

Commercial Revalue

2018 Assessment roll

MAJOR RETAIL

AREA 250

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

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

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

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

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

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

In Service,

John Wilson
King County Assessor

How Property Is Valued

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

What Are Mass Appraisal Techniques?

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

Are Properties Inspected?

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

How are Commercial Properties Valued?

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

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

How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional

financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties based on their unique set of attributes.

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

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

Source: IAAO, *Standard on Ratio Studies*, 2013, Table 1-3. www.IAAO.org

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

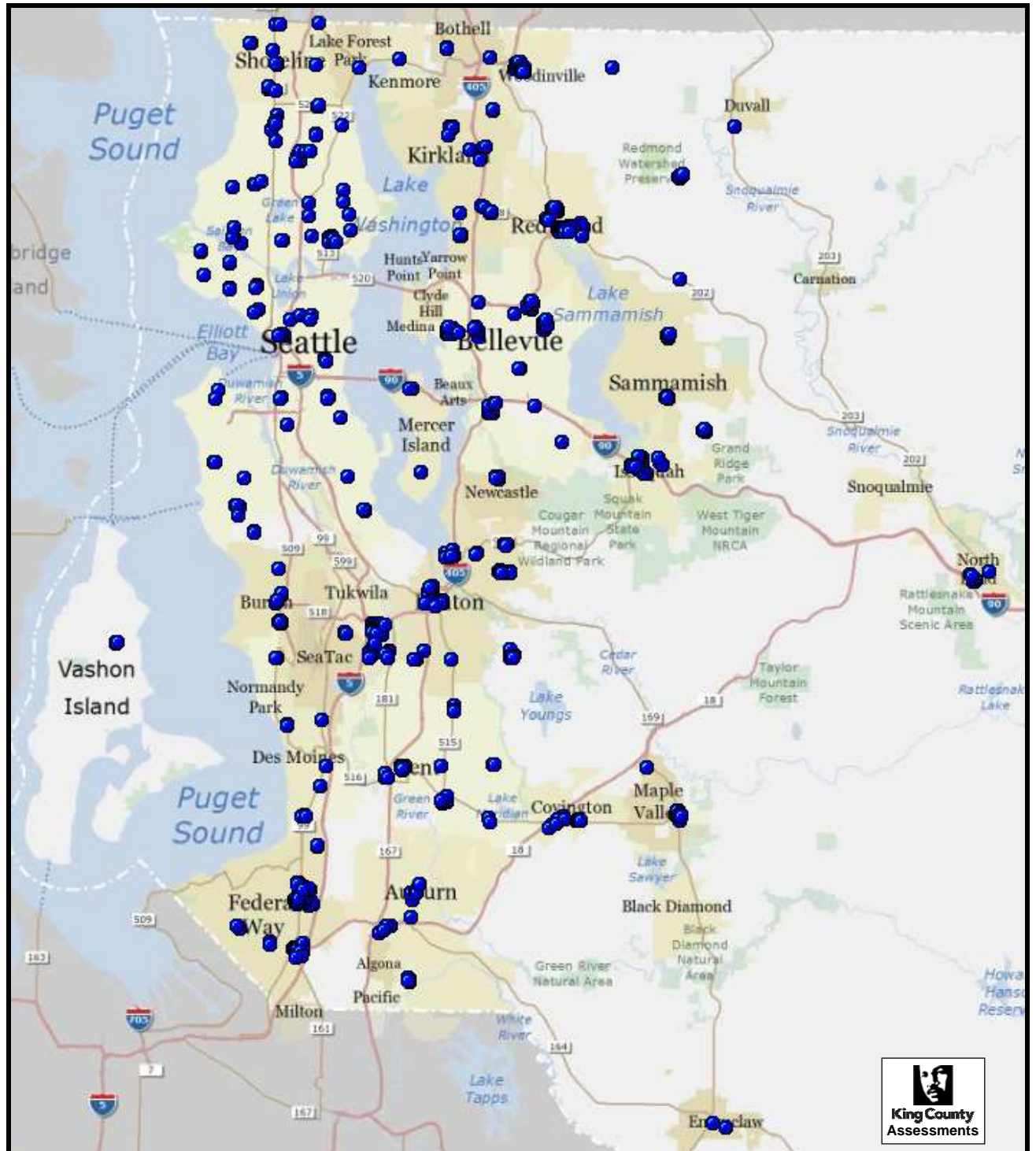
Requirements of State Law

Within Washington State, property is required to be revalued each year to market value based on its highest and best use. (RCW 84.41.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

Appraisal Area Reports

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

Specialty Area 250 (Major Retail)



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representation or warranties, express or implied, as to the accuracy, completeness, timeliness, or rights to the use of such information. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.

Executive Summary Report

Appraisal Date 1/1/17 - 2018 Assessment Year

Specialty Name: Major Retail, Specialty Area 250

Sales – Improved Analysis Summary

- Number of Sales: 17
- Range of Sale Dates: 01/01/2015 – 12/31/2017

No ratio studies were included within this report due to the limited number of improved sales within the major retail specialty population.

The Income Approach was used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of major retail buildings and because market income data as of the valuation date is available. Current market income parameters, including stable rents, lower vacancy and stable capitalization rates, suggest an overall increase in the major retail market as of 01/01/2018 as compared to 01/01/2017. Overall industry data for major retail properties was used to make overall upward adjustments of approximately +4.91%.

| <i>Total Population - Parcel Summary Data:</i> | | | |
|---|------------------------|------------------------|------------------------|
| | <i>Land</i> | <i>Imps</i> | <i>Total</i> |
| <i>2017 Value</i> | <i>\$4,253,483,400</i> | <i>\$2,824,519,300</i> | <i>\$7,078,002,700</i> |
| <i>2018 Value</i> | <i>\$4,571,897,100</i> | <i>\$2,853,472,400</i> | <i>\$7,425,369,500</i> |
| <i>Percent Change</i> | <i>7.49%</i> | <i>1.03%</i> | <i>4.91%</i> |

- Number of total parcels in major retail specialty population: 646
- Number of improved parcels in major retail specialty population: 514

Conclusion and Recommendation:

Assessed values for the 2018 revalue have increased on average by +4.91%.

Since the values recommended in this report improve uniformity and equity, it is recommended the assessed values should be posted for the 2018 Assessment Year.

Identification of the Area

Name or Designation: Specialty Area 250 - Major Retail

Major retail properties consist of regional malls, single tenant discount retailers, big box stores, large neighborhood/community retail centers, and stand-alone grocery stores. The regional mall properties are defined as those multi-tenanted properties in excess of 200,000 square feet of gross leasable area. The single tenant discount retailers and big box properties are generally in excess of 100,000 square feet, while the neighborhood/community retail centers are defined as those multi-tenanted properties that are either anchored or non-anchored centers. Anchored neighborhood/community retail centers consist of multi-tenanted properties that are of any size, while non-anchored multi-tenanted neighborhood/community retail centers are generally defined as retail developments in excess of 100,000 square feet. The major retail properties consist of 646 total parcels of which 514 are improved.

Boundaries: All areas within the boundaries of King County

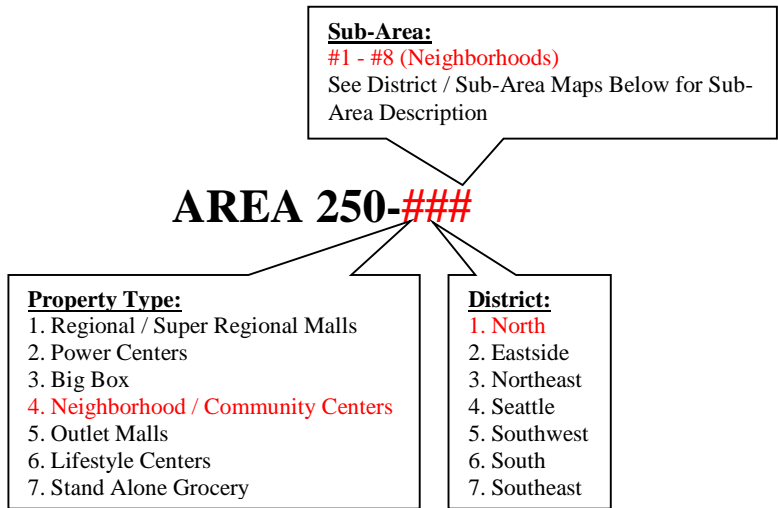
Maps: Detailed Assessor's maps are located on the 7th floor of the King County Administration Building, and the King County Assessor's Website.

