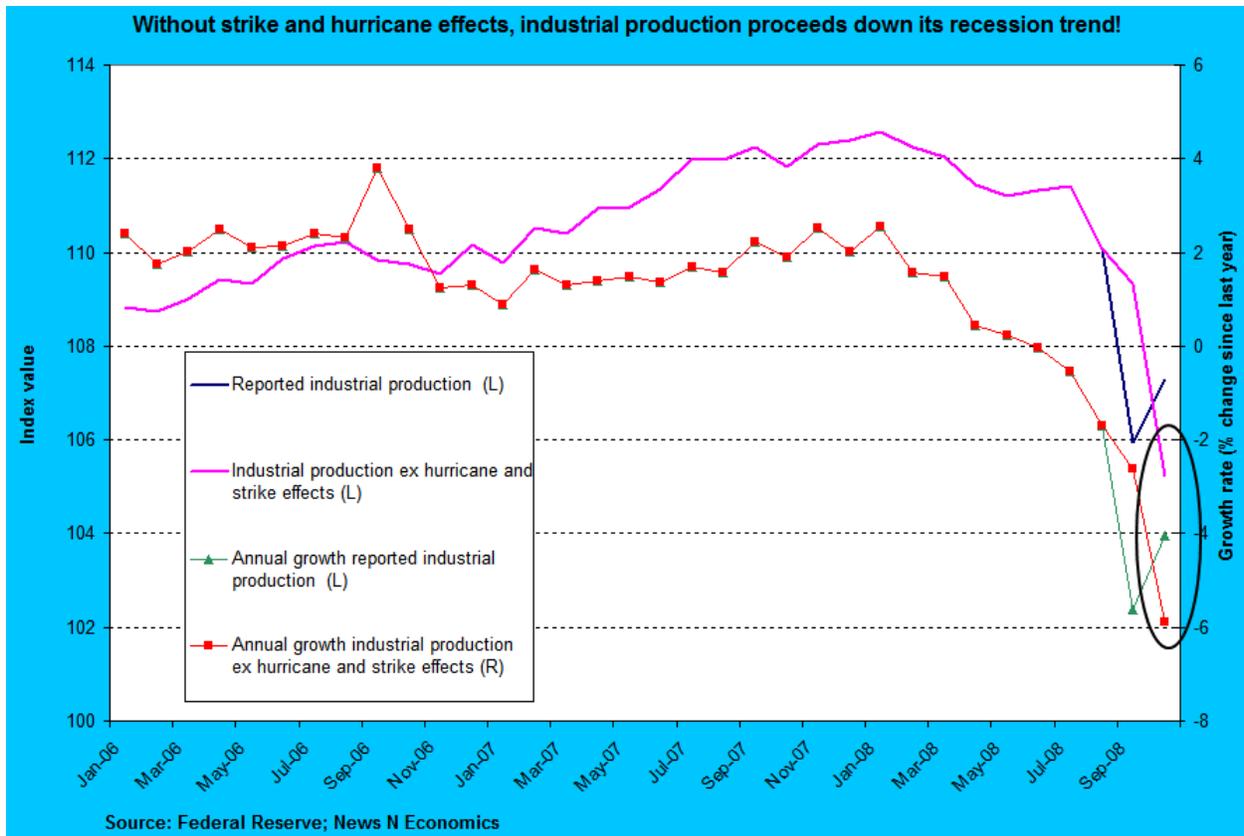
The Seattle Times North Creek printing plant in Bothell was built in 1991 with more room to grow for future expansion. They have moved two times in the past outgrowing their former printing plant space.



In 2001, ten years after the plant was built, the actual production capacity of the plant was +/-60%. In 2007, the actual production capacity was +/-56% which was below the industry standard of +/-80%. The plant was originally designed to accommodate future growth in production demand. In most cases, construction and design of larger manufacturing plants are feasible for planning purposes; thus saving money in the long run for future expansion and growth. For a newly constructed industrial or manufacturing plant, a plant with larger production capacity than initially needed normally reaches the typical industry standard utilization capacity within five to seven years of operation, in some cases ten years. The Seattle Times North Creek printing plant started at approximately 50% to 60% actual production capacity. After 18 years, the plant's utilization capacity is still at approximately 57%. These figures show underutilization of plant space and machinery and equipment.

