

**AREA 413**

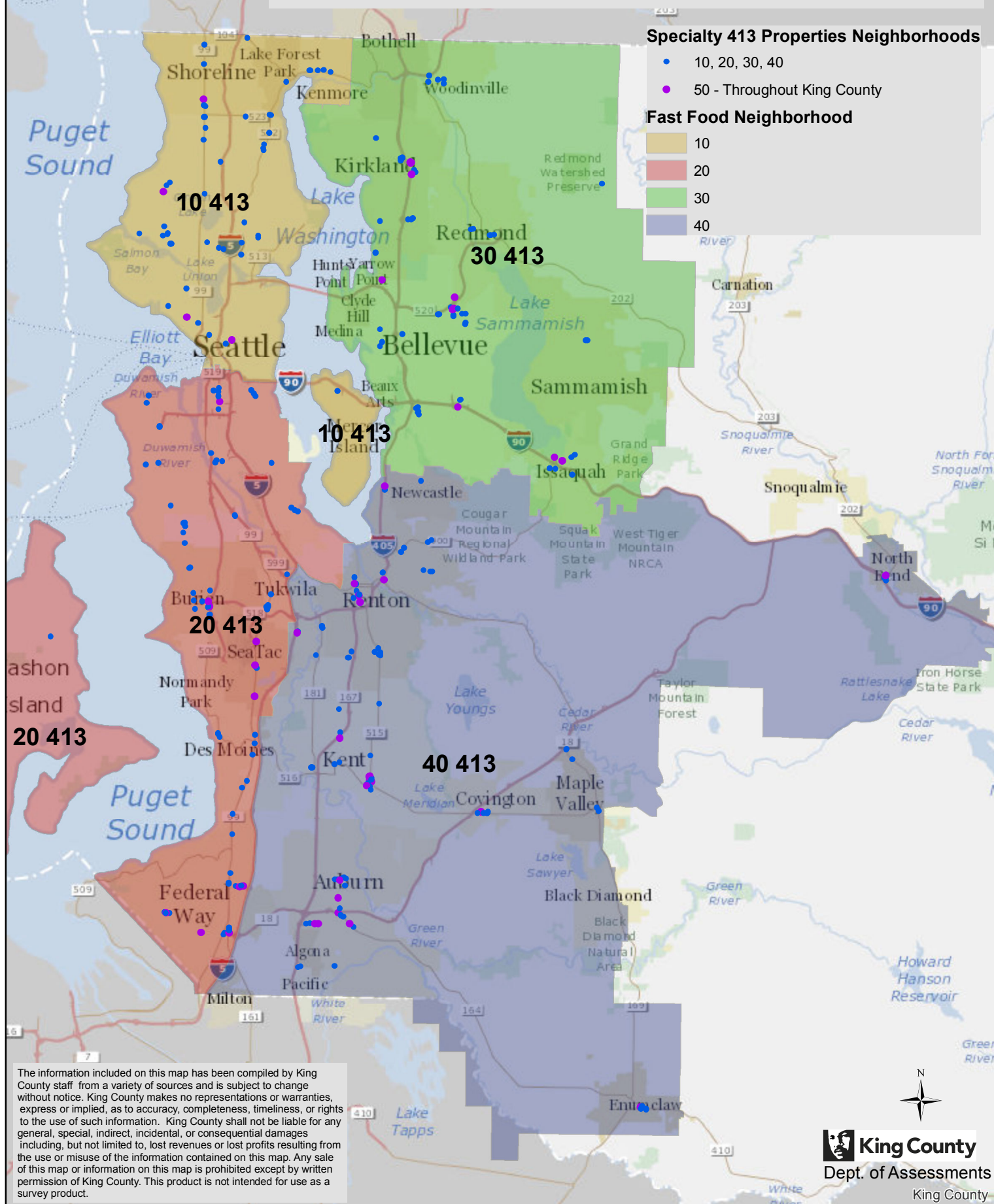
**QUICK SERVICE – FAST CASUAL AND**

**CASUAL DINING RESTAURANTS**



**Chick-fil-A Restaurant, Bellevue, WA**

## FAST FOOD/ QSR RESTAURANT PROPERTIES





## King County

### Department of Assessments

King County Administration Bldg.  
500 Fourth Avenue, ADM-AS-0708  
Seattle, WA 98104-2384  
(206) 296-5195 FAX (206) 296-0595  
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## Lloyd Hara *Assessor*

As we start preparations for the 2015 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties;
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP;
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Prepare written reports in compliance with USPAP Standard 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Lloyd Hara  
King County Assessor



## **King County**

**Department of Assessments**

**Accounting Division**

500 Fourth Avenue, ADM-AS-0740

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

Dear Property Owners:

Property assessments for the 2015 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 2015 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 1/01/2015 – 2015 Assessment Year

Specialty Name: Quick Service/Fast Casual & Casual Dining Restaurants

### Sales - Improved Summary:

Number of Sales: 8

Range of Sale Dates: 11/15/2012 –12/10/2014

### Sales – Ratio Study Summary:

Sales---Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2014 Value	\$1,097,300	\$1,225,900	89.50%	14.10%
2015 Value	\$1,175,700	\$1,225,900	95.90%	5.75%
Abs.Change	\$78,400		6.40%	-8.35%
% Change	7.14%		7.15%	-59.22%
*COD 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 did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are: sales that are leased back to the seller; sold as a portion of a bulk portfolio sale; net lease sales; sales that had major renovation after sale, or have been segregated or merged since being purchased

### Population - Parcel Summary Data:

	Land	Improvements	Total
2014 Value	\$300,272,900	\$110,853,000	\$411,125,900
2015 Value	\$314,047,200	\$128,601,400	\$442,648,600
Amount Change	+\$13,774,300	+\$17,748,400	+\$31,522,700
Percent Change	+4.59%	+16.01%	+7.67 %

Number of Parcels in the Population: 300

**Conclusion and Recommendation:**

With limited market sales data less consideration is given to the Sales Comparison Approach in the 2015 revalue. The Income Approach is used in the final reconciliation of approaches, 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 uniformity and equity, we recommend posting them for the 2015 assessment year.

**Analysis Process**

**Effective Date of Appraisal:** January 1, 2015

**Date of Appraisal Report:** June 26, 2015

**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. The current improvements do add value to the property in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements and the property may be returned to the geo-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**

All three approaches to value were considered in this appraisal.

Market trends (market condition adjustment, time adjustments) were considered for the sales prices of the sales available in the current quick service, fast casual and casual dining restaurant market.

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) AKA Fast Food Restaurants, Fast Casual Restaurants, and Casual Dining Restaurants. Specialty Area 413 encompasses all QSR restaurants, Fast Casual Restaurants and Casual Dining Restaurants.

According to the National Restaurant Association (NRA), restaurants are divided into four types: Type One (quick service); Type Two (fast casual); Type Three (casual/family dining) and Type Four (fine dining). McDonalds, Wendy's, Burger King, Taco Bell, KFC, etc. are examples of QSR type restaurants. Examples of Type Two restaurants, fast casual, include Pizza Hut, Chipotle, Five Guy Burgers, Panera Bread, etc. Type Three, casual dining, examples include; Denny's, IHOP, Applebee's, Red Robin, Olive Garden, etc. Type Four, fine dining, are not valued in this report as they are valued by the King County Assessor's area appraiser.

The restaurant classifications are further divided into segments such as: chicken, sandwich, snack, and pizza.

QSR, fast casual dining and casual dining restaurants are special-purpose properties often specifically designed and tailored for major brand recognition. Area 413 includes those restaurants that have national recognition and are listed in the top 50 restaurant chains in each category by the NRA.

The majority of the restaurants are "stand alone" structures with both land and building included in the property description. Restaurants not included in Area 413 such as Subway and Starbucks, in most cases, are located in retail centers, where they lease the space as part of a larger complex and are not stand alone facilities. When either Subway or Starbucks are "stand alone" they are included in Area 413.

Ownership of QSR facilities includes both corporate owned and franchise owned restaurants. The majority of the restaurants are owned 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. McDonalds has approximately 14,350\* restaurants in the USA, of which approximately 12,836 (89%) are franchisee owned and the balance are corporate owned stores, however McDonalds owns the land and buildings of all of their stores and charges rent for the franchisee owned stores. The majority of the restaurants in the 413 Specialty are franchisee owned and operated stores. Burger King has 99.3% of their restaurants franchised. On the other end of the relationship spectrum, i.e. franchisor/franchisee is Subway with 26,988\* outlets of which none are franchisee owned.

\*Source Technomic Inc.

#### **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, fast casual and casual dining restaurant specialty properties were revalued this year.

#### **A brief description of the neighborhoods follows.**

King County is home to many corporations with national and international impact. The QSR, fast casual and casual dining restaurant industry is highly competitive. The following QSR restaurant chains located in King County are listed in the top twenty nationally; McDonalds, KFC, Pizza Hut, Burger King, Wendy's, Taco Bell, Jack in the Box, Arby's, Dunkin Donuts, Pizza Hut and Dairy Queen. Chick-fil-A has opened their first QSR in King County located in Bellevue. The following table shows the number of parcels in Area 413 and the neighborhoods.