Area Description: This specialty includes all major retail facilities that meet the major retail classification and are located in King County.

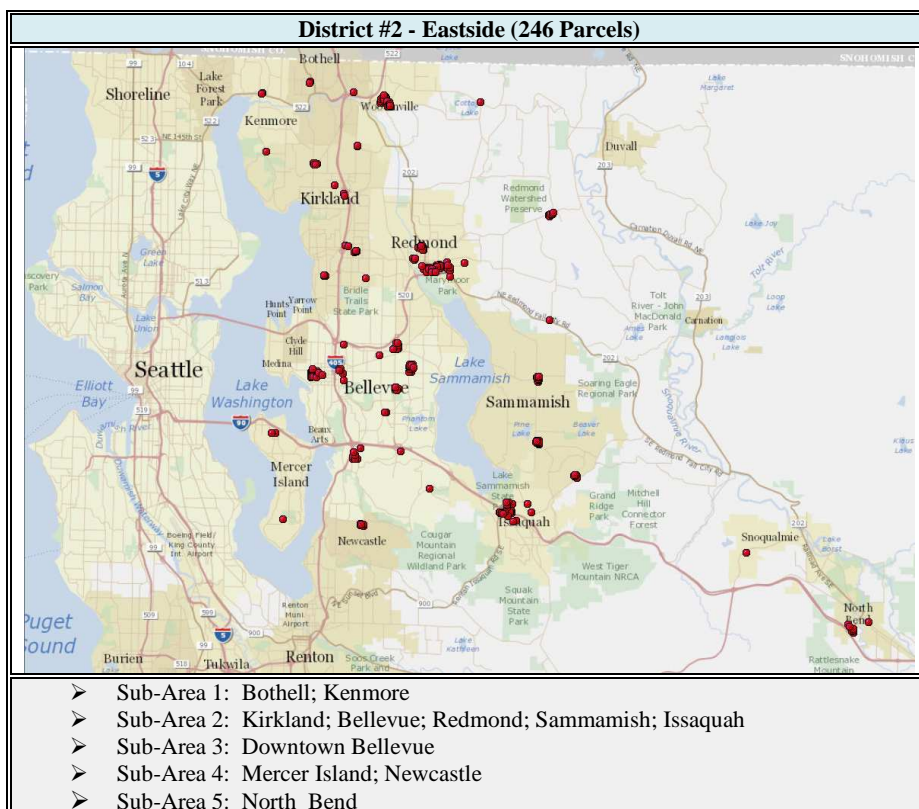
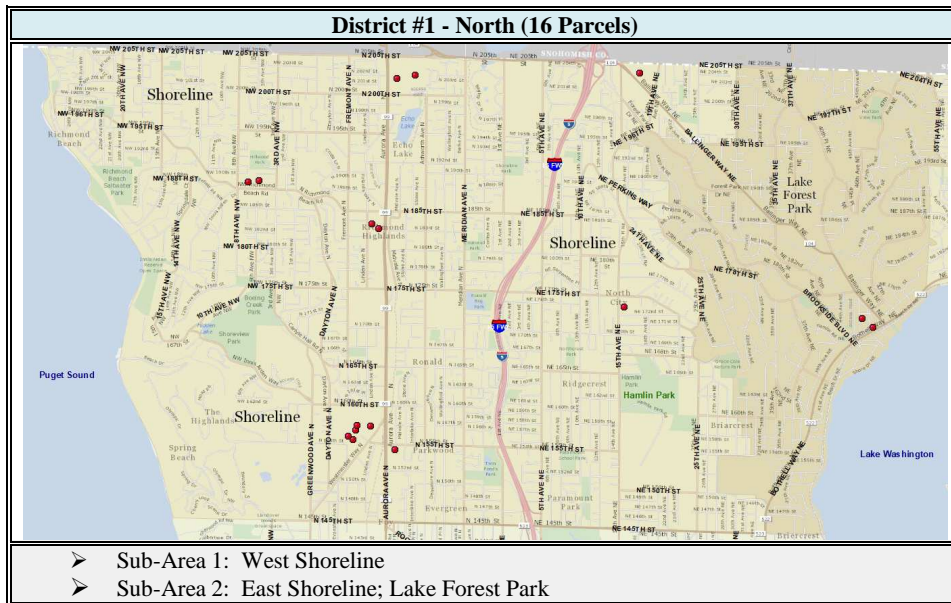
- **Neighborhood / District Descriptions:** Within Specialty Area 250, there are seven major retail type properties that are located in seven geographic districts. Of the seven geographic districts for major retail properties, each district has various neighborhood sub-areas. For equalization purposes, major retail properties are placed in their assigned district and sub-area to account for neighborhood market conditions when building economic income models (tables) based on characteristics, such as, location, effective age, quality, and predominate use.
- For purposes of record keeping, all of the malls, outlet malls, and lifestyle centers have been assigned their proper geographic neighborhood, but do not typically lend themselves to typical neighborhood designations due to the unique composition of the tenants and the quality of building improvements. In addition, due to the complexity in appraising malls, outlet malls, and lifestyle centers, these properties were not assigned neighborhood income tables and were assessed on an individual basis.

The three-digit neighborhood code within the major retail specialty depicts the subject's property type, district location, and sub-area.

For example, a property located in Specialty Area 250-411, would be described as a Neighborhood/Community Center located within the North District and West Shoreline Sub-Area.



➤ **District / Sub-Area Maps:**

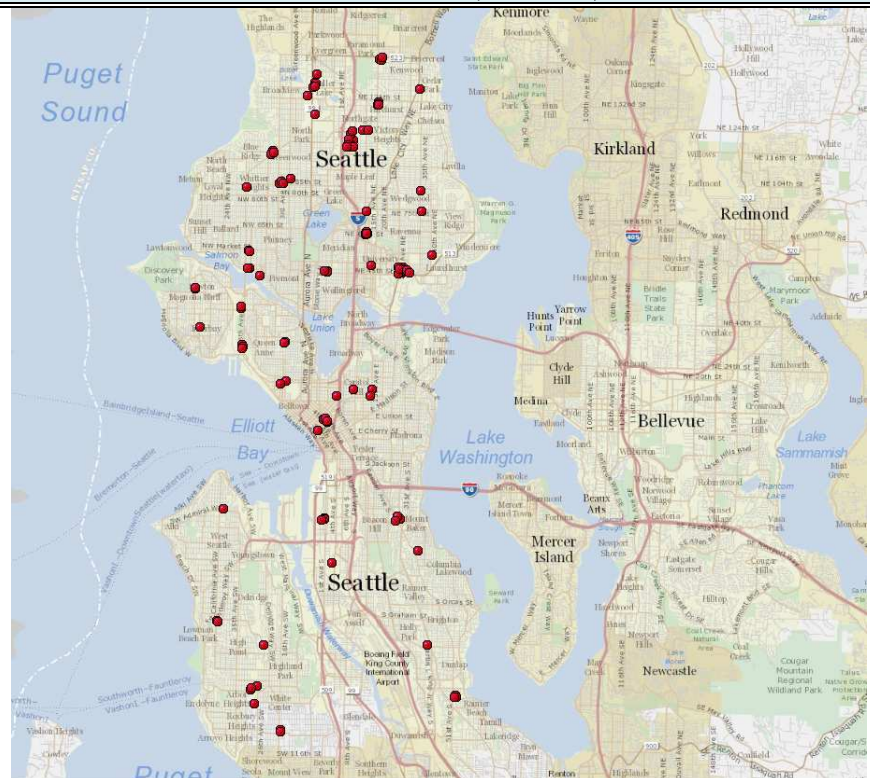


District #3 - Northeast (1 Parcel)



