

Commercial Revalue

2012 Assessment roll

**QUICK SERVICE
RESTAURANTS
AREA 413**

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

Lloyd Hara, Assessor



King County

Department of Assessments

Accounting Division

500 Fourth Avenue, ADM-AS-0740
Seattle, WA 98104-2384

(206) 205-0444 FAX (206) 296-0106

Email: assessor.info@kingcounty.gov

<http://www.kingcounty.gov/assessor/>

Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2012 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2012 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

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

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

Sincerely,

Lloyd Hara
Assessor

Executive Summary Report

Appraisal Date 1/01/2012 – 2012 Assessment Year – 2013 Tax Roll Year
Specialty Name: Quick Service/Fast Casual & Casual Dining Restaurants

Sales - Improved Summary:

Number of Sales: 6
Range of Sale Dates: 6/2/2009 – 1/13/2011

Sales – Ratio Study Summary:

Sales used in Analysis: All improved sales that were verified as fair market transactions were included in the analysis. A ratio study was not included in this report due to the small number of sales relative to the size of the specialty population. The Parcel Summary Data does not reflect any statistical measure associated with IAAO guidelines.

Population - Parcel Summary Data:

	Land	Improvements	Total
2011 Value	\$280,534,100	\$88,919,300	\$369,453,400
2012 Value	\$279,951,600	\$97,764,000	\$377,715,600
Percent Change	- 0.02%	+9.95%	+2.24 %

Number of Parcels in the Population: **316**

Conclusion and Recommendation:

With limited market sales data less consideration is given to the Sales Comparison Approach in the 2012 revalue. The Income Approach is used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of quick service restaurants in the different submarkets. In addition, sufficient market income data is available for the analysis.

Since the values recommended in this report improve equity, we recommend posting them for the 2012 assessment year.

Analysis Process

Effective Date of Appraisal: January 1, 2012

Date of Appraisal Report: June 7, 2012

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 our 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. We find that 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 value of \$1,000.00 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 via field inspection.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

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

Identification of the Area

Name or Designation: Area 413

This report contains data pertinent to the revalue of Quick Service Restaurants (QSR) and Fast Casual Restaurants, formally known as Fast Food Restaurants. Area 413 also includes Casual Dining Restaurants, formally known as Institutional Restaurants. Specialty Area 413 encompasses all QSR restaurants, McDonalds, Burger King, Taco Bell, etc. Fast Casual Restaurants include Pizza Hut, Chipotle, Taco Del Mar, etc. Casual Dining Restaurants include but are not limited to Denny's, IHOP, Applebee's, Red Robin, etc. These are special-purpose properties often specifically designed and tailored for major brand recognition. According to the national restaurant industry, restaurants are divided into four types: (1) quick service restaurants; (2) fast casual restaurants; (3) casual dining and (4) fine dining. Area 413 includes those restaurants that have National recognition and are listed in the top 50 restaurants in each category. The majority of the restaurants are "stand alone" structures with both land and building included in the property description. Restaurants that are not included in Area 413, such as Subway and Starbucks, are in most cases, located in retail centers in which they lease the space as part of a larger complex and are not stand alone facilities. Area 413 is responsible for assessing all of the restaurant types except for fine dining restaurants which are assessed by the Area Appraiser.

Ownership of QSR facilities includes both corporate owned restaurants and franchise owned restaurants. The majority of the restaurants are owed by franchisees. Most of the restaurants are leased, with typical lease terms of twenty years with options for additional five year terms, with the exception of McDonalds which owns all of their restaurants.

Boundaries:

The properties are located within King County.

Maps:

Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

The QSR and casual dining restaurants in King County have been segmented into five neighborhood regions. These regions are described by their geographic location and restaurant style. Significant concentrations, approximately 50%, are located in the South End (Kent, Auburn, Federal Way, Renton, & Tukwila) of the county. All QSR and casual dining restaurant specialty properties were revalued this year.

A brief description of the neighborhoods

King County is home to many corporations with national and international impact. The QSR and casual dining restaurant business is highly competitive. The following restaurant chains located in King County are listed in the top twenty nationally: McDonalds, KFC, Pizza Hut, Burger King, Wendy's, Taco Bell, Arby's, Jack in the Box, Dunkin Donuts, Pizza Hut and Dairy Queen. The following graph shows number of tax parcels in Area 413 and the neighborhoods.