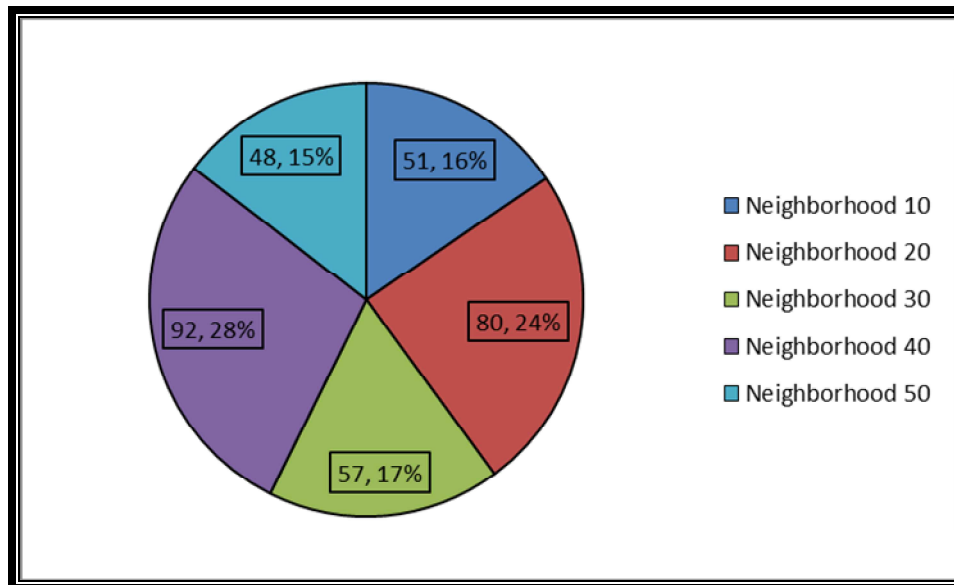


<b>Neighborhood</b>	<b># of Parcels</b>	<b><u>%</u>% of Total</b>
<b>10</b>	<b>51</b>	<b>15.55%</b>
<b>20*</b>	<b>80</b>	<b>24.39%</b>
<b>30</b>	<b>57</b>	<b>17.38%</b>
<b>40</b>	<b>92</b>	<b>28.05%</b>
<b>50</b>	<b>48</b>	<b>14.63%</b>
<b>Total</b>	<b>328</b>	<b>100.0%</b>

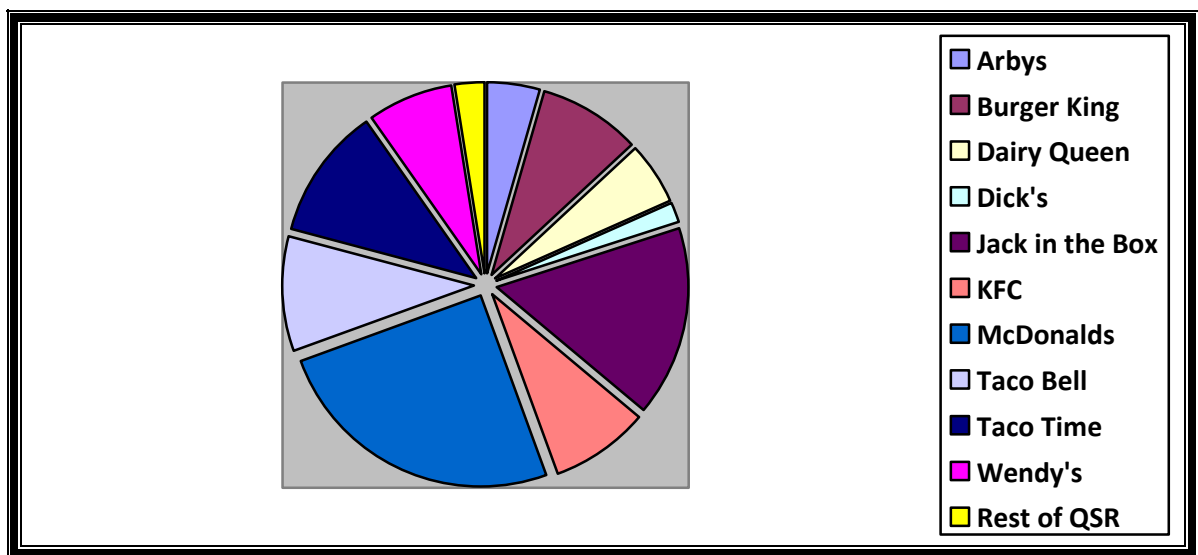
\*Inspected Area for 2015

The total restaurants for 2014 valuation was 321 a net increase of 7 restaurants, however this number somewhat misleading as a number of restaurants were transferred to the Area Appraiser due to change of use and conversely restaurants were transferred from the Area Appraiser to Specialty Area 413, such as Chick-fil-A, shown on the cover page of this report.

### Parcel Distribution by Neighborhood for Area 413



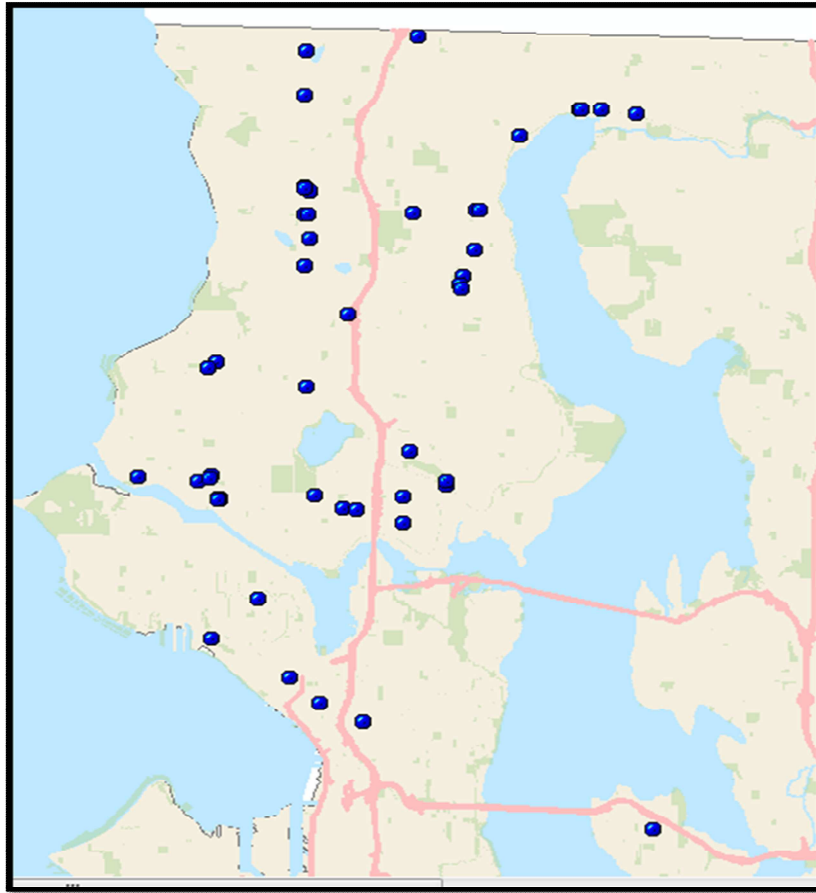
The pie chart shown below shows the QSR distribution found in King County and includes most of the national chains with the addition of Dick's and Taco Time, which are local QSRs also valued in Area 413. The restaurant distribution is highly similar to Graph shown for USA restaurants shown latter in this report.



Graph of King County QSR Distribution

**Specialty Area 413-10** includes the Seattle area, Kenmore, Lake Forest Park and Shoreline. No sales have taken place in Area 413-10 in the past three years. Approximately 15.55% of the restaurants are located in this neighborhood.

**Map Area 413-10**

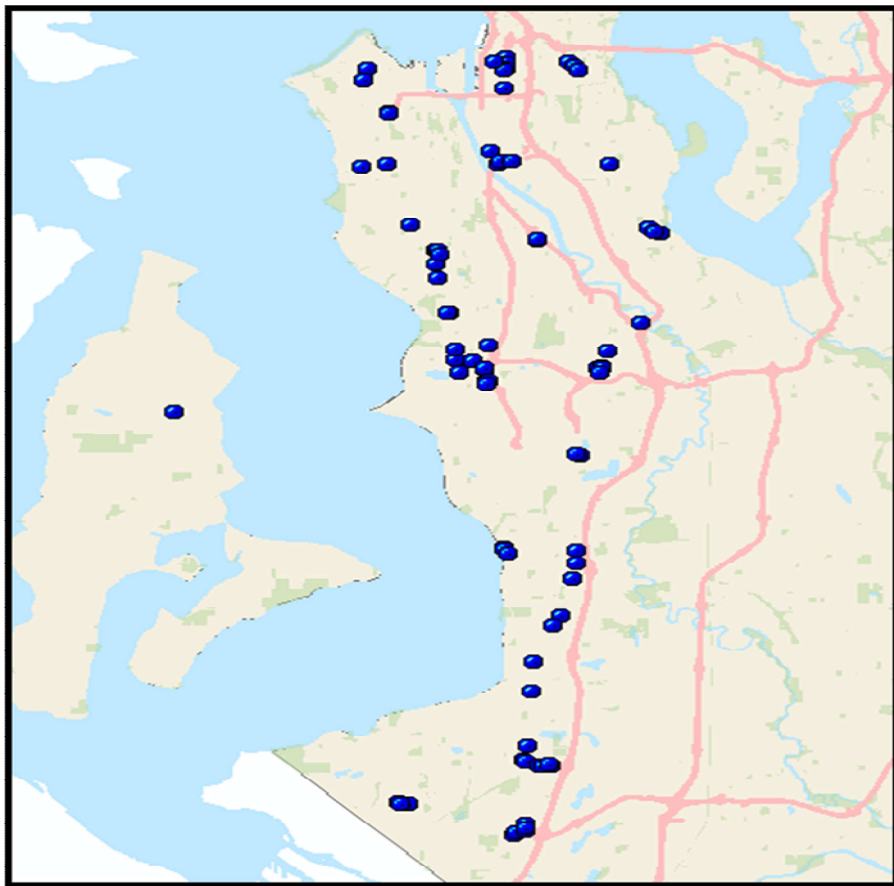


The following table shows that the major portion of the total value for Neighborhood 10 lies in the land value, assessed by the Area Appraiser. The land value has increased 9.38% or approximately 94% of the total increase of \$6,655,100 supporting an overall increase in total property value of 9.23% over prior assessment year.

Year	Land Value	Imp. Value	Total Value
2014	\$66,601,600	\$5,520,200	\$72,121,800
2015	\$72,850,400	\$5,926,500	\$78,776,900
Difference	+\$6,248,800	+\$406,300	+\$6,655,100
% Change	+9.38%	+7.36%	+9.23%

**Specialty Area 413-20** includes South Seattle, Burien, Tukwila, Des Moines, SeaTac, and Federal Way. This neighborhood is the inspection area for Assessment Year 2015 and all Quick Service Restaurants and Fast Casual Dining Restaurants in this neighborhood were physically inspected; see Report for Tax Parcel inspected. Approximately 24.39% of the fast food specialty population is located within 413-20 and it is the second largest submarket. Three sales have taken place in this neighborhood, (1) Taco Bell/KFC, which sold for \$1.6M or \$480/square foot. (2) Arby's, sold for \$1.4M or \$369/square foot and (3) KFC, sold for \$485K or \$229/square foot.