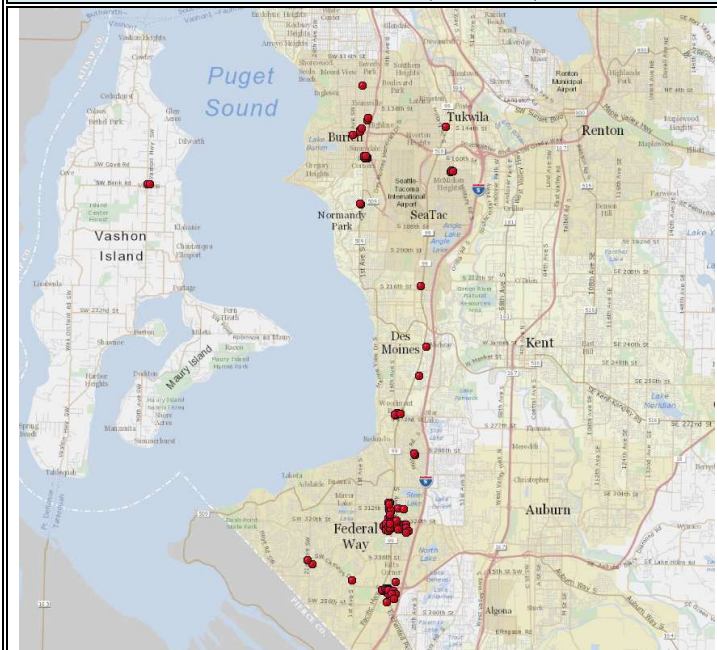
- Sub-Area 1: Duval
- Sub-Area 2: NE King County

District #4 Seattle - (118 Parcels)



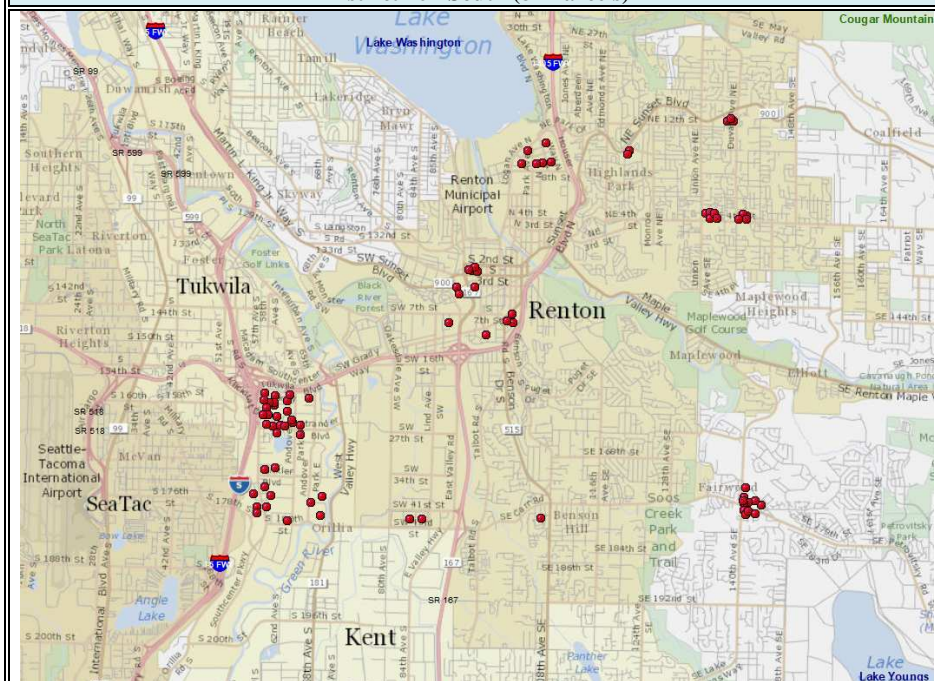
- Sub-Area 1: NW - Ballard; Fremont; Green Lake; Aurora
- Sub-Area 2: NE - Northgate; Lake City; University
- Sub-Area 3: Queen Anne; Magnolia
- Sub-Area 4: Capitol Hill; Madison Park
- Sub-Area 5: Downtown
- Sub-Area 6: West Seattle
- Sub-Area 7: Rainier Valley & South
- Sub-Area 8: Delridge; White Center

District #5 - Southwest (89 Parcels)



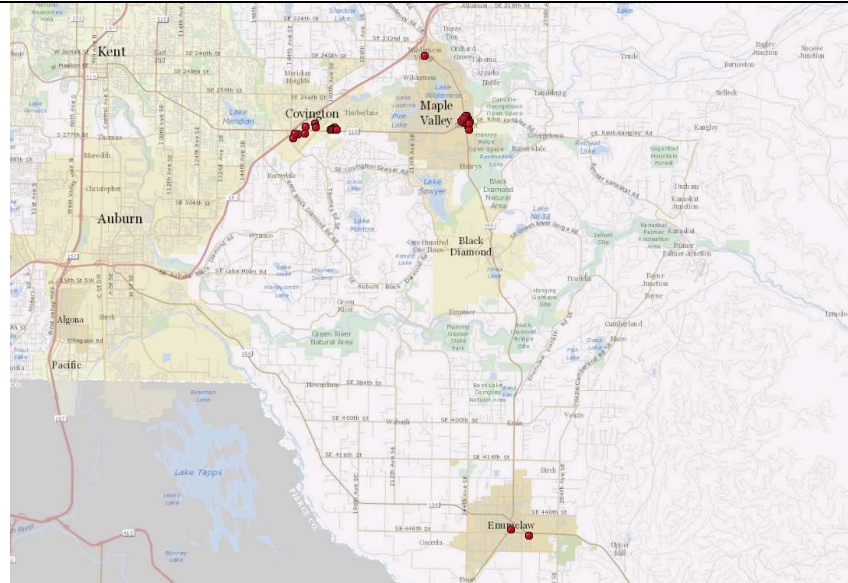
- Sub-Area 1: Vashon Island
- Sub-Area 2: Burien; SeaTac; Des Moines; Tukwila – West of I-5
- Sub-Area 3: Federal Way

District #6 - South (82 Parcels)



- Sub-Area 1: Renton; Tukwila – East of I-5
- Sub-Area 2: Kent

District #7 - Southeast (94 Parcels)



- Sub-Area 1: Covington; Maple Valley; Black Diamond
- Sub-Area 2: Enumclaw East
- Sub-Area 3: Kent
- Sub-Area 4: Auburn

Major Retail Type Properties:

- Regional / Super Regional Malls (83 Parcels)
- Power Centers (60 Parcels)
- Big Box (97 Parcels)
- Neighborhood / Community Centers (266 Parcels)
- Lifestyle Centers (46 Parcels)
- Stand Alone Grocery (90 Parcels)
- Outlet Malls (4 Parcels)

| REGIONAL / SUPER REGIONAL MALLS | | | |
|---------------------------------|---------------------------------|--|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 122 | Eastside (Dist. 2, Subarea 2) | Kirkland; Redmond | 5 |
| 123 | Eastside (Dist. 2, Subarea 3) | Downtown Bellevue | 20 |
| 124 | Eastside (Dist. 2, Subarea 4) | Mercer Island; Newcastle | 6 |
| 126 | Eastside (Dist. 2, Subarea 6) | Suburban Bellevue, Sammamish; Issaquah | 9 |
| 142 | Seattle NE (Dist. 4, Subarea 2) | Northgate; Lake City; University | 8 |
| 145 | Seattle (Dist. 4, Subarea 5) | Downtown | 3 |
| 153 | SW (Dist. 5, Subarea 3) | Federal Way | 13 |
| 161 | South (Dist. 6, Subarea 1) | Renton; Tukwila East of I-5 | 19 |
| Description: | | | 83 |