3. Economic influence of industrial production due to current recession. The United States industrial production continues to decline. As of November 2008, it was down by almost 6% compared to a year ago⁶. The October 2008 industrial production data released by the National Bureau of Economic Research's (NBER) demonstrates the economy is in deep recession based on the declined of the five major indicators - labor, wholesale and retail sales, industrial production, gross domestic product, and personal income.

⁶ National Bureau of Economic Research

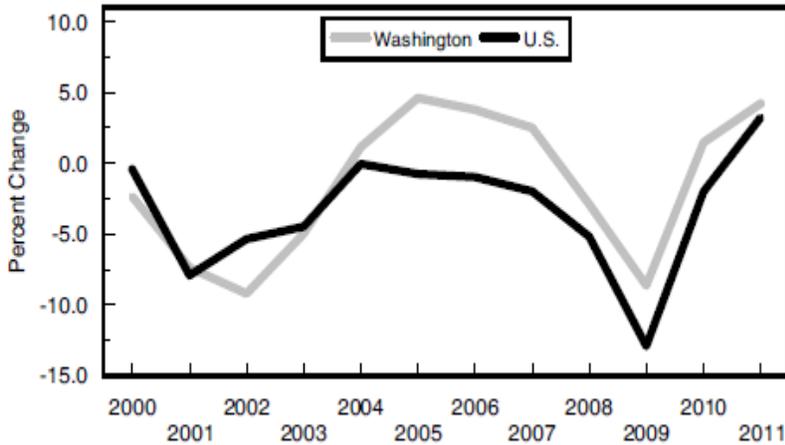


Capacity utilization	Percent of capacity											Capacity growth Apr. '08 to Apr. '09	
	Average 1972- 2008	1988- 89 high	1990- 91 low	1994- 95 high	2001- 02 low	2008 Apr.	2008		2009				
							Nov. [r]	Dec. [r]	Jan. [r]	Feb. [r]	Mar. [r]		Apr. [p]
Total industry	80.9	85.1	78.7	84.9	73.5	79.2	74.4	72.8	71.3	70.6	69.4	69.1	.3
Previous estimates							74.5	72.8	71.3	70.3	69.3		
Manufacturing (see note below)	79.6	85.4	77.2	84.5	71.4	77.0	71.1	69.1	67.2	67.2	65.8	65.7	.2
Previous estimates							71.1	69.2	67.3	66.9	65.8		
Mining	87.6	86.5	83.8	89.1	84.9	90.9	90.7	89.0	88.5	87.4	85.2	82.5	.7
Utilities	86.8	92.8	84.2	93.3	84.2	85.1	83.5	85.1	85.1	79.1	80.5	80.7	2.0
Stage-of-process groups													
Crude	86.6	88.3	84.7	89.9	81.7	88.5	84.7	82.2	81.9	81.9	79.4	78.5	.4
Primary and semifinished	82.0	86.5	77.9	87.9	74.3	79.4	73.5	71.4	69.8	68.2	66.9	66.7	.0
Finished	77.7	83.0	77.2	80.3	70.0	75.2	71.2	70.4	68.5	68.7	68.1	67.9	1.0

*Source: Federal Reserve, May 15, 2009

The US Economy versus the State of Washington Economy

Manufacturing Employment, E-O-P



Source: Washington State Economic and Revenue Forecast Council

Washington’s housing and construction cycle has lagged the U.S. mainly because Washington State was initially slow to recover from the last recession. The peak in Washington construction employment in the fourth quarter of 2007 was more than a year later than the peak in U.S. construction employment. Washington construction employment is now falling at a rate that is similar to the national decline. The pace of

job loss in Washington accelerated sharply in the fourth quarter of 2008. Manufacturing employment fell at a 7.1 percent rate in the fourth quarter with aerospace declining at a 2.5 percent rate and all other manufacturing employment falling at a 9.0 percent rate. Construction employment declined at a 10.3 percent rate in the fourth quarter. Residential building and related special trades employment fell at a 13.8 percent rate, nonresidential and related special trades employment fell at a 5.7 percent rate, and heavy and civil engineering employment fell at a 13.8 percent rate. Natural resources (logging) and mining employment, while small, fell at a 12.9 percent rate in the fourth quarter.⁷