**Map Area 413-20**





(1)

Tax Parcel No. 766620-5160  
 Sale Price: \$1,600,000  
 Sale Date: 11/15/2012  
 E Tax No. 2577649  
 Size: 3,333sf  
 P/SF: \$480



(2)

Tax Parcel No. 536720-1395  
 Sale Price: \$1,400,000  
 Sale Date: 11/03/2014  
 E Tax No. 2699194  
 Size: 3,794sf  
 P/SF: \$369



(3)

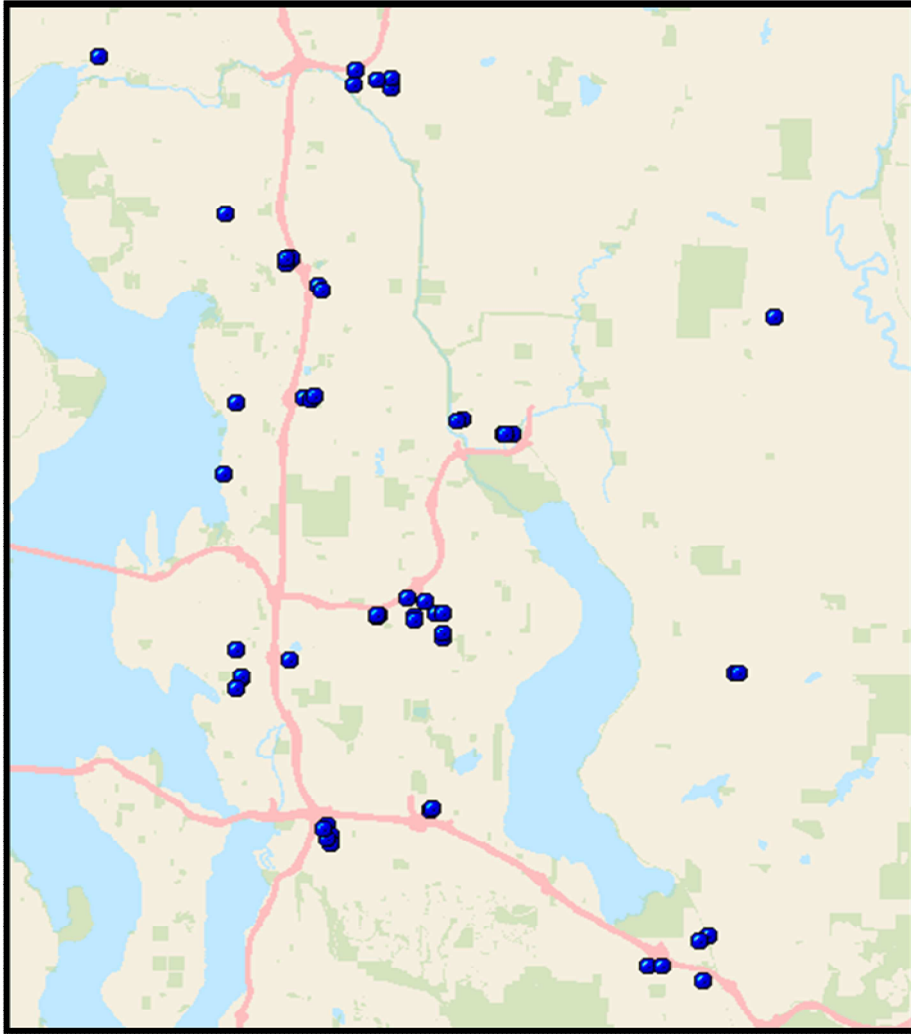
Tax Parcel 250060-0701  
 (former KFC)  
 Sale Price: \$485,000  
 Sale Date: 04/16/2014  
 E Tax No. 2665183  
 Size: 2,112sf  
 P/SF: \$229

The following table indicates that the total property values for the restaurants located in Neighborhood 413-20 have increased just over 5% with a modest increase in land value of less than 2%. Along with 413-40 this neighborhood has experienced the most sales activity over the past three years with the majority of the transactions taking place in 2014.

Year	Land Value	Imp. Value	Total Value
2014	\$65,655,900	\$24,987,400	\$90,643,300
2015	\$66,765,000	\$28,434,500	\$95,199,500
Difference	+ \$1,109,100	+ \$3,447,100	+\$4,556,200
% Change	+ 1.69%	+ 13.8%	+ 5.03%

**Specialty Area 413-30** includes the East side of King County: Redmond, Kirkland, Woodinville, Bellevue, Sammamish and Issaquah. Approximately 17.38% of the restaurants are located within this neighborhood. Although there have been no improved sales of either QSR, Fast Casual or Casual Dining restaurants during the past three years. Four new QSR restaurants have been constructed or are being developed. The McDonalds located at 1401 156<sup>th</sup> Ave. NE was razed to make way for a new McDonalds constructed on the same footprint. The Denny's located at 785 116<sup>th</sup> Avenue NE was razed and the first Chick-Fil-A restaurant in the State of Washington was constructed at this location. And in Issaquah, Taco Time purchased a site and has constructing a new restaurant on the property. Under construction is a new Wendy's located on 116<sup>th</sup> Avenue NE, Kirkland, WA replacing a former Wendy's, which was razed. Projected completion for the new QSR is July 2015.

Map Area 413-30





Following are photos of each of these new additions within 413-30:



New McDonalds located at  
1401 156<sup>th</sup> Avenue NE,  
Bellevue, WA

Replaces  
McDonald's that  
was razed.

Tax Parcel No. 262505-  
9201



New Taco Time  
constructed in 2014,  
located in Issaquah, WA

Tax Parcel No. 212406-  
9055



New Chick-fil-A located  
at 785 116<sup>th</sup> Avenue NE  
Bellevue, WA

Tax Parcel No. 322505-  
9070





Old Wendy's QSR razed to construct new Wendy's shown below, still under construction.

Tax Parcel No. 292605-9030

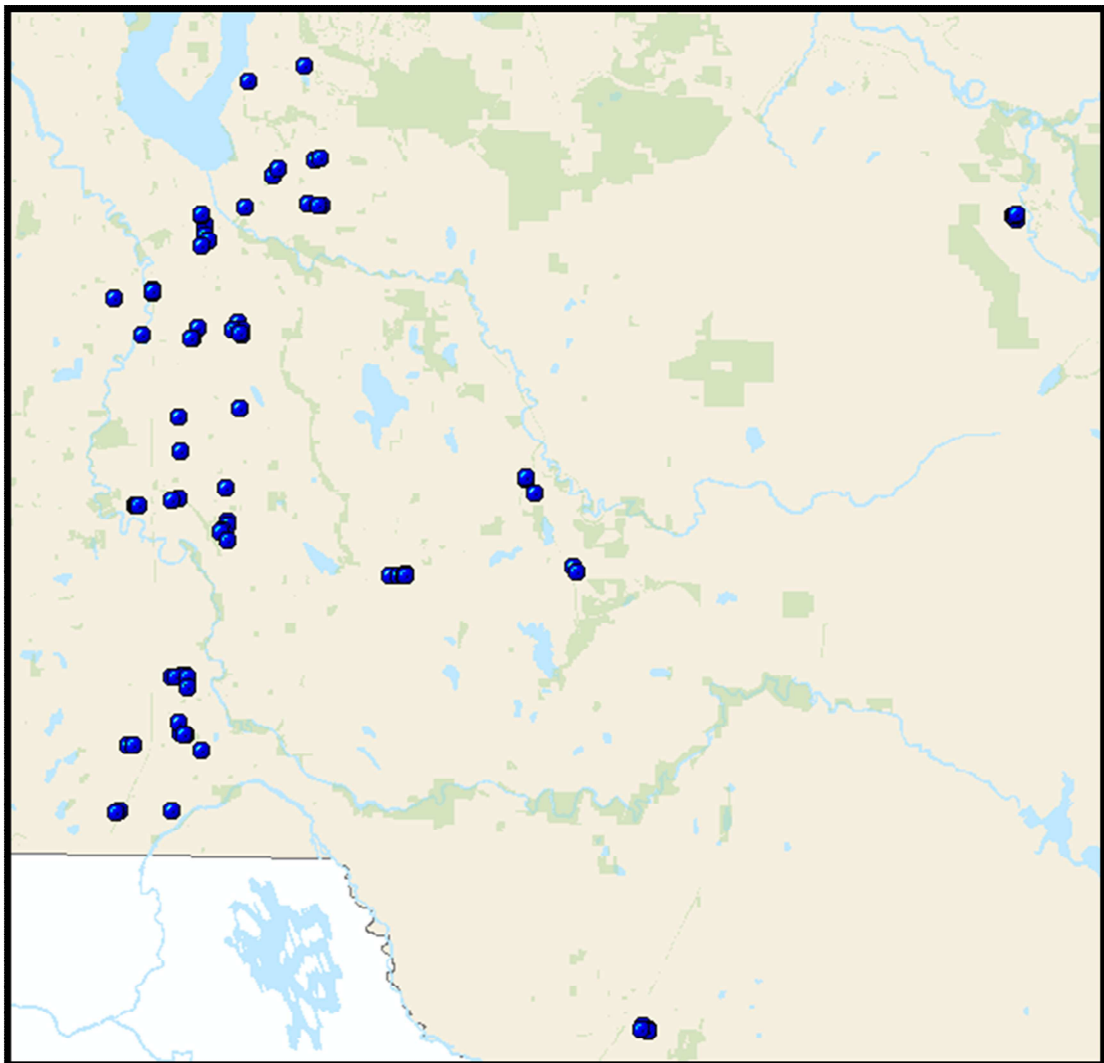


The year to year comparison for Area 413-30 supports a land value increase of 4.06% and a total improved property value increase of 5.27%. New construction values for the above properties were assessed in prior years, except for Wendy's and Chick-Fil-A, which are included in the 2015 assessment.

Year	Land Value	Imp. Value	Total Value
2014	\$71,135,600	\$11,251,800	\$82,387,400
2015	\$74,025,800	\$12,705,200	\$86,731,000
Difference	+\$2,890,200	+ \$1,453,400	+\$4,343,600
% Change	+ 4.06%	+ 12.92%	+ 5.27%

**Specialty Area 413-40** includes rural King County. The areas are Auburn, Newcastle, Renton, Kent, Covington, Enumclaw, Maple Valley, and North Bend. There are 92 parcels in this sub area representing approximately 28.05% the largest neighborhood in Area 413. Three transactions have taken place in the area over the past two years; the Starbucks (1) located in Renton sold June 11, 2013 for \$1.2M or approximately \$429/square foot. Wendy's (2) in Kent sold May 7, 2014 for \$1.192M or approximately \$412/square foot and Arby's (3) in Renton sold August 4, 2014 for approximately \$609/square foot. Additionally, the vacated McDonald's restaurant located at 17630 108<sup>th</sup> Avenue SE was listed for sale with asking price of \$1,450,000 and has sold for \$1,350,000 closing on June 15, 2015 or \$326/square foot.