A map of the Puget Sound region, including areas like Kirkland, Redmond, Seattle, Bellevue, Mercer Island, Issaquah, Snoqualmie, and Renton. Red dots are placed on the map to indicate specific retail locations corresponding to the entries in the table above. The dots are located near Kirkland, Redmond, Downtown Bellevue, Mercer Island, Northgate/Lake City area, Seattle, Federal Way, and the Renton/Tukwila area.

| POWER CENTERS | | | |
|---------------|---------------------------------|---|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 222 | Eastside (Dist. 2, Subarea 2) | Kirkland; Redmond | 13 |
| 226 | Eastside (Dist. 2, Subarea 6) | Sub-Urban Bellevue; Sammamish; Issaquah | 14 |
| 242 | Seattle NE (Dist. 4, Subarea 2) | Northgate; Lake City; University | 1 |
| 245 | Seattle (Dist. 4, Subarea 5) | Downtown | 2 |
| 248 | Seattle (Dist. 4, Subarea 8) | Delridge; White Center | 2 |
| 253 | SW (Dist. 5, Subarea 3) | Federal Way | 21 |
| 261 | South (Dist. 6, Subarea 1) | Renton; Tukwila East of I-5 | 7 |
| Total | | | 60 |

The map displays the Puget Sound region in Washington state. Red dots indicate the locations of the power centers listed in the table above. The dots are distributed across the region, with a concentration in the Eastside (Kirkland, Redmond) and the South (Federal Way, Renton, Tukwila). The map shows major highways, water bodies, and local landmarks.

| NEIGHBORHOOD / COMMUNITY CENTERS | | | |
|----------------------------------|---------------------------------|---|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 411 | North (Distr. 1, Subarea 1) | West Shoreline | 6 |
| 412 | North (Distr. 1, Subarea 2) | East Shoreline; Lake Forest Park | 3 |
| 421 | Eastside (Dist. 2, Subarea 1) | Bothell; Kenmore | 2 |
| 422 | Eastside (Dist. 2, Subarea 2) | Kirkland; Redmond | 53 |
| 423 | Eastside (Dist. 2, Subarea 3) | Downtown Bellevue | 1 |
| 424 | Eastside (Dist. 2, Subarea 4) | Mercer Island; Newcastle | 9 |
| 425 | Eastside (Dist. 2, Subarea 5) | North Bend | 5 |
| 426 | Eastside (Dist. 2, Subarea 6) | Suburban Bellevue; Sammamish; Issaquah | 54 |
| 441 | Seattle NW (Dist. 4, Subarea 1) | Seattle NW - Ballard; Fremont; Green Lake; Aurora | 4 |
| 442 | Seattle NE (Dist. 4, Subarea 2) | NE - Northgate; Lake City; University | 11 |
| 443 | Seattle (Dist. 4, Subarea 3) | Queen Anne; Magnolia | 11 |
| 444 | Seattle (Dist. 4, Subarea 4) | Capitol Hill; Madison Park | 1 |
| 447 | Seattle (Dist. 4, Subarea 7) | Rainier Valley - South | 1 |
| 451 | SW (Dist. 5, Subarea 1) | Vashon Island | 3 |
| 452 | SW (Dist. 5, Subarea 2) | Burien; SeaTac; Des Moines; Tukwila - West of I-5 | 18 |
| 453 | SW (Dist. 5, Subarea 3) | Federal Way | 10 |
| 461 | South (Dist. 6, Subarea 1) | Renton; Tukwila - East of I-5 | 29 |
| 471 | SE (Dist. 7, Subarea 1) | Covington; Maple Valley; Black Diamond | 21 |
| 472 | SE (Dist. 7, Subarea 2) | Enumclaw East | 1 |
| 473 | SE (Dist. 7, Subarea 3) | Kent | 14 |
| 474 | SE (Dist. 7, Subarea 4) | Auburn | 9 |
| Total | | | 266 |

| LIFESTYLE CENTERS | | | |
|-------------------|---------------------------------|--|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 622 | Eastside (Dist. 2, Subarea 2) | Kirkland; Bellevue; Redmond; Sammamish; Issaquah | 12 |
| 623 | Eastside (Dist. 2, Subarea 3) | Downtown Bellevue | 1 |
| 642 | Seattle NE (Dist. 4, Subarea 2) | NE – Northgate; Lake City; University | 8 |
| 661 | South (Dist. 6, Subarea 1) | Renton; Tukwila - East of I-5 | 3 |
| 673 | South (Dist. 7, Subarea 3) | Kent | 22 |
| Total | | | 46 |

| STAND ALONE GROCERY STORES | | | |
|----------------------------|---------------------------------|---|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 711 | North (Distr. 1, Subarea 1) | West Shoreline | 1 |
| 712 | North (Distr. 1, Subarea 2) | East Shoreline; Lake Forest Park | 1 |
| 721 | Eastside (Dist. 2, Subarea 1) | Bothell; Kenmore | 2 |
| 722 | Eastside (Dist. 2, Subarea 2) | Kirkland; Redmond | 8 |
| 724 | Eastside (Dist. 2, Subarea 4) | Mercer Island; Newcastle | 3 |
| 725 | Eastside (Dist. 2, Subarea 5) | North Bend | 1 |
| 726 | Eastside (Dist. 2, Subarea 6) | Suburban Bellevue; Sammamish; Issaquah | 6 |
| 731 | NE Rural (Dist. 3, Subarea 1) | Duvall | 1 |
| 741 | Seattle NW (Dist. 4, Subarea 1) | NW - Ballard; Fremont; Green Lake; Aurora | 9 |
| 742 | Seattle NE (Dist. 4, Subarea 2) | NE - Northgate; Lake City; University | 12 |
| 743 | Seattle (Dist. 4, Subarea 3) | Queen Anne; Magnolia | 8 |
| 744 | Seattle (Dist. 4, Subarea 4) | Capitol Hill; Madison Park | 2 |
| 746 | Seattle (Dist. 4, Subarea 6) | West Seattle | 1 |
| 747 | Seattle (Dist. 4, Subarea 7) | Rainier Valley; South | 5 |
| 748 | Seattle (Dist. 4, Subarea 8) | Delridge; White Center | 5 |
| 752 | SW (Dist. 5, Subarea 2) | Burien; SeaTac; Des Moines; Tukwila - West of I-5 | 6 |
| 753 | SW (Dist. 5, Subarea 3) | Federal Way | 7 |
| 761 | South (Dist. 6, Subarea 1) | Renton; Tukwila - East of I-5 | 2 |
| 762 | South (Dist. 6, Subarea 2) | Kent | 2 |
| 763 | South (Dist. 6, Subarea 3) | Auburn | 2 |
| 771 | SE (Dist. 7, Subarea 1) | Covington; Maple Valley; Black Diamond | 1 |
| 772 | SE (Dist. 7, Subarea 2) | Enumclaw East | 1 |
| 773 | SE (Dist. 7, Subarea 3) | Kent | 2 |
| 774 | SE (Dist. 7, Subarea 4) | Auburn | 2 |
| Total | | | 90 |

| OUTLET MALLS | | | |
|---------------|-------------------------------|--------------------------|--------------|
| Retail Neigh. | Retail Dist./Subarea | Neighborhood Description | Parcel Count |
| 525 | Eastside (Dist. 2, Subarea 5) | North Bend | 2 |
| 574 | South (Dist. 7, Subarea 4) | Auburn | 2 |
| Total | | | 4 |

The map displays the region around the Seattle-Tacoma International Airport (SeaTac). Key locations marked include North Bend (near the airport) and Auburn (further south). The map shows major roads like I-5, I-90, and I-520, as well as various parks and natural areas. The map is color-coded to show different types of land use, with green for parks/natural areas and yellow for developed areas.

Analysis Process:

Effective Date of Appraisal: January 1, 2018

Date of Appraisal Report: June 1, 2018

Specialty and Responsible Appraiser

- Specialty Area 250 - Major Retail
- The following appraiser did the valuation for this specialty assessment:

Name: Steven Roberts

Job Title: Commercial Appraiser II

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved.