Neighborhood	# of Parcels	% of Total
10	49	15.5%
20	79	25.0%
30	57	18.0%
40*	87	27.5%
50	44	14.0%
Total	316	100.0%

*Inspected Area for 2012

Specialty Area 413-10 includes the Seattle area, Kenmore, Lake Forest Park and Shoreline. There has not been any new 413 specialty construction or market sales in this area in the past year. Approximately 15.5% of the restaurants are located in this neighborhood. Land values in this neighborhood have decreased modestly over the prior year as have the total property values. The following graph shows that the major portion of the total value lies in the land value which has experienced a modest decrease in value.

Year	Land Value	Imp. Value	Total Value	% Change
2011	\$65,958,600	\$4,412,400	\$70,371,000	
2012	\$64,524,300	\$4,483,300	\$69,007,600	
Difference	-\$1,434,300	+\$70,900	-\$1,363,400	-(1.94%)

Specialty Area 413-20 includes South Seattle, Burien, Tukwila, Des Moines, SeaTac, and Federal Way. Approximately 25% of the fast food specialty population is located here and it is the largest submarket neighborhood. One sale took place in this neighborhood, Taco Bell, which sold for \$592,500 or \$378/square foot. The Taco Bell, located at 10711 16th Avenue SW, has been remodeled and enlarged as has the McDonalds on Pacific Highway South. Wendy's has constructed a new store located at 25350 Pacific Highway South. A new Taco Time was completed and opened in 2012 and is located at 15037 International Blvd. Land value increases and new construction-remodeling make up the major part of the increase in total property value estimate for this neighborhood.

Year	Land Value	Imp. Value	Total Value	% Change
2011	\$61,814,500	\$21,580,900	\$83,395,400	
2012	\$63,813,900	\$22,954,100	\$86,758,000	
Difference	+\$1,999,400	+\$1,373,200	+\$3,362,600	+4.03%

Specialty Area 413-30 includes the East side of King County: Redmond, Kirkland, Woodinville, Bellevue, Sammamish and Issaquah. Approximately 17.8% of the restaurants are located within this neighborhood. One sale took place in this neighborhood, a Taco Time, located at 3920 Factoria Blvd SE in Bellevue. It sold for \$1,500,000 on January 13, 2011 and it supports a CAP rate of 7.0%. The price per square foot for the sale was \$557. Three McDonald's restaurants in this neighborhood were upgraded to include additional drive-thru lanes and interior remodeling. An example of this brand upgrade is included later in this report.

Year	Land Value	Imp. Value	Total Value	% Change
2011	\$66,589,400	\$7,688,800	\$74,278,200	
2012	\$65,463,400	\$9,635,700	\$75,099,100	
Difference	-\$1,126,000	+\$1,946,900	+ \$ 820,900	+1.11%

Specialty Area 413-40 includes rural King County. The areas are Auburn, Newcastle, Renton, Kent, Covington, Enumclaw, Maple Valley, and North Bend. There are 87 parcels in this sub area representing approximately 27.6%. Area 413-40 is the inspection area for 2012. Construction completed in this neighborhood included the Jack-In-Box located at 209 N. Central Avenue with walkup and drive thru business only. Two market sales have taken place. The first one occurred on 10/14/2009 at 345 Roosevelt Ave in Enumclaw. It has 3,334 square feet and sold for \$780,000 which is \$234 per square foot. It was listed and on the market for \$889,000. The building was a vacant Burger King and needed maintenance. The second sale is the sale of a Jack in the Box located at 16757 SE 272nd Street, Covington and sold for \$2,077,586 on 11/23/2010 for \$792 per square foot. According to the purchaser the CAP rate was 6.9%.