**Map Area 413-40**





(1)

Tax Parcel No. 516970-0092  
 Sale Price: \$1,200,000  
 Sale Date: 6/11/2013  
 E Tax No. 2611357  
 Size: 2,796sf  
 P/SF: \$429



(2)

Wendy's converted to Starbucks January 2015  
 Tax Parcel No. 312305-9167  
 Sale Price: \$1,192,000  
 Sale Date: 5/7/2014  
 E Tax No. 2666953  
 Size: 2,889sf  
 P/SF: \$412



(3)

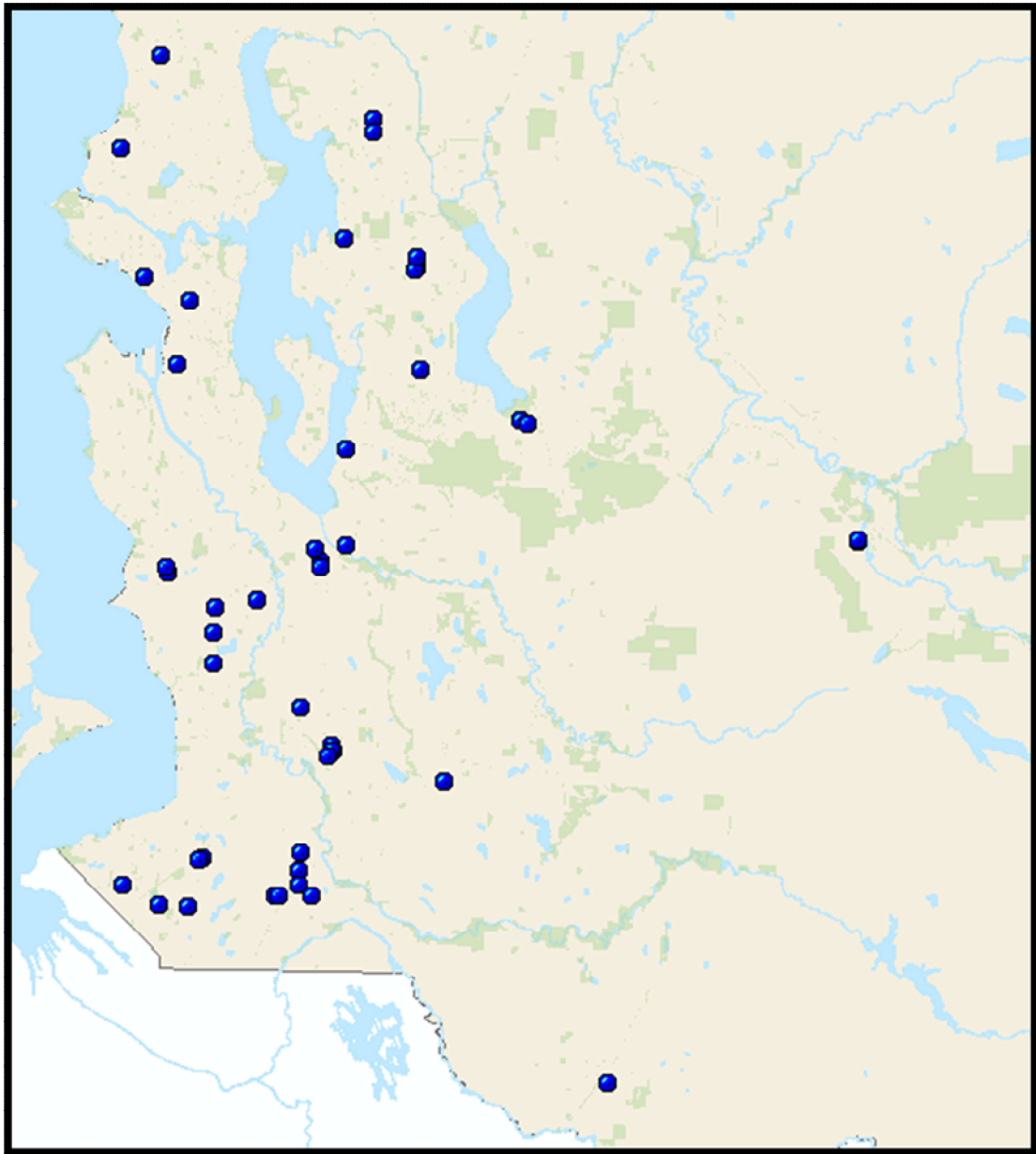
Tax Parcel No. 322305-9087  
 Sale Price: \$1,825,000  
 Sale Date: 8/4/2014  
 E Tax No. 2683630  
 Size: 2,993sf  
 P/SF: \$609

The land values for this neighborhood have increased 3.24% and the total property values have also risen by 6.22%, as shown on following graph.

Year	Land Value	Imp. Value	Total Value
2014	\$49,788,400	\$49,746,200	\$99,534,600
2015	\$51,402,400	\$54,320,300	\$105,722,700
Difference	+\$1,614,000	+\$4,574,100	+\$6,188,100
% Change	+ 3.24%	+ 9.19%	+ 6.22%

**Specialty Area 413-50** includes casual dining restaurants countywide. This neighborhood has approximately 14.63% of the specialty population. It includes Denny's, IHOP, Black Angus, Shari's, Applebee's, Pizza Hut and Red Robin as well as other local and national chain restaurants. There have been two market sales in Neighborhood 50. The sale of a (1) IHOP restaurant located in Issaquah closed May 30<sup>th</sup> 2013 for \$1.505M or \$304/square foot and a Godfather Pizza (2) which sold on December 10, 2014 for \$600K or approximately \$156/square foot. The economic climate has slowed the pace of new construction and sales activity for these stand-alone restaurants.

**Map Area 413-50**







(1)

Tax Parcel No. 202406-9096  
 Sale Price: \$1,505,000  
 Sale Date: 5/30/2013  
 E Tax No. 2610398  
 Size: 4,944sf  
 P/SF: \$304



(2)

Tax Parcel No. 873217-0050  
 Sale Price: \$600,000  
 Sale Date: 12/10/2014  
 E Tax No. 2705224  
 Size: 3,840sf  
 P/SF: \$156

The land value for 413-50 has increased by 4.06% and the total property value has also risen by 14.72%. The increase in total value was caused primarily by the transfer of a number of casual dining restaurants from the Area Appraisers to Specialty Area 413-50.

Year	Land Value	Imp. Value	Total Value
2014	\$47,091,400	\$19,347,400	\$66,438,800
2015	\$49,003,600	\$27,214,900	\$76,218,500
Difference	+\$1,912,200	+ \$7,867,500	+ \$9,779,700
% Change	+ 4.06%	+ 40.66%	+ 14.72%

### **National QSR, Fast Casual, and Casual Dining Restaurant Economic Conditions.**

The restaurant industry will reach some landmark numbers in 2015 – more than the \$709B in sales for 2014, according to the National Restaurant Association, with over one million locations and 14 million employees. Washington State has 14,332 restaurant locations, \$11.6 billion in sales and 286,800 employees (13.4%) of employment in the state. QSRs outperformed fast casual restaurants last years. QSR same store sales (SSS) growth has been positive for five consecutive year, up 3.4 percent in 2014, while fast casual has been positive for only three consecutive quarters, according to the 2015 Chain Restaurant Industry Review.

The QSR, fast casual and casual dining industry has seen an increase in total sales during 2014 over 2013 in spite of the slower than predicted economy recovery. Again the QSR market exceeded the \$600B sales figure for the fourth year in a row and was projected to top \$683.4B in 2015, up 3.6% over 2014, according to National Restaurant Association's 2014 Restaurant Industry Forecast. With respect to the top eleven QSRs shown following they added a total of 627 restaurants with Dunkin Donuts leading the way with 405.

Subway led the way with a total 523 units added from 2013 to 2014, followed by Starbucks with 254. Fast casual dining restaurant additions during the same time period leaders included Chipotle with 183 units, Pizza Hut with 57 new restaurants and Panera Bread with 100. McDonalds with a total of 14,350 restaurants added only 72 new restaurants.

QSR restaurants that reduced the number of outlets included KFC minus 108, Burger King minus 60, Wendy's minus 46 and Dairy Queen minus 21. Although not approaching the total number of QSR restaurants, the fastest growing segment of the restaurant industry is the fast casual section with Panera Bread, Chipotle and Pizza Hut leading the way. Conversely, the QSR segment has been static over the same time period.

Trends for the restaurant industry in 2015, according to National Restaurant Association, will include the following: \*

- Quality ingredients and more transparency–“customers are more interested in what they're eating and where it comes from”. Pizza Hut has announced that they will reduce artificial ingredients in their product along with Taco Bell, both owned by YUM Brands. Panera Bread is doing the same. Chipotle has removed most genetically modified ingredients from its food and McDonald's Corp. and Chick-fil-A have pledged to eliminate human antibiotics from their chicken supplies. Also, buying locally has gained more acceptance in the QSR industry and will continue in the future.

- Mobile technology as new norm-mobile technology, both for customers and for operators, will continue to open new doors in the quick-service industry. Mobile payments are expected to triple to nearly \$9 billion in 2015, according to marketing firm eMarketer.
- Do-it-yourself health gluten-free is here for the long haul and 2015 will see customers' expectations for do-it-yourself health climb even higher. Health-minded consumers often gravitate to places like Subway, Panera Bread and Chipotle Mexican Grill that allow them to customize their orders, thus choosing their own healthful options.
- Far East flavors dominate although there's a difference of opinion among many of the trend experts about which ethnic foods will make a splash in 2015, it appears that new and different Asian items will be breaking through in quick service the most. Consumers will go beyond Chinese, Japanese, and Thai favorites to discover new regional Asian foods, such as Vietnamese, Filipino, and Korean items, experts say.
- Heat rises expect to see spicier, hotter menu items in 2015.
- Drive thru service is increasing in importance. That is why so many QSRs are adding second drive-thru lanes today, all of the remodeled McDonalds in King County have added a second drive-thru lane as have the newly constructed McDonald restaurants.
- Growth total restaurant industry sales are expected to advance at a 3.8 percent rate this year. Sales in the table service segment are expected to reach \$220 billion in 2015, a 2.9 percent gain over 2014 sales, while QSR/Fast Casual are projected to grow by 4.3 percent.