In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements.

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

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis.

- Sales from 01/01/2015 to 12/31/2017 were considered in all analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 5 & 6.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.

Major Retail Description:

King County's major retail properties fall into a number of categories. The most visible are the regional shopping centers such as Northgate Mall, Bellevue Square and Westfield Southcenter. Throughout King County, there are also a number of single tenant, discount retailers such as Fred Meyer, Target, Wal-Mart and Best Buy in addition to big box retail stores such as Lowe's, Home Depot, Sam's Club and Costco. King County's two outlet malls are the Seattle Outlet Collection in Auburn and the Factory Stores of North Bend. Also included in the major retail properties are anchored neighborhood shopping centers, large line retail centers, and stand-alone grocery stores. Properties that are more difficult to classify include Westlake and Meridian Centers in downtown Seattle.

- Regional / Super Regional Malls
- Power Centers
- Lifestyle Centers
- Outlet Malls
- Neighborhood / Community Centers
- Big Box Retailers
- Stand Alone Grocery

Malls:

The most common design mode for regional and super-regional centers is often referred to as a "shopping mall". The walkway or "mall" is typically enclosed, climate-controlled and lighted, and flanked on one or both sides by storefronts and entrances. Onsite parking, usually provided around perimeter of the center, may be surface or structured.

Regional Center: The regional center is typically enclosed and has a total GLA ranging in size from 400,000 to 800,000 square feet. These centers are typically anchored by at least two or more full-line department stores with smaller anchor tenants, such as junior department stores, discount department stores, mass merchant stores, and fashion apparel stores. Regional centers typically include many smaller in-line retail stores such as general merchandise stores, gift stores, restaurants, and food courts. The anchor ratio for regional malls typically ranges between 50% and 70% with a primary trade area from 5 to 15 miles.

| REGIONAL CENTERS | |
|------------------------|---|
| Concept | General merch.; fashion (mall, typ. enclosed) |
| Sq.Ft. (Incl. Anchors) | 400k - 800k |
| Acreage | 40-100 |
| Typical Anchor Number | 2 or more |
| Typical Anchor Ratio | 50% - 70% |
| Typical Anchor Type | Full-line department store; Jr. department store; mass merchant; discount department store; fashion apparel |



*Photo: Northgate Mall (Seattle)

Super-regional Center: The super-regional center has many of the same attributes as the regional center but at a larger scale. The super-regional center is typically enclosed and has a total GLA exceeding 800,000 square feet. The super-regional center is anchored by three or more full-line department stores with smaller anchor tenants, such as junior department stores, discount department stores, mass merchant stores, and fashion apparel stores. Super-regional centers typically include many smaller in-line retail stores such as general merchandise stores, gift stores, restaurants, and food courts. The anchor ratio for regional malls typically range between 50% and 70% and has a primary trade area from 5 to 25 miles.

| SUPER-REGIONAL CENTERS | |
|-------------------------------|---|
| Concept | Similar to regional center but has more variety and assortment. |
| Sq.Ft. (Incl. Anchors) | 800k + |
| Acreage | 60-120 |
| Typical Anchor Number | 3 or more |
| Typical Anchor Ratio | 50% - 70% |
| Typical Anchor Type | Full-line department store; Jr. department store; mass merchant; discount department store; fashion apparel |

*Photo: Westfield "South Center Mall" (Tukwila)

Mall Class Types: The *Pricewaterhouse Cooper Real Estate Investor Survey* is a national publication that has a wealth of information. Its Real Estate Investor Survey was formerly known as *Korpacez Real Estate Investor Survey*. The survey represents a cross section of major institutional equity real estate market participants who invest primarily in institutional-grade (investment quality) properties. Rates and other assumptions presented in the survey indicate the participant's expectations from institutional-grade real property investment. Institutional-grade properties are those properties sought out by institutional buyers that have the capacity to meet the prevalent institutional investment criteria, which are referred to in this survey. In the retail market, PwC reports on the National Regional Mall Market, the National Power Center Market, and the National Strip Shopping Center Market.


National Regional Mall Market: According to the current PwC survey of participants, regional malls classifications based on in-line store retail sales per square foot are as follows:

| <u>Class:</u> | <u>Inline Retail Sales PSF¹:</u> |
|----------------------|--|
| A+ | \$650 and up |
| A | \$500 to \$649 |
| B+ | \$400 to \$499 |
| B | \$300 to \$399 |
| C | Less than \$300 |

¹ PwC Real Estate Investor Survey, 4th Quarter 2017, pg. 102


Open-Air Centers:

Power Centers: The power center is typically dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or “category killers,”(i.e., stores that offer a vast selection in related merchandise categories at very competitive retail prices). The center typically consists of several anchors, some of which may be freestanding (unconnected) and only a minimum amount of small specialty tenants.

| POWER CENTERS | |
|---|---|
|  | Concept |
| | Category-dominant anchors; few small tenants |
| | Sq.Ft. (Incl. Anchors) |
| | 250k – 600k |
| | Acreage |
| | 25 – 80 |
| | Typical Anchor Number |
| | 3 or more |
| | Typical Anchor Ratio |
| | 75% - 90% |
| | Typical Anchor Type |
| | Category killer; home improvement; discount department store; warehouse club; off-price |

*Photo: Northgate North (Seattle)

Lifestyle Centers: Most often located near affluent residential neighborhoods, this center type caters to the retail needs and “lifestyle” pursuits of consumers in its trading area. It has an open-air configuration and typically includes at least 50,000 square feet of retail space occupied by upscale national chain specialty stores. Other elements differentiate the lifestyle center in its role as a multi-purpose leisure-time destination, including restaurants, entertainment, and design ambience and amenities such as fountains and street furniture that are conducive to casual browsing. These centers may be anchored by one or more conventional or fashion specialty department stores.

| LIFESTYLE CENTERS | |
|---|---|
|  | Concept |
| | Upscale national chain specialty stores; dining and entertainment in outdoor setting |
| | Sq.Ft. (Incl. Anchors) |
| | Typically 150k -500k but can be smaller or larger |
| | Acreage |
| | 10 – 40 |
| | Typical Anchor Number |
| | 0-2 |
| | Typical Anchor Ratio |
| | 0% - 50% |
| | Typical Anchor Type |
| | Not usually anchored in the traditional sense but may include book store; other large-format specialty retailers; multi-plex cinema; small department store |

*Photo: University Village (Seattle)

Outlet Malls: This center type consists of manufactures and retailers' outlet stores selling brand-name goods at a discount. These centers are typically not anchored, although certain brand-name stores may serve as "magnet" tenants. The majority of outlet centers are open-air, configured either in a strip or as a village cluster, although some are enclosed.

| OUTLET MALLS | |
|-------------------------------|-----------------------------|
| Concept | Manufactures' outlet stores |
| Sq.Ft. (Incl. Anchors) | 50k – 400k |
| Acreage | 10 – 50 |
| Typical Anchor Number | N/A |
| Typical Anchor Ratio | 40% - 60% |
| Typical Anchor Type | Manufactures' outlet stores |


*Photo: North Bend Premium Outlet Stores (North Bend)

Community Centers: The community center ranges in size from 100,000 to 350,000 square feet of GLA. The community center is typically anchored by a junior department store and one, or a combination of the following: supermarket, drugstore, home improvement center, and variety store. The small shops are typically a combination of convenience and service stores, restaurants, and general merchandise and fashion stores.

| COMMUNITY CENTERS | |
|-------------------------------|---|
| Concept | General merchandise; Convenience |
| Sq.Ft. (Incl. Anchors) | 100k – 350k |
| Acreage | 10 – 40 |
| Typical Anchor Number | 2 or more |
| Typical Anchor Ratio | 40% -60% |
| Typical Anchor Type | Discount department store; supermarket; drug; home improvement; large specialty/discount apparel |


*Photo: Westwood Village (West Seattle)