Year	Land Value	Imp. Value	Total Value	% Change
2011	\$44,137,700	\$37,516,200	\$81,653,900	
2012	\$44,401,600	\$40,842,700	\$85,244,300	
Difference	-\$263,900	+\$3,326,500	+\$3,590,400	+ 4.40%

Specialty Area 413-50 includes casual dining restaurants countywide. This neighborhood has approximately 14% of the specialty population. It includes Denny's, IHOPs, Black Angus, Shari's, Applebee's, and Red Robin as well as other local and national chain restaurants. There have been no market sales or new construction in neighborhood 50. The economic climate has slowed the pace of new construction and sales activity with these stand-alone restaurants. Two Black Angus restaurants were sold during the sales period. One sold to an adjoining property owner and the other was converted to three restaurants and neither was considered a fair market sale. The increase in total value for 2012 was caused primarily by the transfer of a number of casual dining restaurants from the Area Appraiser to Specialty 413-50.

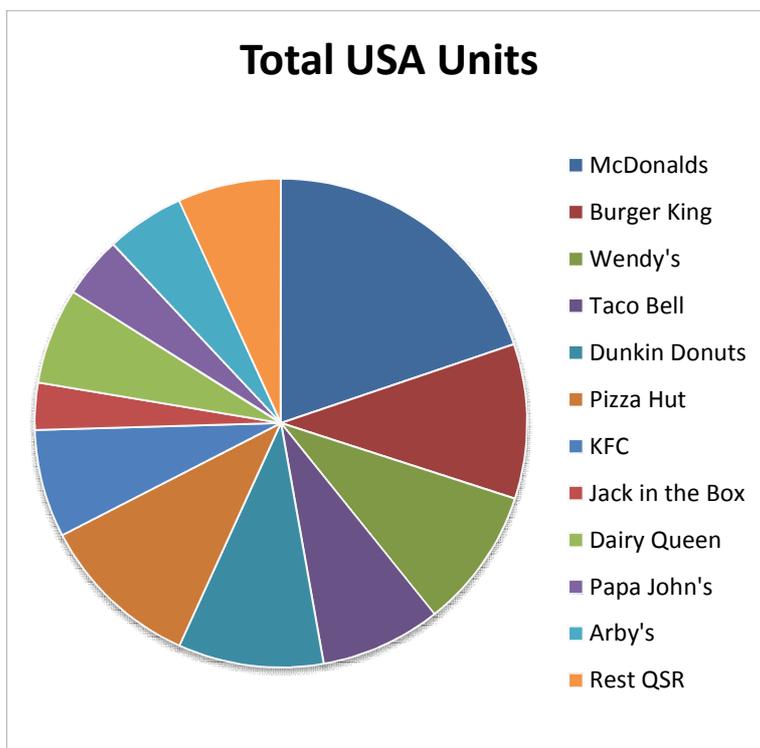
Year	Land Value	Imp. Value	Total Value	% Change
2011	\$42,033,900	\$17,831,100	\$59,865,000	
2012	\$41,748,400	\$19,848,200	\$61,596,600	
Difference	-\$285,500	+\$2,017,100	+\$1,731,600	+ 2.89%

Puget Sound QSR and Casual Dining Restaurant Economic Conditions

The QSR and Casual Dining restaurant market has seen a leveling off of new construction with an upward trend in gross sales over the past year and is adjusting to the recovery faster than similar commercial properties in King County and Washington State. The lowering of the CAP rate with income remaining the same will trend the values upward, supporting the Assessors modest increase in total property values of 2.24%.

The Seattle market area has been rated number two nationally with respect to potential growth in the QSR industry, touting Seattle's 13 percent increase in population over the past decade. Wingstop is planning to open 11 stores in the Seattle area in the near future. Only Orlando, FL leads Seattle in the potential growth predictions.

The top eleven QSR restaurants units in the nation are listed as follows: 1) McDonald's 2) Pizza Hut 3) Burger King, 4) Dunkin Donuts 5) Wendy's, 6) Taco Bell, 7) KFC, 8) Dairy Queen, 9) Arby's 10) Papa John's and 11) Jack in the Box. Subway (not listed as a QSR) surpassed McDonalds this past year in total stores and now has over 33,000 in more than 85 countries; however, McDonalds still leads in total gross revenue with \$33B in 2011, while Subway had \$15.2B in gross revenue.



QSR report dated August 2011

The ratio shown above is highly similar to the number of QSR outlets found in King County. The rest of QSRs includes Long John Silver, Papa Murphy's and Baskin Robin.