*\*2015 Restaurant Industry Forecast National Restaurant Association*

GE Capital Finance along with the National Restaurant Association rank the Top 100 restaurants in the USA each year based upon gross revenue, same store sales, number of company owned restaurants, number of franchises, and total units, following are the major restaurants in each classification: QSR, fast casual, and casual/family restaurants. Emphasis is placed on restaurants that have locations in King County. The following results are based upon 2014 findings.



The top twelve QSR restaurant units in the nation based upon gross sales are listed as follows:

- 1) McDonald's [\$35.5B], Average Sales Per Unit (\$2.5M), Total Units: 14,350
- 2) Burger King [\$8.6B], Average Sale Per Unit (\$1.25M), Total Units, 7,303
- 3) Wendy's [\$8.5B], Average Sales Per Unit (\$1.49M), Total Units: 7,095
- 4) Taco Bell [\$8.1B], Average Sales Per Unit (\$1.4M), Total Units: 5,745
- 5) Dunkin Donuts [\$7.17B], Average Sales Per Unit (\$887K), Total Units: 8,082
- 6) Pizza Hut [\$5.58B], Average Sales Per Unit (\$843K), Total Units: 6,356
- 7) Chick-fil-A [\$5.47B], Average Sales Per Unit (\$3.4M), Total Units: 1,850
- 8) KFC [\$4.22B], Average Sales Per Unit (\$960K), Total Units: 4,321
- 9) Sonic Drive-In [\$4.03B], Average Sales Per Unit (\$1.15M), Total Units: 3,518
- 10) Arby's [\$3.26B], Average Sales Per Unit (\$977K), Total Units: 3,357
- 11) Dairy Queen [\$3.2B], Average Sales Per Unit (\$710K), Total Units: 4,517
- 12) Jack in the Box [\$3.18B], Average Sales Per Unit (\$1.4M), Total Units: 2,249

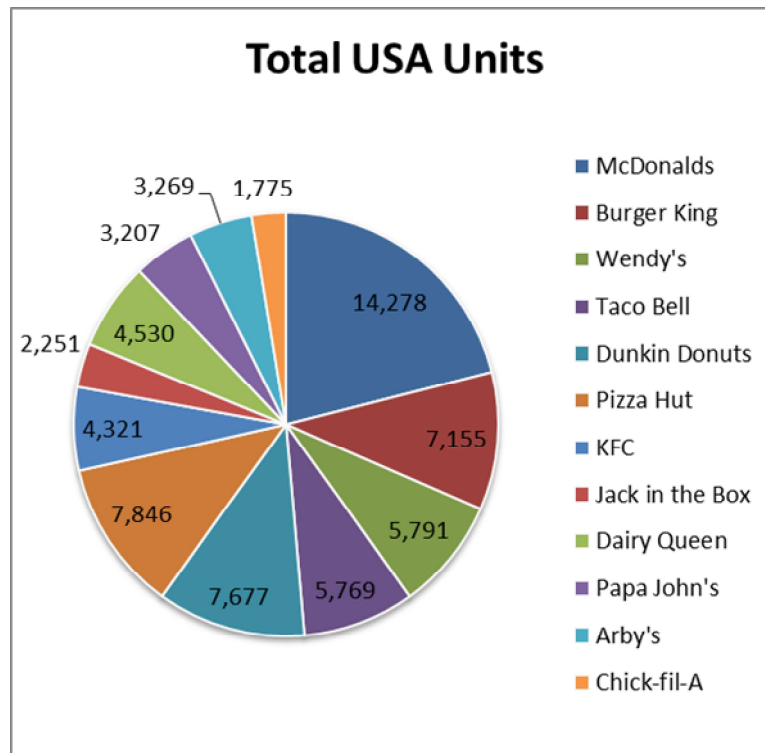
Top five Fast Casual restaurant units in the nation based upon gross sales are shown following:

- 1) Panera Bread [\$4.5B]
- 2) Chipotle Mexican Grill [\$4.1B]
- 3) Panda Express [\$2.16B]
- 4) Zaxby's [\$1.26B]
- 5) Five Guy Burgers [\$1.2B]

The top ten Casual Dining restaurant units are as follows:

- 1) Applebee's [\$4.6B]
- 2) Olive Garden [\$3.64B]
- 3) Chilli's Grill & Bar [\$3.6B]
- 4) Buffalo Wild Wings [\$3.27B]
- 5) IHOP [\$3.01B]
- 6) Outback Steakhouse [\$2.49]
- 7) Denny's [\$2.38B]
- 8) Cracker Barrel Old Country Store [\$2.13B]
- 9) Texas Roadhouse [\$1.87B]
- 10) Golden Corral [\$1.7]

Starbucks with \$11.47B and Subway with \$12.05B in sales are not listed as QSR restaurants as explained previously. Subway surpasses McDonald in total stores with 26,988 in the USA, while McDonalds has 14,350. Starbucks is third with 11,457. McDonalds still leads in total gross sales with \$35.5B in 2014, while Subway had \$12.05B in gross sales and Starbucks had \$11.47B.



The QSR distribution ratio shown in above graph is highly similar to the number of QSR outlets found in King County, see prior King County Chart. With the exception of Chick-fil-A which just opened its' first QSR in King County.

#### **Physical Inspection Identification:**

The physically inspected neighborhood was the King County Assessor's neighborhood 413-20 for assessment year 2014 as required by WAC 458-07-015 4 (a). Neighborhood 20 includes all QSR and fast casual dining restaurant such as McDonalds, KFC/Taco Bell, Dairy Queen, Taco Time, Arby's, and Starbucks. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data that affect value.

#### ***Preliminary Ratio Analysis***

The sales ratio study is an important assessment tool to ensure that properties are uniformly assessed based on market value. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales according to property type and geographic area. This data can be used to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development. A preliminary ratio study was done prior to the application of the 2015 recommended values. The ratio between the assessed value of

a property and its sale price gives the Assessor a guideline for valuing other similar properties. There were eight (8) improved sales in the Area 413 included in the ratio study. The average assessed value was \$1,097,300 and the average sale price was \$1,225,900. The ratio between the assessed value and sales price was 89.5%. The Price Related Differential went from 1.07 to 1.02 and the Coefficient of Variation went from 22.57% to 7.18%. The closer the ratio is to 1.00 indicates that the assessments reflect market conditions.

Below:

<b>Area 95 Year End 2014 Ratios</b>	
<b>Statistic</b>	<b>Value</b>
Appraisal Level	0.895
Coefficient of Dispersion (COD)	14.10
Price Related Differential (PRD)	1.07

Below:

International Association of Assessing Officers (IAAO) standards for ratios are provided to illustrate the need to revalue the properties in Area 95

<b>IAAO Recommended Ratio Standards</b>	
<b>Statistic</b>	<b>Value</b>
Appraisal Level	.90 to 1.10
Coefficient of Dispersion (COD)	5.0 to 20.0
Price Related Differential (PRD)	.98 to 1.03

Below:

The ratios after the revalue are shown below so the reader may appreciate the improvement in the ratios after properties in Area 95 were revalued. The average assessed value changed from \$1,097,300 (prior) to \$1,175,700 (after) resulting in the following ratios. The conclusion of the report will have further discussion on the ratios.

<b>Area 95 2015 Ratios</b>	
<b>Statistic</b>	<b>Value</b>
Appraisal Level	0.959
Coefficient of Dispersion (COD)	5.74
Price Related Differential (PRD)	1.02

## 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. Graph of Area 413 Land Values for 2014 and 2015 shown following.

<b>Land Assessed Values Area 413</b>				
Neighborhood	Value 2014	Value 2015	\$ Change	% Change
10	\$66,601,600	\$72,850,400	\$6,248,800	9.38%
20	\$65,655,900	\$66,765,000	\$1,109,100	1.69%
30	\$71,135,600	\$74,025,800	\$2,890,200	4.06%
40	\$49,788,400	\$51,402,400	\$1,614,000	3.24%
50	\$47,091,400	\$49,003,600	\$1,912,200	4.06%
Totals	\$300,272,900	\$314,047,200	\$13,774,300	4.59%

#### Improved Parcel Total Value Data:

Sale 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 are verified, if possible, by contacting either the purchaser or seller, or contacting the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. If necessary a site inspection is made. Sales are listed in the "Sales Used" and Sales Not Used" sections of this report.

#### 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 11/03/2012 to 12/10/2014 and are shown in the following chart. Verification consisted of contact with Buyer, Seller or Broker if possible, information from the COMPS InfoSystem, Inc., real estate sales verification service and/or CoStar. 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 eight closed market sales in this specialty in 2012 thru 2014. 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 the following table.