PHYSICAL INSPECTION AREA:

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

PROPERTY NAME	PROPERTY DESCRIPTION	PARCEL NUMBER
Jorgenson Forge	Manufacturer of stainless steel and aluminum alloy custom and precision machined forging.	000160-0023
Capital Industries	A metal fabricators of stainless steel, aluminum, mild steel & other ferrous & non-ferrous materials	172280-1620
Capital Industries		172280-2245
Capital Industries		172280-2255
Trim System	Manufacturer of components for the heavy truck, general industrial, medical mobility and marine markets.	213620-0380
Seattle Iron & Metals	This company is one of the Pacific	213620-0706

⁷ Washington State Economic and Revenue Forecast Council

Seattle Iron & Metals	Northwest's Leading recyclers of both ferrous and non-ferrous metals.	292404-9089
Alaskan Copper & Brass	Manufacturer of corrosion resistant alloy products. Alaskan combines the largest and most diverse inventory of corrosion resistant alloys in the Pacific Northwest with the very latest in material processing equipment and expertise.	357320-0520
Insurance Auto Auction	IAA is a salvage auto auction company that works to facilitate the efficient sale of total-loss vehicles to variety of Sellers including insurance companies, dealerships, rental car companies, and fleet lease companies.	542260-0060
Delta Marines Industries	Manufacturer of custom luxury yachts & fishing vessels. Also provides refit & repair of all types of vessels.	542420-0021
Delta Marines Industries		542420-0005
Delta Marines Industries		542420-0006
Saint Gobain Plastic	Manufacturer of performance plastics in advanced-technology polymer products for industrial applications.	564960-0170
Lukas Machine Inc.	Offer's CNC & conventional Milling and Turning, Welding, Assembly, and Helium Leak Inspection. Also repairs, fabrication, tooling and assembly work for prototype and R & D work.	732790-4100
Lukas Machine Inc.		732790-4135
Lukas Machine Inc.		732790-4190
The Gear Works	A full service gear manufacturing facility providing precision gear products and power transmission services.	732790-4230
Gai's Bakery	Producer of Bakery products	766620-4210
Young Corporation	Producer of heavy steel fabrication numerous burning, forming, fitting, welding and line boring machines.	766620-7445
Darigold Rainier Plant	Producer of Milk & Dairy Products	795030-1240

Preliminary Ratio Analysis:

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

Land Value

Land Sales, Analysis, Conclusions:

Land was valued by the geographic appraiser where the industrial property is located. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

Sales comparison approach model description:

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

Cost approach model description:

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

Any appropriate adjustments for functional, locational, and economic obsolescence were considered when warranted and adequate documentation was provided. Extraordinary obsolescence was calculated from the cost to cure, supply and demand industry data, and from excess operating expense and capacity based on specific industry standards.

Cost calibration:

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

Income capitalization approach model description:

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

Income approach calibration:

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

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

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. Any appropriate adjustments for functional, locational, and economic obsolescence were considered when warranted and adequate documentation was provided.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area. Extraordinary obsolescence was considered on a case by case basis. Appropriate adjustments were applied when warranted and adequate documentation was provided.

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

Application of the recommended industrial values for the 2009 assessment year results in an average total modest increase from the 2008 assessments of 1.70%. This change is due mostly to the market increased of land values in the Kent Valley, Duwamish industrial district, and East King County neighborhood. The average increase in land values in the industrial specialty area is 5.82%. Some of the land values in this area, in its highest and best use, exceeded the sum of value of the entire property in its existing use and the cost to remove the improvements. In those properties where the improvement is not at its highest and best use, a token value of \$1,000 is assigned to the improvements. The 4.16% decrease on the improvement values is the direct result of physical depreciation, functional obsolescence, and/or external obsolescence. The other factors affecting assessed values were the previous assessment levels, industrial market conditions, and updates of property characteristics.