During 2011, a number of corporate ownership changes were made in the QSR industry including Yum! Brands, Inc. and Wendy's. Yum! Brands divested its Long John Silver's and A & W restaurants in 2011 which included a total of 1,232 restaurants in the US. The remaining Yum! Brands QSRs are KFC, Pizza Hut, and Taco Bell. Also, after merging in 2008, Wendy's and Arby's split in 2011.

McDonalds is remodeling all of their stores nationally with approximately twenty five percent to be completed by year end 2012. An example of a newly remodeled store in King County is shown below:

(Before Remodel)



This McDonalds restaurant was constructed in 1996 and enlarged and updated in 2011 with an addition of 400 square feet and a new drive-thru. It is located at 5526 E. Lake Sammamish Blvd. Issaquah, WA. It is typical of what the McDonalds Corporation is doing across the nation. McDonalds is not the only QSR that is in the process of upgrading their restaurants. Other upgraded restaurants in Area 413

include KFC, Wendy's, Burger King, and Jack in the Box and Taco Bell.



(After Remodel)

Note: Mansard style roof is gone replaced by contemporary décor.

Besides the economic conditions, the quick service restaurant market has had to address the health issues of their products. Calories have to be listed now in Seattle and this has opened a lot of eyes as to what the consumer is ingesting. Many chains are now offering salads, and lower calorie options. McDonalds recently upgraded their menu to offer an upscale Angus burger and McCafe'drinks to attract customers from casual dining restaurants. IHOP has recently added kids eat free specials. Further, the early morning menus are contributing to the bottom line with sales increasing 2% over prior year sales.

The tangible component of quick service restaurant outlets is the land and buildings, which includes seating, area for food preparation and serving, as well as offices and restrooms. Seating, chairs and tables, are of a design that encourage high customer turnover by making them less comfortable. Some stores even have play areas. The exterior appearance often is tailored to major brand identification. Access, location, and neighborhood visibility are major components to the value of the property.

According to NPD, National Purchasing Diary, kid meals have been the focus of legislative and health advocacy activities for over the past few years and that focus will continue throughout 2012.

The National Restaurant Association (NRA) predicts that the restaurant industry sales will exceed \$632 billion for 2012 or an increase of 3.5% over prior year making it the second year in a row that the \$600 billion goal has been reached. However, WRA, Washington Restaurant Association, predicts a slower growth for Washington as compared to the national average.

Wendy's has passed Burger King and has become the second largest hamburger chain with \$8.5 billion in sales in 2011; Burger King came at \$8.4 billion; McDonald's remains in first place with a total sales of \$34.2 billion for 2011.¹

Physical Inspection Identification:

The physically inspected neighborhood was the South King County Quick Service Restaurants (413-40) for assessment year 2012 as required by WAC 458-07-015 4 (a). An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data that affect value.

Preliminary Ratio Analysis

There were insufficient sales from 2009 thru 2011 to include before and after ratio studies.

¹ Technomic's Estimates, Assoc. Press March, 19, 2012

Scope of Data

Land Value

Land Sales, Analysis, Conclusions

The geographic appraiser in the area in which the specialty fast food or institutional restaurant 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 Values:

Sales Comparison Approach model description

Improved sales for Area 413 were verified by the specialty appraiser and entered into the Real Property Sales application. The sales used range in date from 01/01/2009 to 12/31/2011. Due to the credit crisis and economic downturn, there were fewer market sales than past years. Verification consisted of contact with buyer, seller or broker if possible, or information from the COMPS InfoSystem, Inc., real estate sales verification service. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, capitalization rates and the competitive position of the property were also gathered when available. The data was used in the income approach. Because of the limited number of comparable sales, the sales comparison approach was not used exclusively.

There were six closed marketed sales in this specialty from 2009 through 2011. There are fewer distressed or forced sales in the quick service restaurant and casual dining restaurant sector than in the commercial real estate market. Sales are shown in following table.