Neighborhood Centers: The neighborhood center ranges in size from 30,000 to 150,000 square feet of GLA and is usually anchored by a supermarket. Some neighborhood centers may have a drugstore or home improvement store as additional major tenants. The small shops are generally service tenants such as laundromats, cleaners, and food service tenants such as restaurants and specialty food stores.

|  | NEIGHBORHOOD CENTERS | |
|---|------------------------|---|
| | Concept | Convenience |
| | Sq.Ft. (Incl. Anchors) | 30k – 150k |
| | Acreage | 3 – 15 |
| | Typical Anchor Number | 1 or more |
| | Typical Anchor Ratio | 30% - 50% |
| | Typical Anchor Type | Discount department store; supermarket; drug; home improvement; large specialty/discount apparel. |

*Photo: Bear Creek Village Shopping Center (Redmond)

Stand-Alone Grocery: The stand-alone grocery store (supermarket) typically ranges in size from 30,000 to 70,000 square feet of GLA. Many of the grocery stores have additional tenants located inside the stores, which may include a pharmacy, a bank, or even an optical service center. Fuel service may also be included as part of the grocery store footprint.

|  | STAND-ALONE GROCERY (SUPERMARKET) | |
|---|-----------------------------------|--|
| | Concept | Convenience |
| | Sq.Ft. (Incl. Anchors) | 30k – 70k |
| | Acreage | 2 – 5 |
| | Typical Anchor Number | 1 or more |
| | Typical Anchor Ratio | 100% |
| | Typical Anchor Type | National or regional grocery store, which may include a national or regional supermarket; specialty grocery market; discount grocery store; or grocery store cooperative |

*Photo: West Totem Lake QFC (Kirkland)

Big Box Stores:



The terms “big box”, "value retailers", "superstore," and "category killer" are used interchangeably. The retail model depends on high-volume rather than price markups. To do a profitable volume, they must occupy large amounts of space. Typically, they range in size from 90,000 to 200,000 square feet, are located as often as possible near highway interchanges or exits, use the same windowless box store design with several acres of a single-floor layout, and require vast surface parking.

Big box retail stores (generally referred to collectively as "superstores") are generally categorized into three subgroups: discount department stores, category killers, and warehouse clubs.

Discount department stores sell department store merchandise at low prices. Wal-Mart, Kmart, and Target are examples of this type.

Category killers are large specialty (niche) retailers that buy and sell in huge volumes at low prices. Prices are further reduced by eliminating "middleman" charges and dealing directly with product manufacturers. Examples include Toys R Us, Home Depot, and Sports Authority.

Warehouse clubs are membership shopping clubs that offer a variety of goods, often including groceries, electronics, clothing, hardware, and more, at wholesale prices. Unlike discount department stores, which may sell as many as 60,000 distinct items, warehouse clubs limit their range to 3,000 to 5,000 items. Sam's Club, Costco, and Pace dominate this industry. Their stores range in size from 104,000 to 170,000 square feet and serve markets up to 250,000 people.

Conglomerations of superstores in 250,000 to 750,000 square foot centers are called "power centers." IKEA seems to be a mix between a discount department store (household goods) and a category killer (furniture).

GAS STATION DATA



*Photo: Type 1 Fuel Accessories - Safeway Gas (Kenmore)

Many of the community/neighborhood shopping centers, big box retail stores, and stand-alone grocery stores have fuel service facilities that are part of the greater retail center development.

There are generally four types of retail outlets, which sell gasoline:

- Gas only with numerous Multi-Product Dispensers (MPD's) and may include small kiosk. Typically associated with shopping centers, big box retail, and grocery stores.
- Convenience store (C-Store) with gas.
- The co-branded C-Store/Quick Service Restaurant (QSR).
- Old style service station with service bays, air compressor, hoists, etc.

The old style service stations that have not been remodeled with a snack shop or C-Store have the greatest obsolescence and are at the bottom of the market. The very large co-branded C-Stores with gas, numerous dispensers and various other profit centers are at the high end.

Buildings:

The Cost Approach has been utilized to appraise gas stations. The subject parcels in King County have been inspected and stratified according to building quality:

| Gas Station Category | |
|----------------------|---|
| <i>Excellent</i> | Best wood, steel, brick or masonry, high volume area, best workmanship with good finish, best materials, HVAC |
| <i>Good</i> | Good wood, steel, brick w/sash and large overhangs, ranch or suburban style, good quality materials. |
| <i>Average</i> | Average painted steel or cement block, small overhangs, small office. Average quality materials throughout. |
| <i>Low Cost</i> | Painted steel or cement block, inexpensive sash, doors and gates, usually older with low cost materials used. |

Accessory Improvements:

The valuation of accessory improvements (AI's) relates to the construction quality of the property as a whole. AI's are stratified according to quantity and quality. For example, an excellent quality building will generally have Type I accessory improvements, a Good quality building will have Type II AI's, an average quality building will have Type III AI's, and a low cost building will have Type IV AI's. The value of AI's also relates to the number of filling stations and the size of the lot. Marshall Valuation Service indicates that the lives of such improvements are 15 to 25 years however, because of the store's long hours and heavy foot traffic deterioration of the interior can happen at a rapid rate. Excellent level stores will replace worn interior furnishings before wear shows while lesser qualities tend to show more wear and tear. The accessory improvements take the level of replacement/maintenance/repair into consideration when judging the construction quality of the store.

Accessory improvements are labeled as Type I – IV in the accessory improvement section of the King County Real Property database. The value contribution of the accessory package was flat valued according to the indicated value range for the category type and included in the total cost estimate for the service station. These fuel service facilities are treated as accessory improvements (AI's) and are considered an additional add-on value that is placed on the parcel's primary retail improvement.

| Type | Quality | Cost |
|----------|---------------------------------------|-----------------------|
| Type I | Best quality components throughout | \$300,000 - \$500,000 |
| Type II | Good quality components throughout | \$200,000 - \$300,000 |
| Type III | Average quality components throughout | \$100,000 - \$200,000 |
| Type IV | Low cost components throughout | \$10,000 - \$100,000 |

Example:

Service Station Accessory Improvements: Type II Average Quality Cost New

| Description | | Cost |
|------------------------------------|--------------|----------|
| Tanks | 10,000 gal. | \$44,000 |
| | 15,000 gal. | \$54,000 |
| | 20,000 gal. | \$76,000 |
| Islands | | \$20,000 |
| Paving (Including curbs & cutouts) | | \$25,000 |
| Lighting | | \$8,000 |
| Sign Pole | | \$3,000 |
| Canopy | 1,500 Sq.Ft. | \$45,000 |
| | 2,500 Sq.Ft. | \$75,000 |
| Piping & Wiring | | \$40,000 |
| Labor, Site Prep and Soft Cost | | Varies |

Car washes in separate buildings were valued by the Marshall & Swift automated cost modeling system. Generally building quality will be the same as the primary building. All car wash equipment is personal property. The Personal Property Division also assesses compressors, pumps, dispensers, signage, hoists, tools, furniture and fixtures.