Nbdh	Major	Minor	E Tax #	Sale Date	Sale Price	Size NRA	Land to Building Ratio	Price Per NRA
20	250060	0701	2665183	04/16/2014	\$485,000	2,112 sf	14.62:1	\$229.64
20	536720	1395	2699194	11/03/2014	\$1,400,000	3,794 sf	6.83:1	\$369.00
20	766620	5160	2577649	11/15/2012	\$1,600,000	3,333 sf	6.88:1	\$480.05
40	312305	9167	2666953	05/07/2014	\$1,192,000	2,889 sf	9.58:1	\$412.60
40	322305	9087	2683630	08/04/2014	\$1,825,000	2,993 sf	12.68:1	\$609.76
40	516970	0092	2611357	06/11/2013	\$1,200,000	2,796 sf	10.50:1	\$429.18
50	202406	9096	2610398	05/30/2013	\$1,505,000	4,944 sf	9.34:1	\$304.41
50	873217	0050	2705224	12/10/2014	\$600,000	3,840 sf	2.69:1	\$156.25

### **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 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.

**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.

National/Regional CAP Rates for QSR/Fast Casual and Casual Dining Restaurants					
Restaurant Type	2014	2015	% Change	Change Basis Points*	Remarks
QSR	6.50%	6.10%	-6.15%	-(40)	Restaurant Research-Marcus & Millichap (QSR 2015Q2)
QSR	6.61%	6.38%	-3.48%	-(23)	Calkain Research Cap Rate Reports, End 2014*.
QSR	6.55%	6.00%	-8.40%	-(55)	The Boulder Group, Single Tenant Net Lease, 2Q 2014 (National Rate)
QSR	6.25%	5.97%	-4.48%	-(28)	Net Lease Advisor, Average CAP rates 2015 (Q1)
Fast Casual	7.11%	6.75%	-5.06%	-(36)	Net Lease Advisor, Average Cap rates 2015 (Q1)
All Restaurant Types	6.45%	6.20%	-3.88%	-(25)	Net Lease Advisor, National Average Cap Rates 2015 (Q1)
QSR	6.60%	5.80%	-12.12%	-(80)	Summer 2014 Cassidy/Turley Single Tenant Net Lease Investment Overview
QSR	6.60%	6.00%	-9.09%	-(60)	Colliers US Pacific Region Retail Market Statistics
Restaurant	7.29%	7.03%	-3.57%	-(26)	Calkain Research Cap Rate Reports 2014 Net Lease Restaurant Cap Report
Restaurant	7.03%	6.71%	-4.55%	-(32)	National Average Cap Rates, Restaurant Q1, 2015 Cap Rates

The previous 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 QSR properties to develop the income model. The overall quick service restaurant and fast casual restaurant capitalization rates have declined approximately 40 basis points over the past year and for all restaurant classifications the drop is approximately the same, 40 basis points. Nationally, Marcus & Millichap, Retail Research and Net-Leased Outlook reported that average cap rates were in the low-6 percent range in the last year, though first year returns vary depending on tenant. Calkain Company Research found that QSR cap rates averaged 6.21% for leases with 10 years left and 7.65% with leases with less than 10 years remaining, while casual dining restaurants had averaged cap rates of 6.46% to 7.32%. The factors in the capitalization rates were whether the restaurant was corporate owned or a franchisee owned store; corporate owned restaurants commanded lower cap rates, in some cases as much as 50 basis points, per Calkain Company Research.

McDonald's trades in the low-4 percent range, (land lease only-as McDonalds owns all of their units) while corporate-backed Burger King trade in the mid-5 percent area.

2015 Year End Metrics			
	QSR	Fast Casual	Casual Dining
Vacancy Rate	↔ (slight decrease)	↔ (stable)	↔ (stable)
Rental Rate	↗ (slight increase)	↗ (slight increase)	↑ (increase)
Capitalization Rate	↘ (slight decrease)	↘ (slight decrease)	↘ (slight decrease)
Improved Property Values	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Land Values	↗ (slight increase)	↗ (slight increase)	↗ (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, 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 age, and quality of construction as recorded in the Assessor's records. When the value of the property by the income approach was less than the land value, a minimal \$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	\$22.00 to \$40.00	3% to 7%	8%	6.75% to 8.00%
Casual Dining	\$18.00 to \$34.00	5% to 7%	8%	7.00% to 8.00%
Metrics* *Change from Prior Year	Stable/ Increase	Stable No Increase	Slight Decrease/Stable	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 Ruth Peterson, 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 Dining Restaurants and is the most reliable approach for these specialty properties.



The total assessed value for the 2014 assessment year for Area 413 was \$411,125,900. The total recommended assessed value for the 2015 assessment year is \$442,648,600.

Both land values and improvement value increased over prior year. Land values increased by a 4.59% while improvement values rose by 16.01%. The application of these recommended values for the 2015 assessment year results in a total change from the 2014 assessments of a modest plus 7.67% increase.

	Land	Improvements	Total
<b>2014 Value</b>	<b>\$300,272,900</b>	<b>\$110,853,000</b>	<b>\$411,125,900</b>
<b>2015 Value</b>	<b>\$314,047,200</b>	<b>\$128,601,400</b>	<b>\$442,648,600</b>
<b>Amount Change</b>	<b>+\$13,774,300</b>	<b>+\$17,748,400</b>	<b>+\$30,907,000</b>
<b>Percent Change</b>	<b>+4.59%</b>	<b>+16.01%</b>	<b>+7.67 %</b>

The QSR and Fast Casual Dining restaurant market has seen an increase in new construction; including two McDonald restaurants and the first Chick-fil-A in King County. The QSR, Fast Casual and Casual dining market has also experienced an upward trend in gross sales over the past year (five Area 413 sales closed in 2014). The lowering of the CAP rate has trended the values upward, supporting the Assessors increase in total property values of 7.67%.

### **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)*

*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**

*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 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 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.*
- *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*

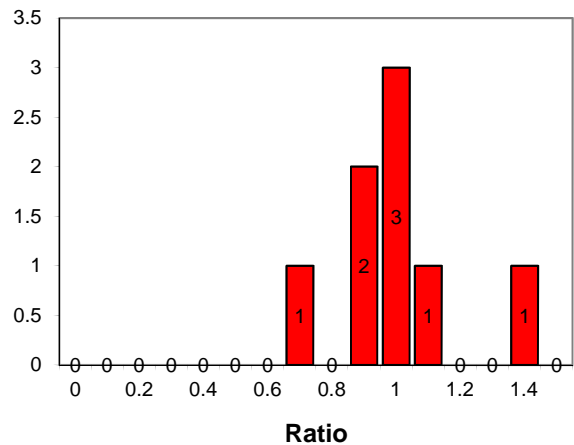
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Area 413 - 000  
2015 Assessment Year

<b><i>Parcel Number</i></b>	<b><i>Assessed Value</i></b>	<b><i>Sale Price</i></b>	<b><i>Sale Date</i></b>	<b><i>Ratio</i></b>	<b><i>Diff: Median</i></b>
766620-5160	1,413,300	1,600,000	11/15/2012	0.8833	0.0508
202406-9096	1,434,600	1,505,000	5/30/2013	0.9532	0.0192
516970-0092	1,121,100	1,200,000	6/11/2013	0.9343	0.0002
250060-0701	526,100	485,000	4/16/2014	1.0847	0.1507
312305-9167	1,113,200	1,192,000	5/7/2014	0.9339	0.0002
322305-9087	1,129,500	1,825,000	8/4/2014	0.6189	0.3152
536720-1395	1,211,000	1,400,000	11/3/2014	0.8650	0.0691
873217-0050	829,400	600,000	12/10/2014	1.3823	0.4483

<b>Quadrant/Crew:</b>	<b>Appr date :</b>	<b>Date:</b>		<b>Sales Dates:</b>
<b>North Crew</b>	<b>1/1/2014</b>	<b>6/1/2015</b>		<b>1/1/12 - 01/01/15</b>
<b>Area</b>	<b>Appr ID:</b>	<b>Prop Type:</b>		<b>Trend used?: Y / N</b>
<b>413</b>	<b>RBUT</b>	<b>Improvement</b>	<b>N</b>	
<b>SAMPLE STATISTICS</b>				
<b>Sample size (n)</b>	8			
<b>Mean Assessed Value</b>	1,097,300			
<b>Mean Sales Price</b>	1,225,900			
<b>Standard Deviation AV</b>	299,154			
<b>Standard Deviation SP</b>	470,499			
<b>ASSESSMENT LEVEL</b>				
<b>Arithmetic mean ratio</b>	0.957			
<b>Median Ratio</b>	0.934			
<b>Weighted Mean Ratio</b>	0.895			
<b>UNIFORMITY</b>				
<b>Lowest ratio</b>	0.6189			
<b>Highest ratio:</b>	1.3823			
<b>Coeffient of Dispersion</b>	14.10%			
<b>Standard Deviation</b>	0.2160			
<b>Coefficient of Variation</b>	22.57%			
<b>Price-related Differential</b>	1.07			
<b>RELIABILITY</b>				
<b>95% Confidence: Median</b>		These figures reflect measurements before posting new values.		
Lower limit	0.619			
Upper limit	1.382			
<b>95% Confidence: Mean</b>				
Lower limit	0.807			
Upper limit	1.107			
<b>SAMPLE SIZE EVALUATION</b>				
<b>N (population size)</b>	300			
<b>B (acceptable error - in decimal)</b>	0.05			
<b>S (estimated from this sample)</b>	0.2160			
<b>Recommended minimum:</b>	60			
<b>Actual sample size:</b>	8			
<b>Conclusion:</b>	Uh-oh			
<b>NORMALITY</b>				
<b>Binomial Test</b>				
# ratios below mean:	6			
# ratios above mean:	2			
z:	1.060660172			
<b>Conclusion:</b>	<b>Normal*</b>			
*i.e., no evidence of non-normality				

Ratio Frequency

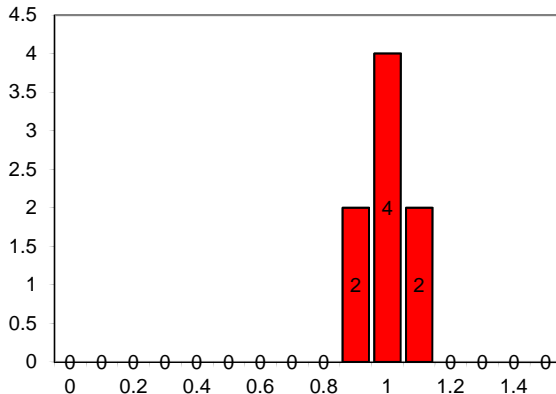




Area 413 - 000  
2015 Assessment Year

<b><i>Parcel Number</i></b>	<b><i>Assessed Value</i></b>	<b><i>Sale Price</i></b>	<b><i>Sale Date</i></b>	<b><i>Ratio</i></b>	<b><i>Diff: Median</i></b>
766620-5160	1,586,300	1,600,000	11/15/2012	0.9914	0.0182
202406-9096	1,419,100	1,505,000	5/30/2013	0.9429	0.0303
516970-0092	1,146,000	1,200,000	6/11/2013	0.9550	0.0182
250060-0701	526,100	485,000	4/16/2014	1.0847	0.1115
312305-9167	1,252,200	1,192,000	5/7/2014	1.0505	0.0773
322305-9087	1,637,700	1,825,000	8/4/2014	0.8974	0.0758
536720-1395	1,238,000	1,400,000	11/3/2014	0.8843	0.0889
873217-0050	600,000	600,000	12/10/2014	1.0000	0.0268