Nbdh	Major	Minor	E Tax #	Sale Date	Sale Price	Size NRA	Price Per NRA
50	201105	9229	2393562	06/02/09	\$900,000	3,280 sf	\$274.38
20	092104	9292	2403784	08/05/09	\$592,500	1,566 sf	\$378.35
50	415920	0720	2408589	\$2,970,000	09/17/09	3,900 sf	\$761.54
40	252006	9133	2413225	\$780,000	10/14/09	3,334 sf	\$233.95
40	362205	9029	2467767	\$2,077,586	11/23/10	2,621 sf	\$792.67
30	092405	9204	2478339	\$1,500,000	01/13/11	2,690 sf	\$557.62

Sales comparison calibration

Calibration of the coefficients utilized in the models applied via the sales comparison approach was established by an analysis of sales within each neighborhood, if possible. 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. The sales comparison approach was given some weight, but the income approach was used in the final reconciliation of value to provide greater equalization and uniformity of values.

Cost Approach model description

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies done by the Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. The Marshall & Swift cost calculations are automatically calibrated to the data in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older properties, this approach to value was given the least weight in the final reconciliation of values. Cost estimates were relied upon for valuing on going new construction where comparable sales data and/or sufficient income and expense information is not available.

Cost calibration

The Marshall & Swift Valuation modeling system which is built in the Real Property Application is calibrated to the region and the Seattle area.

Income Capitalization Approach model description

The income approach is considered the most reliable approach to valuation in area 413 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. Due to the highly competitive

nature of this specialty, information of a confidential nature is very difficult to obtain. As a supplement, lease information is gathered from Costar and other websites. Included in the Addenda of this report is a rental survey of restaurants in Area 413.

In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. The following table recaps the capitalization rates as reported by these publications.

SEATTLE / PACIFIC NW CAP RATES				
Source	Date	Location	Retail	Remarks
ACLI	4Q 2011	Pacific Region	6.57%	
Real Capital Analytics	4Q 2011	Seattle	7.50%	Weighted Average
IRR Viewpoint for 2011	Year End 2011	Seattle	5.50%-8.75%	Institutional Grade Properties
CoStar Group	Year End 2011	All King County	7.30%	Weighted Average
Kidder Mathews	Year End 2011	Pac NW	7.16%	45 basis points below Year End 2010
CBRE	4Q 2011	West	6.25%-7.25%	Down from 7.67% 4Q 2010
NATIONAL CAP RATES				
Source	Date	Location	Retail	Remarks
ACLI	4Q 2011	National	6.62% 7.86% 7.34%-7.67% 6.33%	Overall Sq Ft =<50K Sq Ft = 50K-200K Sq Ft = 200K +
Korpacz PWC	4Q 2011	National	7.28% 7.35% 7.16%	Regional Mall Power Center Neigh. Strip Center
Calkin Research (Net Lease Single-Tenant Retail Report)	2 nd Half 2011	National	7.42% 8.39%	Overall Average Quick Service Rest. Casual Dining

Source	Date	Location	Retail	Remarks
Emerging Trends in Real Estate 2011	August 2011	National	6.79%-7.46% 7.13%	Reg. Mall/Power Center Neigh/Comm. Centers
Marcus & Millichap Single Tenant Outlook	4Q 2011	National	7.30% 8.50%	Overall (Average) Quick Service Rest. Dn 50 basis points+ Casual Dining N/C
Cassidy/ Turley QSR Retail Trends	Spring 2012	National	7.5% 7.2%	Year End 2010 Year End 2011 based upon 191 sales

The table demonstrates 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 of retail properties to develop the income model. The published capitalization rates indicate that the rates for Seattle/King County are generally lower than the national rates. The overall quick service restaurants capitalization rates have declined over the past year with casual dining restaurants capitalization rates remaining the same in King County.

2011 Year End Metrics			
	QSR	Fast Casual	Casual Dining
Vacancy	↔ (stable)	↔ (stable)	↔ (stable)
Rental Rate	↔ (stable)	↔ (stable)	↔ (stable)
Capitalization Rate	↘ (slight decrease)	↘ (slight decrease)	↔ (stable)
Improved Property Values	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Land Values	↔ / ↗ (stable/slight increase)	↔ / ↗ (stable/slight increase)	↔ / ↗ (stable/slight increase)

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, publications, and interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year built, condition, and location are variables considered in the application of the income model to the parcels in the population.