Population:

Puget Sound: As of Year-End 2017, the population in the Central Puget Sound region (King, Kitsap, Pierce, and Snohomish counties) reached +/- 4.66 million. The 2017 population level represents an increase of +10.18% from 2010 and +24.15% from 2000. Since 2000, Snohomish County experienced the greatest population increase of 30.26%, while King County had the largest increase since 2010 at 11.50%. As of 2017, King County accounted for 52.95% of the total population within the four county region. Since 2000, King County's population grew by 416,700 or 23.99% (1.41% per year).

| Current Population ² | 2000 | 2010 | 2017 | % Change 2000-2017 | % Change 2010-2017 |
|---------------------------------|------------------|------------------|------------------|-----------------------|-----------------------|
| King County | 1,737,000 | 1,931,249 | 2,153,700 | 23.99% | 11.50% |
| Kitsap County | 232,000 | 251,133 | 264,300 | 13.92% | 5.20% |
| Pierce County | 700,800 | 795,225 | 859,400 | 22.63% | 8.10% |
| Snohomish County | 606,000 | 713,335 | 789,400 | 30.26% | 10.7% |
| Region Total | 3,275,800 | 3,690,942 | 4,066,800 | 24.15% | 10.18% |

Cities & Towns: About 2,894,240 people live within the incorporated area of the Central Puget Sound region. As of 2017, incorporated cities and towns accounted for 71.17% of the total population. The changing shares reflect not only differences in population growth among locations within the region, but also annexations and new incorporations. At the top of the list of cities with the greatest percentage growth were Kirkland, Burien, and Burien, with reported population growths of 76.4%, 52.1% and 37.5%, respectively.

| Top 10 Cities With Greatest Percentage Population Growth (2010 to 2017) ³ | | | | | | |
|--|----------------|----------------|--------------------|-------------------|-----------------------|------------------------------------|
| Municipality | County | Census 2010 | Population 2017 | Change 2010-17 | % Change 2010-2017 | Population Annexed 2010-2017 |
| Kirkland | King | 48,787 | 86,080 | 37,293 | 76.4% | 31,816 |
| Burien | King | 33,313 | 50,680 | 17,367 | 52.1% | 14,292 |
| Kent | King | 92,411 | 127,100 | 34,689 | 37.5% | 25,458 |
| Sammamish | King | 45,780 | 62,240 | 16,460 | 36.0% | 11,566 |
| Gig Harbor | Pierce | 7,126 | 9,560 | 2,434 | 34.2% | 14 |
| Bothell (all) | King/Snohomish | 33,505 | 44,370 | 10,865 | 32.4% | 6,801 |
| Ruston | Pierce | 749 | 975 | 226 | 30.2% | 0 |
| Port Orchard | Kitsap | 11,157 | 13,990 | 2,833 | 25.4% | 943 |
| Snoqualmie | King | 10,670 | 13,210 | 2,180 | 23.8% | 0 |
| Issaquah | King | 30,434 | 36,030 | 5,596 | 18.4% | 0 |

² Puget Sound Regional Council; Data and Resources, March 2017

³ Puget Sound Regional Council; Puget Sound Trends, July 2017

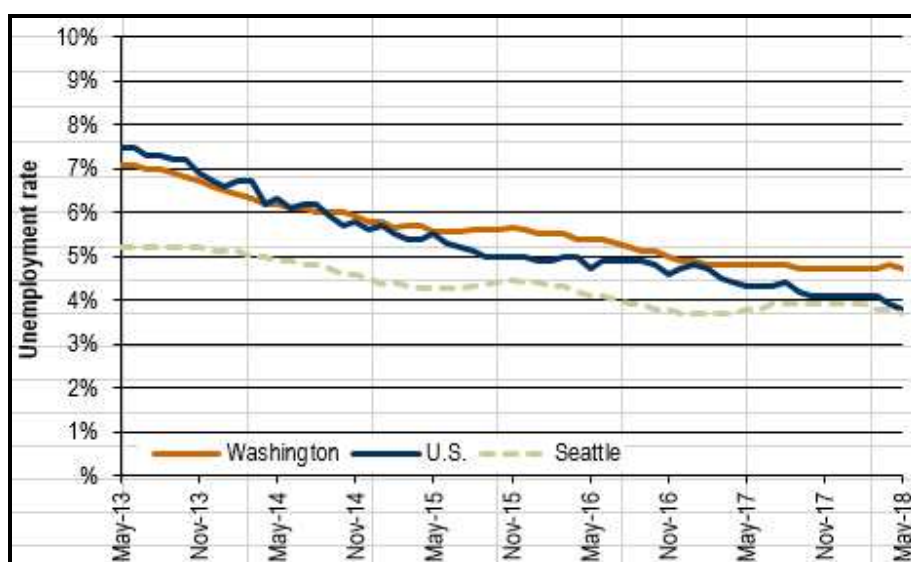
The city with the greatest nominal population growth was Seattle (105,040), followed by Kirkland (37,293), Kent (34,689), Bellevue (18,337), and Burien (17,367). Except for Seattle, Tacoma, and Auburn, the cities' large growth was a result of major annexations. Like Kirkland, Kent and Burien saw extraordinary growth as a result of major annexations that incorporated a sizable population well over 10,000 people. Seattle, Tacoma, and Auburn's growth was primary due from real population growth.

| Top 10 Cities With Greatest Nominal Population Growth (2010 to 2015) ⁴ | | | | | | |
|---|----------------|-------------|-----------------|------------------------|--------------------|------------------------------|
| Municipality | County | Census 2010 | Population 2017 | Nominal Change 2010-17 | % Change 2010-2015 | Population Annexed 2010-2015 |
| Seattle | King | 608,660 | 713,700 | 105,040 | 17.3% | 0 |
| Kirkland | King | 48,787 | 86,080 | 37,293 | 76.4% | 31,816 |
| Kent | King | 92,411 | 127,100 | 34,689 | 37.5% | 25,458 |
| Bellevue | King | 122,363 | 140,700 | 18,337 | 15.0% | 5,630 |
| Burien | King | 33,313 | 50,680 | 17,367 | 52.1% | 14,292 |
| Sammamish | King | 45,780 | 62,240 | 16,460 | 36.0% | 11,566 |
| Renton | King | 90,927 | 102,700 | 11,773 | 12.9% | 826 |
| Bothell (all) | King/Snohomish | 33,505 | 44,370 | 10,865 | 32.4% | 6,801 |
| Tacoma | Pierce | 198,397 | 208,100 | 9,703 | 4.9% | 0 |
| Auburn (all) | King/Pierce | 70,180 | 78,960 | 8,780 | 12.5% | 0 |

Economic Considerations:

Puget Sound Economy:

Employment: In 2017, Washington State's⁵ year-over-year unemployment rate decreased from 4.90% to 4.70%, which is .60% basis points higher than Seattle's unemployment rate of 3.90%. Seattle's year-over-year unemployment rate increased slightly from 3.70% to 3.90%. Within King County, the overall year-over-year change in unemployment had remained unchanged at 3.40%.



⁴ Puget Sound Regional Council; Puget Sound Trends, July 2017

⁵ Washington State Employee Security Dept. - Monthly Report

| TOP 10 PUGET SOUND EMPLOYERS ⁶ | | | | | |
|---|--------------------------|------------|------|------------------------------|------------|
| Rank | Company | Empl. | Rank | Company | Empl. |
| 1 | Boeing | +/- 80,000 | 6 | Providence Health & Services | +/- 20,000 |
| 2 | Joint Base Lewis-McChord | +/- 56,000 | 7 | Wal-Mart | +/- 20,000 |
| 3 | Microsoft | +/- 42,000 | 8 | Fred Meyer | +/- 15,000 |
| 4 | University of Washington | +/- 25,000 | 9 | King County | +/- 13,000 |
| 5 | Amazon | +/- 25,000 | 10 | Weyerhaeuser | +/- 10,000 |

The employment recovery is tied to the region's diverse economy. Its strengths include aerospace, software development including internet retail and gaming, and global trade. This level is traditionally considered full employment.

In addition, a stable information-technology industry once anchored by Microsoft has evolved into one of the largest high-tech clusters in the nation with Amazon.com dramatically increasing its footprint in the South Lake Union neighborhood of Seattle. Other major tech-related companies with large real estate footprints in the Seattle area are Nintendo, Expedia Inc. and F5 Networks Inc. Google and Facebook are also increasing their presence significantly in the area in order to take advantage of the large pool of tech employees. The Puget Sound business climate and lifestyle, which attracts a skilled, educated workforce, has encouraged these start-ups.

International trade continues to have a strong impact on the regional economy. While foreign exports were the first sector of the economy to recover, it has now slowed due to the sluggish world economy. Boeing, with 75% of its airplanes going overseas, is the region's top foreign exporter. Besides Boeing, there is a wide list of regional businesses that provide products and services for foreign markets. These include Microsoft, Weyerhaeuser, Paccar, Russell Investments, Costco, Starbucks, Expeditors International, Perkins Coie, NBBJ, Alaska Airlines, Port of Seattle, and the University of Washington.