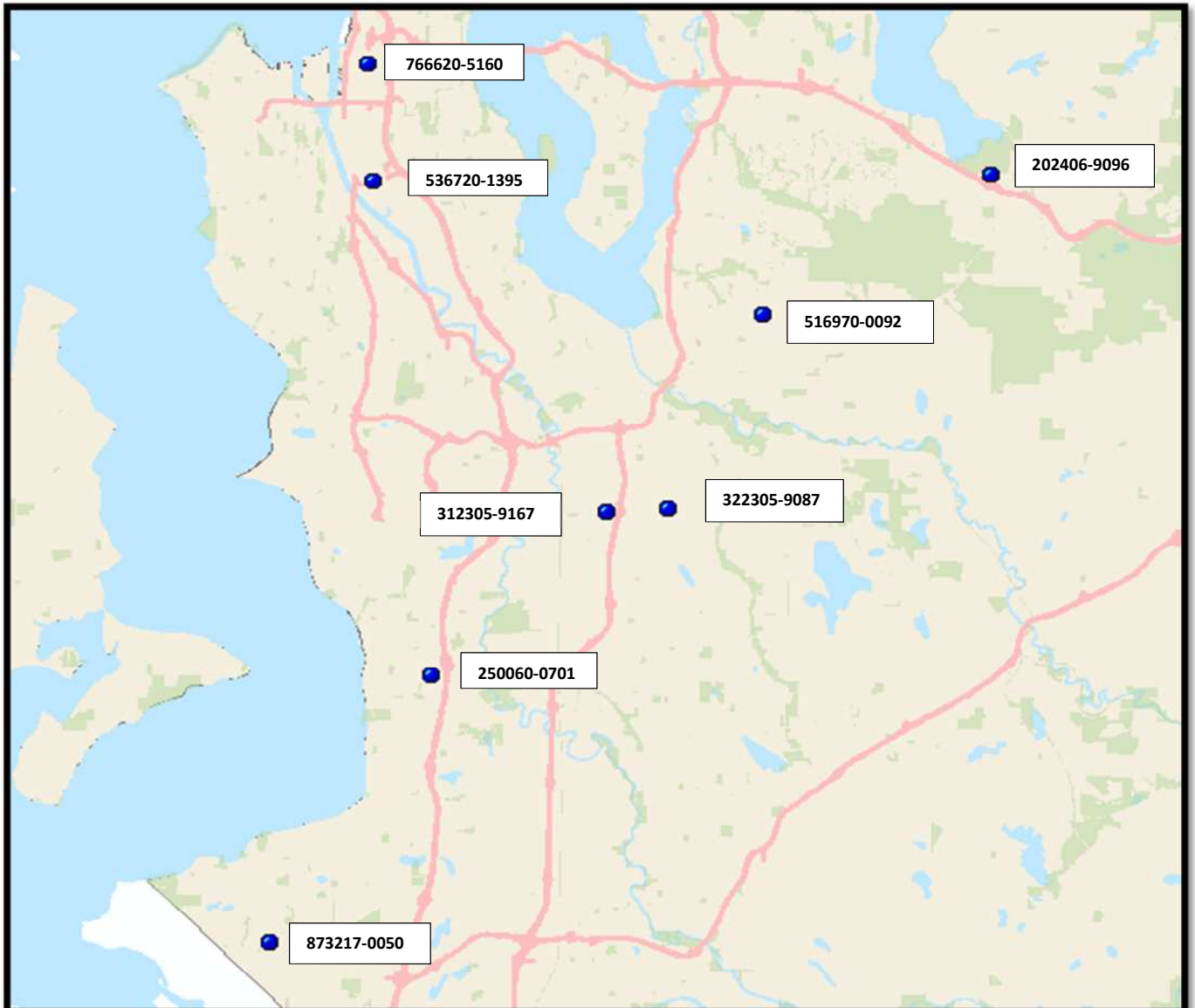
Area 413 - 000  
2015 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
North Crew	1/1/2015	6/1/2015	1/1/12 - 01/01/15
Area	Appr ID:	Prop Type:	Trend used?: Y / N
413	RBUT	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	8	<div>Ratio Frequency</div> 	
Mean Assessed Value	1,175,700		
Mean Sales Price	1,225,900		
Standard Deviation AV	414,954		
Standard Deviation SP	470,499		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.976		
Median Ratio	0.973		
Weighted Mean Ratio	0.959		
UNIFORMITY			
Lowest ratio	0.8843		
Highest ratio:	1.0847		
Coefficient of Dispersion	5.74%		
Standard Deviation	0.0700		
Coefficient of Variation	7.18%		
Price-related Differential	1.02		
RELIABILITY			
95% Confidence: Median		<div>These figures reflect measurements after posting new values.</div>	
Lower limit	0.884		
Upper limit	1.085		
95% Confidence: Mean			
Lower limit	0.927		
Upper limit	1.024		
SAMPLE SIZE EVALUATION			
N (population size)	300		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0700		
Recommended minimum:	8		
Actual sample size:	8		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	4		
# ratios above mean:	4		
z:	-0.353553391		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

**AREA 413**

**MAP**

**SALES USED**



Improvement Sales for Area 413 with Sales Used

06/01/2015

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	020	250060	0701	2,112	2665183	\$485,000	04/16/14	\$229.64	CHURCHES CHICKEN	H-C	1	Y	
413	020	536720	1395	3,794	2699194	\$1,400,000	11/03/14	\$369.00	ARBY'S	IG2 U/85	1	Y	
413	020	766620	5160	3,333	2577649	\$1,600,000	11/15/12	\$480.05	TACO BELL	IG1 U/85	1	Y	
413	040	312305	9167	2,889	2666953	\$1,192,000	05/07/14	\$412.60	STARBUCK'S	GC	1	Y	
413	040	322305	9087	2,993	2683630	\$1,825,000	08/04/14	\$609.76	ARBYS RESTAURANT	CA	1	Y	
413	040	516970	0092	2,796	2611357	\$1,200,000	06/11/13	\$429.18	STARBUCKS COFFEE RENTON HIC	CA	1	Y	
413	050	202406	9096	4,944	2610398	\$1,505,000	05/30/13	\$304.41	IHOP RESTAURANT	PO	1	Y	
413	050	873217	0050	3,840	2705224	\$600,000	12/10/14	\$156.25	GODFATHER'S PIZZA	BN	1	Y	