Income approach calibration

The models were calibrated after setting economic base rents, vacancy rates, expenses, and capitalization rates by using adjustments based on size, effective year built, and quality of construction as recorded in the Assessor's records. When the value of the property by the income approach was significantly less than the land value, a \$1,000 value was allocated to the improvements. The following table outlines specific income parameters

PROPERTY TYPE	TYPICAL RENT RANGE	VACANCY	EXPENSE RATE	CAP RANGE
Quick Service Restaurant/Fast Casual	\$18.00 to \$36.00	5% to 7%	10%	7.25% to 8.0%
Casual Dining	\$18.00 to \$30.00	5% to 7%	10%	7.25% to 8.0%
Retail	\$12.00 to \$24.00	7%	10%	7.25% to 8.0%
Metrics* *Change from Prior Year	Stable No Increase	Stable No Increase	Stable No Increase	Slight Decrease

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. Under no circumstances were business enterprise or personal property values included in the Assessor's appraisals. Every effort was made, through the use of market rent, to eliminate any possibility of value estimates that included anything but the value of the real estate. 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. An administrative review of the selected values was made by a Senior Appraiser for quality purposes.

Model Validation

Total Value Conclusions, Recommendations, and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. A value is selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate

is appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

The Income Approach to value was considered on all of the Quick Service/Fast Casual Restaurants and the Casual Service Restaurants and is the most reliable approach for these specialty properties.

The total assessed value for the 2011 assessment year for Area 413 was \$369,453,400. The total recommended assessed value for the 2012 assessment year is \$377,715,600.

While the assessed value of land went down .02% the improvement assessment went up plus 9.95% and this is due in part to lower capitalization rates which in turn produced higher total property values. Also contributing to the increase in improvement values was due to new construction and the remodeling of a number of QSRs and also the transfer of a number of Casual Dining restaurants from Area Appraisers to Specialty Area 413. The application of these recommended values for the 2012 assessment year results in a total change from the 2011 assessments of a modest plus 2.24% increase.

	Land	Improvements	Total
2011 Value	\$280,534,100	\$88,919,300	\$369,453,400
2012 Value	\$279,951,600	\$97,764,000	\$377,715,600
Percent Change	- 0.02%	+9.95%	+2.24 %

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 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.*
- *Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below:*

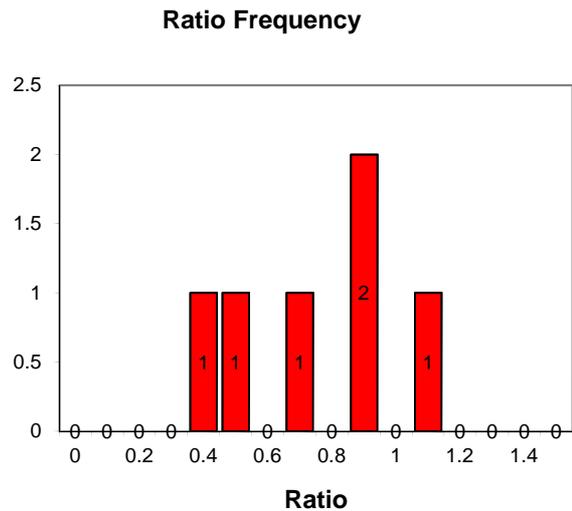
Physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation

Area 413 - quick service restaurants
2012 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
202205-9229	755,000	900,000	6/2/2009	0.8389	0.0899
092104-9292	483,700	592,500	8/5/2009	0.8164	0.0674
415920-0720	1,010,900	2,970,000	9/17/2009	0.3404	0.4086
252006-9133	820,600	780,000	10/14/2009	1.0521	0.3030
362205-9029	956,100	2,077,586	11/23/2010	0.4602	0.2888
092405-9204	1,022,500	1,500,000	1/13/2011	0.6817	0.0674

Area 413 - quick service restaurants
2012 Assessment Year

Quadrant/Crew:	Appr date :	Date:		Sales Dates:
North Crew	1/1/2011	6/7/2012		1/1/09 - 05/31/12
Area	Appr ID:	Prop Type:		Trend used?: Y / N
413	RBUT	Improvement		N
SAMPLE STATISTICS				
Sample size (n)	6			
Mean Assessed Value	841,500			
Mean Sales Price	1,470,000			
Standard Deviation AV	205,198			
Standard Deviation SP	915,540			
ASSESSMENT LEVEL				
Arithmetic mean ratio	0.698			
Median Ratio	0.749			
Weighted Mean Ratio	0.572			
UNIFORMITY				
Lowest ratio	0.3404			
Highest ratio:	1.0521			
Coefficient of Dispersion	27.26%			
Standard Deviation	0.2623			
Coefficient of Variation	37.56%			
Price-related Differential	1.22			
RELIABILITY				
95% Confidence: Median				
Lower limit	0.340			
Upper limit	1.052			
95% Confidence: Mean				
Lower limit	0.488			
Upper limit	0.908			
SAMPLE SIZE EVALUATION				
N (population size)	292			
B (acceptable error - in decimal)	0.05			
S (estimated from this sample)	0.2623			
Recommended minimum:	80			
Actual sample size:	6			
Conclusion:	Uh-oh			
NORMALITY				
Binomial Test				
# ratios below mean:	3			
# ratios above mean:	3			
z:	-0.40824829			
Conclusion:	Normal*			
*i.e., no evidence of non-normality				



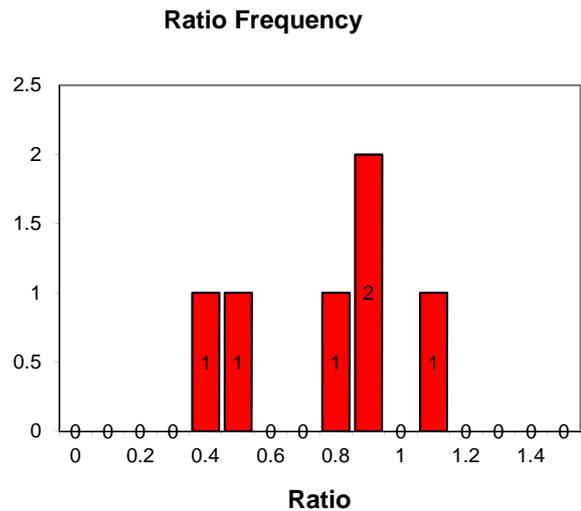
These figures reflect measurements before posting new values.

Area 413 - quick service restaurants
2012 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
202205-9229	779,300	900,000	6/2/2009	0.8659	0.0914
092104-9292	499,900	592,500	8/5/2009	0.8437	0.0693
415920-0720	1,044,600	2,970,000	9/17/2009	0.3517	0.4227
252006-9133	820,600	780,000	10/14/2009	1.0521	0.2776
362205-9029	989,100	2,077,586	11/23/2010	0.4761	0.2984
092405-9204	1,057,800	1,500,000	1/13/2011	0.7052	0.0693

Area 413 - quick service restaurants
2012 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
North Crew	1/1/2012	6/7/2012	1/1/09 - 05/31/12
Area	Appr ID:	Prop Type:	Trend used?: Y / N
413	RBUT	Improvement	N
SAMPLE STATISTICS			
<i>Sample size (n)</i>	6		
<i>Mean Assessed Value</i>	865,200		
<i>Mean Sales Price</i>	1,470,000		
<i>Standard Deviation AV</i>	213,280		
<i>Standard Deviation SP</i>	915,540		
ASSESSMENT LEVEL			
<i>Arithmetic mean ratio</i>	0.716		
<i>Median Ratio</i>	0.774		
<i>Weighted Mean Ratio</i>	0.589		
UNIFORMITY			
<i>Lowest ratio</i>	0.3517		
<i>Highest ratio:</i>	1.0521		
<i>Coefficient of Dispersion</i>	26.44%		
<i>Standard Deviation</i>	0.2616		
<i>Coefficient of Variation</i>	36.54%		
<i>Price-related Differential</i>	1.22		
RELIABILITY			
95% Confidence: Median			
<i>Lower limit</i>	0.352		
<i>Upper limit</i>	1.052		
95% Confidence: Mean			
<i>Lower limit</i>	0.506		
<i>Upper limit</i>	0.925		
SAMPLE SIZE EVALUATION			
<i>N (population size)</i>	292		
<i>B (acceptable error - in decimal)</i>	0.05		
<i>S (estimated from this sample)</i>	0.2616		
Recommended minimum:	80		
<i>Actual sample size:</i>	6		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
<i># ratios below mean:</i>	3		
<i># ratios above mean:</i>	3		
<i>z:</i>	-0.40824829		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



These figures reflect measurements after posting new values.