## Improvement Sales for Area 413 with Sales not Used

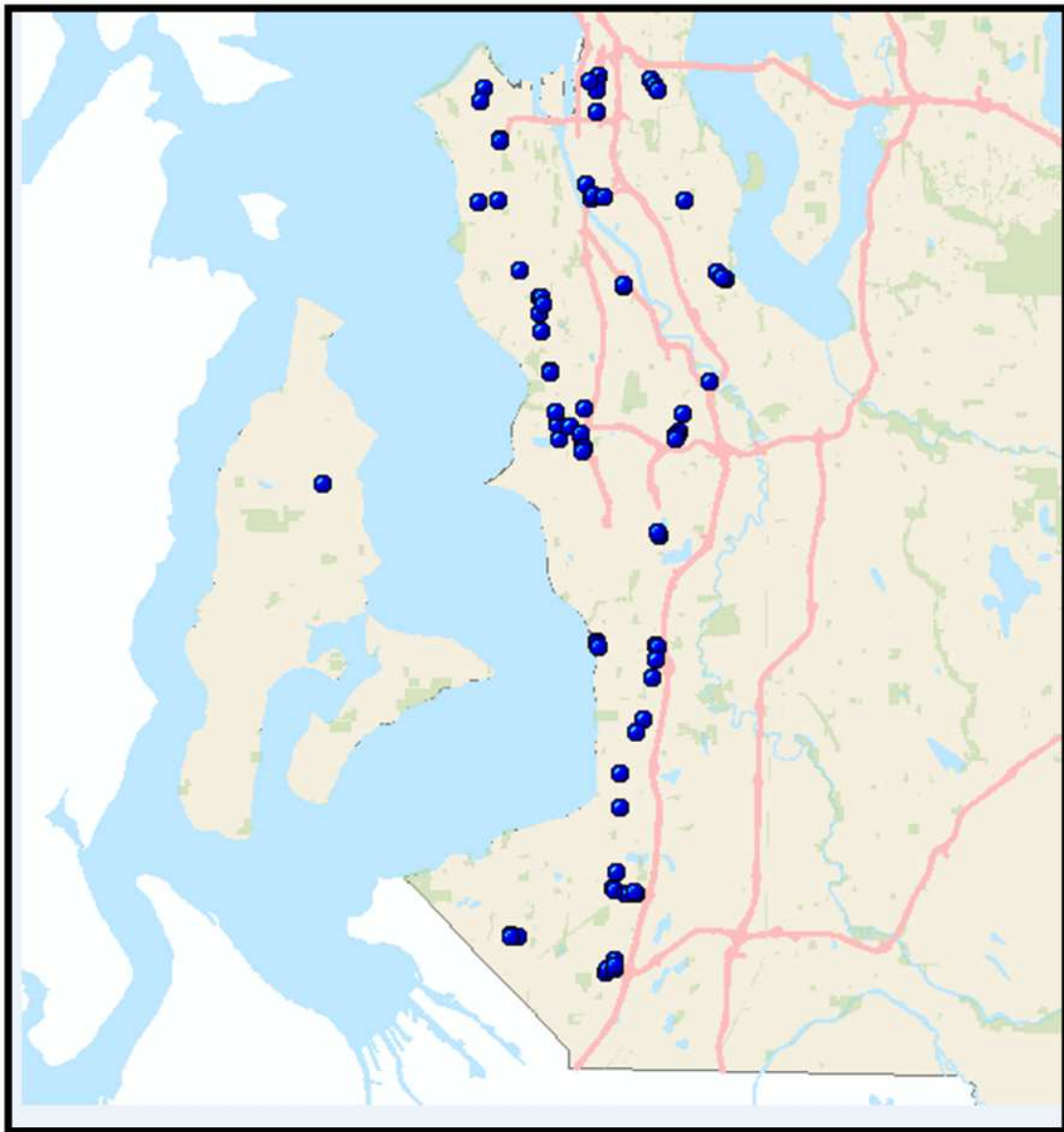
06/29/2015

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	040	102305	9132	2,818	2538622	\$19,512	03/15/12	\$6.92	TACO TIME	CA	1	31	Exempt from excise tax
413	030	220150	1409	2,648	2538065	\$1,166,666	04/06/12	\$440.58	PIZZA HUT	CB	1	8	Questionable per appraisal
413	040	162206	9148	2,275	2543318	\$750,000	05/07/12	\$329.67	TACO TIME	CB	1	33	Lease or lease-hold
413	010	117500	0984	2,180	2546256	\$250,000	05/30/12	\$114.68	TACO TIME	IB U/45	1	11	Corporate affiliates
413	040	102305	9132	2,818	2546279	\$600,000	05/30/12	\$212.92	TACO TIME	CA	1	11	Corporate affiliates
413	020	212204	9201	2,811	2568922	\$1,780,000	10/03/12	\$633.23	WENDY'S RESTAURANT	CM-2	1	59	Bulk portfolio sale
413	040	917960	1915	2,524	2573095	\$554,000	11/01/12	\$219.49	FAST FOOD	DCE	1	22	Partial interest (1/3, 1/2, etc.)
413	040	000080	0031	3,300	2579555	\$390,000	12/14/12	\$118.18	DAIRY QUEEN RESTAURANT	C3	1	44	Tenant
413	030	272505	9129	4,020	2582824	\$2,329,460	12/17/12	\$579.47	MCDONALDS	BR-CR	3	51	Related party, friend, or neighbor
413	030	112505	9106	2,660	2584956	\$881,424	12/27/12	\$331.36	WENDY'S HAMBURGERS	OT	1	59	Bulk portfolio sale
413	020	873217	0060	2,519	2595428	\$2,472	03/12/13	\$0.98	DAIRY QUEEN	BN	1	24	Easement or right-of-way
413	040	789390	0041	3,473	2640112	\$2,235,000	11/07/13	\$643.54	BURGER KING	IC	1	46	Non-representative sale
413	050	330070	0955	1,876	2651340	\$925,000	01/27/14	\$493.07	PIZZA HUT DELIVERY CTR	NC3P-40	1	8	Questionable per appraisal
413	040	292205	9337	3,580	2663591	\$397,000	04/04/14	\$110.89	KFC - FAST FOOD	CC	1	51	Related party, friend, or neighbor
413	040	722780	1025	4,860	2669517	\$1,330,000	05/22/14	\$273.66	KFC & PIZZA HUT	CV	1	34	Change of Use
413	010	179450	0105	1,135	2673341	\$2,125,000	06/04/14	\$1,872.25	PIZZA HUT	NC2P-40	1	46	Non-representative sale
413	050	644820	0015	9,929	2714988	\$6,750,000	02/17/15	\$679.83	Azteca	OV5	1	46	Non-representative sale
413	040	172205	9192	2,764	2719217	\$962,600	03/19/15	\$348.26	STARBUCKS & POPEYES	CC-MU	1	46	Not Used-After Lien Date
413	040	172205	9192	2,764	2719223	\$1,975,000	03/19/15	\$714.54	STARBUCKS & POPEYES	CC-MU	1	46	Not Used-After Lien Date
413	040	000080	0031	3,300	2728950	\$600,000	04/22/15	\$181.82	DAIRY QUEEN RESTAURANT	C3	1	33	Lease or lease-hold

## MAP

### PHYSICAL INSPECTION AREA

413-20



# PHYSICAL INSPECTION AREA 413-20

Area	Ngbhd	Major	Minor	Property Name	Address
413	20	000300	0112	JACK IN THE BOX	13050 INTERURBAN AVE S
413	20	004100	0493	TACO TIME	15037 TUKWILA INTERNATIONAL BLVD
413	20	004100	0520	WENDYS	15010 TUKWILA INTERNATIONAL BLVD
413	20	004100	0525	TACO BELL/KFC	15036 PACIFIC HWY S
413	20	004300	0090	MCDONALD'S QSR	15210 INTERNATIONAL BLVD
413	20	006500	0005	PIZZA HUT-DELIVERY KITCH	6501 35TH AVE SW
413	20	072304	9093	MCDONALDS	1516 SW 114TH ST
413	20	082104	9077	VACANT FASTFOOD RESTAURANT	31675 PACIFIC HWY S
413	20	082104	9229	CHURCHE'S CHICKEN	31717 PACIFIC HWY S
413	20	092104	9020	Taco Time	2002 S 320TH ST
413	20	092104	9272	MCDONALDS	2302 S 320TH ST
413	20	092104	9296	STARBUCKS	2032 S 320TH ST
413	20	095200	4216	TACO TIME	3500 SW AVALON WAY
413	20	095200	4250	KENTUCKY FRIED CHICKEN	3501 SW AVALON WAY
413	20	122000	0255	TACO TIME	15237 8TH AVE SW
413	20	122100	0150	KENTUCKY FRIED CHICKEN (see Minor 0162)	115 SW 152ND ST
413	20	122100	0162	KFC-Parking (Minor 0150)	115 SW 152ND ST
413	20	132103	9110	JACK IN THE BOX	2400 SW 336TH ST
413	20	132730	0013	BURGER KING	3301 4TH AVE S
413	20	149830	2525	BURGER KING RESTAURANT	2025 RAINIER AVE S
413	20	152304	9295	JACK IN THE BOX	3742 S 144TH ST
413	20	159460	0050	Taco Time	2212 RAINIER AVE S
413	20	172304	9336	JACK IN THE BOX	14206 1ST AVE S
413	20	182304	9257	JACK IN BOX	12812 AMBAUM BLVD SW
413	20	185295	0070	MCDONALD'S	34814 PACIFIC HWY S
413	20	189940	0010	STARBUCKS	901 SW 148TH ST
413	20	192304	9021	BURGER KING	425 SW 148TH ST
413	20	192304	9167	TACO BELL	15059 1ST AVE S
413	20	192404	9078	JACK IN THE BOX	5903 1ST AVE S
413	20	200660	1080	JACK IN THE BOX (Imps on Minor 1095)	22621 MARINE VIEW DR S
413	20	200660	1095	JACK IN THE BOX	22633 MARINE VIEW DR S
413	20	201140	0522	TACO TIME	809 S KENT-DES MOINES RD
413	20	202104	9060	TACO BELL FAST FOOD RESTAURANT	1330 S 348TH ST
413	20	202304	9172	MCDONALDS (see Minor 9497)	15620 1ST AVE S
413	20	202304	9497	MCDONALD'S PARKING (Imps on Minor 9172)	15620 1ST AVE S
413	20	202304	9550	ARBY'S	15822 1ST AVE S
413	20	212104	9012	JACK IN THE BOX	1610 S 347TH PL
413	20	212204	9201	WENDY'S RESTAURANT	25350 PACIFIC HWY S
413	20	242103	9102	TACO BELL RESTAURANT	2031 SW CAMPUS DR
413	20	242320	0055	WENDYS RESTAURANT	2216 S 320TH ST
413	20	250060	0180	MCDONALDS	22640 PACIFIC HWY S
413	20	250060	0590	BURGER KING	23221 PACIFIC HWY S
413	20	250060	0701	CHURCH'S CHICKEN	23839 PACIFIC HWY S
413	20	250070	0010	Taco Time	35500 ENCHANTED PKWY S
413	20	250090	0010	KFC/Long John Silver's	
413	20	250090	0030	ARBY'S	34404 16TH AVE S
413	20	250090	0060	DEL TACO	
413	20	282204	9162	Kentucky Fried Chicken	25925 PACIFIC HWY S
413	20	292303	9136	SUBWAY RESTAURANT	17408 VASHON HWY SW
413	20	332204	9119	Starbucks	28722 PACIFIC HWY S
413	20	332204	9129	MCDONALDS	27515 PACIFIC HWY S
413	20	332304	9145	TACO BELL	18812 PACIFIC HWY S
413	20	332304	9180	JACK-IN-THE-BOX	2840 S 188TH ST
413	20	333300	1695	MCDONALD'S RESTAURANT	6304 MARTIN LUTHER KING JR WAY S
413	20	362403	9170	MCDONALDS	2580 SW BARTON ST
413	20	386990	0020	MCDONALD'S	6544 CALIFORNIA AVE SW

# PHYSICAL INSPECTION AREA 413-20

Area	Ngbhd	Major	Minor	Property Name	Address
413	20	426570	0195	JACK IN THE BOX	9102 RAINIER AVE S
413	20	433100	0326	DAIRY QUEEN	14310 AMBAUM BLVD SW
413	20	536720	0300	TACO TIME	6442 EAST MARGINAL WAY S
413	20	536720	0447	McDonalds Quick Service Restuarant	
413	20	536720	1395	ARBY'S	601 S MICHIGAN ST
413	20	562420	0370	McDonalds (Parking for Minor 372)	
413	20	562420	0372	MCDONALDS (Economic Unit Minor 0370)	9610 DES MOINES MEMORIAL DR S
413	20	608710	0775	JACK IN THE BOX	4203 SW ADMIRAL WAY
413	20	630340	0986	TACO BELL	10711 16TH AVE SW
413	20	712930	4550	KENTUCKY FRIED CHICKEN	9401 RAINIER AVE S
413	20	712930	4865	MCDONALDS	9304 RAINIER AVE S
413	20	721140	1065	TACO TIME PARKING (Minor 1085)	
413	20	721140	1085	TACO TIME	10055 16TH AVE SW
413	20	766620	5125	JACK-IN-THE-BOX	1907 4TH AVE S
413	20	766620	5160	TACO BELL/KFC	2201 4TH AVE S
413	20	766620	5250	MC DONALDS	2401 4TH AVE S
413	20	766620	5260	ARBY'S	2425 4TH AVE S
413	20	766620	6281	Starbucks Cafe & Drive-thru	1962 1ST AVE S
413	20	783580	0010	Baskin & Robbins	12825 AMBAUM BLVD SW
413	20	785360	0186	JACK IN THE BOX	31122 PACIFIC HWY S
413	20	797320	2665	KFC/A & W ROOT BEER	10150 16TH AVE SW
413	20	797320	2845	DAIRY QUEEN	10056 16TH AVE SW
413	20	800960	0235	MC DONALDS	3003 CALIFORNIA AVE SW
413	20	873217	0060	DAIRY QUEEN	2309 SW 336TH ST
413	20	912200	1045	MC DONALDS FAST FOOD RESTAURANT	2336 25TH AVE S