Improvement Sales for Area 413 with Sales Used

06/07/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code
413	020	092104	9292	1,566	2403784	\$592,500	08/05/09	\$378.35	TACO BELL RESTAURANT	CC	1	Y
413	030	092405	9204	2,690	2478339	\$1,500,000	01/13/11	\$557.62	Taco Time	CB	1	Y
413	040	252006	9133	3,334	2413225	\$780,000	10/14/09	\$233.95	BURGER KING	HBC	1	Y
413	040	362205	9029	2,621	2467767	\$2,077,586	11/23/10	\$792.67	JACK IN THE BOX	MC	1	Y
413	050	202205	9229	3,280	2393562	\$900,000	06/02/09	\$274.39	IVARS RESTAURANT	CC	1	Y
413	050	415920	0720	3,900	2408589	\$2,970,000	09/17/09	\$761.54	IHOP	BC	1	Y

Improvement Sales for Area 413 with Sales not Used

05/30/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	010	276810	0465	2,946	2505555	\$37,500	08/16/11	\$12.73	BURGER KING	C1-65	1	24	Easement or right-of-way
413	010	344800	1081	2,396	2426266	\$60,000	01/15/10	\$25.04	WENDYS	C1-40	1	18	Quit claim deed
413	010	728770	0012	950	2411744	\$57,500	08/28/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411747	\$57,500	08/14/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411749	\$57,500	08/21/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411750	\$57,500	08/14/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411751	\$57,500	08/15/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411752	\$57,500	09/29/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	010	728770	0012	950	2411753	\$57,500	08/25/09	\$60.53	JACK IN THE BOX RESTAURANT	RB	1	31	Exempt from excise tax
413	020	200660	1080	0	2416776	\$2,135,000	11/04/09	\$0.00	JACK IN THE BOX - see - 1095	D-C	2	33	Lease or lease-hold
413	020	332304	9145	1,829	2391835	\$1,360,000	05/20/09	\$743.58	TACO BELL	CB-C	1	33	Lease or lease-hold
413	030	220150	1409	2,648	2538065	\$1,166,666	04/06/12	\$440.58	PIZZA HUT	CB	1		
413	030	222505	9332	3,149	2517368	\$650,000	11/04/11	\$206.41	BURGER KING (SPLIT ACCT)	BR-CR	1	51	Related party, friend, or neighbor
413	030	222505	9332	3,149	2517370	\$45,000	11/04/11	\$14.29	BURGER KING (SPLIT ACCT)	BR-CR	1	24	Easement or right-of-way
413	030	262505	9031	2,576	2433543	\$1,441,172	03/23/10	\$559.46	TACO BELL	RC	1	59	Bulk portfolio sale
413	030	282605	9182	3,210	2444089	\$1,550,000	05/17/10	\$482.87	TACO TIME	TL 6B	2	11	Corporate affiliates
413	040	102305	9132	2,818	2538622	\$19,512	03/15/12	\$6.92	TACO TIME	CA	1	24	Easement or right-of-way
413	040	162206	9148	2,275	2543318	\$750,000	05/07/12	\$329.67	TACO TIME	CB	1		
413	040	202205	9054	3,393	2455647	\$330,000	08/16/10	\$97.26	DAIRY QUEEN	CC	1	51	Related party, friend, or neighbor
413	040	362205	9040	2,732	2448856	\$742,500	06/29/10	\$271.78	TACO TIME	TC	1	51	Related party, friend, or neighbor
413	040	869560	0060	1,800	2498597	\$415,000	05/19/11	\$230.56	PIZZA HUT	C1	1		
413	050	092104	9276	10,350	2424107	\$2,075,000	12/31/09	\$200.48	BLACK ANGUS RESTAURANT	CC	1	51	Related party, friend, or neighbor