Regional Summary:

The Puget Sound Region has retained a comparatively strong economy, and remains a hotbed for start-up businesses with a highly educated workforce. The region has generally experienced expanding employment and increasing income levels which has materialized in escalating property values in recent years. Within the Puget Sound region, market conditions are favorable to the extent that substantial historic and current ongoing residential and commercial development has resulted. Regional demographic trends favor increasing population growth and in-migration reflect historic/continuing demand for commercial and residential real estate in the area.

⁶ About Travel; May 25, 2018

Retail - Current Economic Conditions:

With an in-migration of highly paid tech workers along with four consecutive years of steady employment gains, the regions primary retail markets (Seattle, Bellevue, & Redmond) continue to enjoy gains in retail sales. Strong interest from potential tenants along with high barriers to entries within the retail cores of both the Seattle and Bellevue CBDs has resulted in very low vacancy rates, which as a result, warrants owners to reduce concessions to potential tenants. Shopping demands continues to grow due to improved employment trends, population growth, and increased tourism.

Overall, retail development activity in 2017 has remained low as land has become scarce and the market continues to slowly reabsorb existing vacant space. With the limited retail construction, combined with increasing demand for space, properties will support rising occupancy in core and suburban shopping centers. Most new retail space on the market has come in the form of ground-floor stores within mixed-use multi-family and office developments, particularly in Seattle and Bellevue.

The demand for well-stabilized retail assets along with strong NOI returns have investors competing for properties. Investor interest has been focused on food and drug store anchored neighborhood centers, and single tenants net lease properties. In addition, with improving retail operations throughout Puget Sound, investors will seek those retail developments with strong locational influences, and as a result, those retail assets on prime corners, heavily traveled corridors, or near primary employment centers will receive multiple bids from local, national, and international investors. Those multi-tenant buyers targeting strip centers will set re-tenanting as a primary motivator.

Vacancy Rate & Retail Rents:

Research reports indicate that the regional retail market continued to improve in 2017. The overall vacancy rate in the fourth quarter of 2016 had decreased to 3.50%, which is (-.10) basis points lower than the 3.60% vacancy rate reported for Year-End 2016. Within the region's submarkets, The Southend experienced the greatest improvement in overall vacancy with a drop of -0.60 basis points from 4.00% to 3.40%. The eastside submarkets followed second with a drop in overall vacancy from 2.80% to 2.50%.

For Year-End 2017⁷, the year-over-year average quoted asking rental rate in the Seattle/Puget Sound retail has improve from the previous year. Per CoStar Property, overall end of year asking rent rates was reported at \$19.65/SF, which represents a 4.5% increase from the previous Year-End 2017 quoted rent of 18.80/SF.

⁷ Costar Property; 2017 Yr. End - CoStar Retail Report – Seattle/Puget Sound Market, Pg. 10

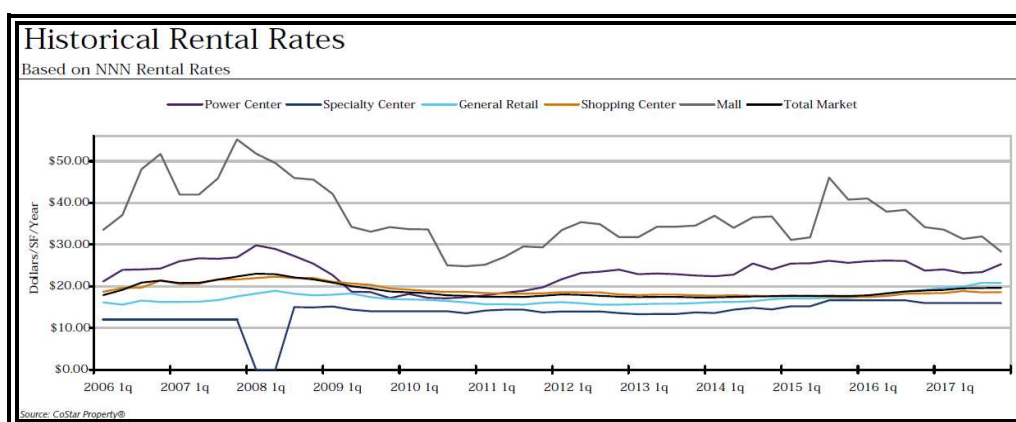
Total Retail Market Statistics

Year-End 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|------------------|--------------------|--------------------|------------------|------------------|-------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total GLA | Direct SF | Total SF | Vac % | | | | |
| Downtown Seattle | 3,138 | 26,610,889 | 575,412 | 620,190 | 2.3% | (164,548) | 0 | 93,762 | \$28.35 |
| Eastside | 1,746 | 28,555,557 | 656,375 | 707,285 | 2.5% | 447,667 | 424,365 | 442,197 | \$26.95 |
| Northend | 3,818 | 47,836,320 | 1,861,336 | 1,948,091 | 4.1% | (101,837) | 21,100 | 46,642 | \$18.17 |
| Southend | 2,313 | 31,983,142 | 1,077,977 | 1,079,677 | 3.4% | 241,275 | 412,912 | 21,409 | \$18.89 |
| Tacoma | 4,160 | 41,639,807 | 1,646,737 | 1,816,751 | 4.4% | 287,454 | 125,463 | 264,899 | \$16.36 |
| Totals | 15,175 | 176,625,713 | 5,817,837 | 6,171,994 | 3.5% | 710,011 | 983,840 | 868,909 | \$19.65 |

Source: CoStar Property®

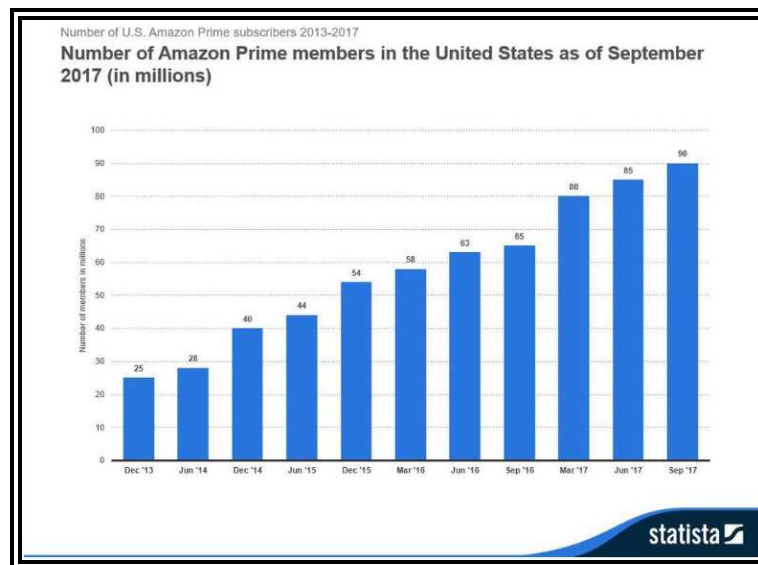
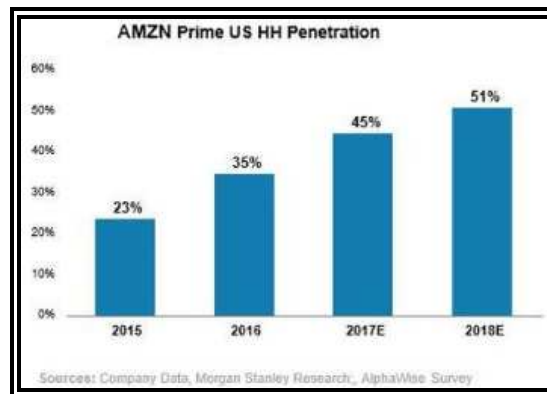
| Market | 2016 Vacancy | 2017 Vacancy | Basis Points (Chng.) | 2016 Qtd Rates | 2017 Qtd Rates |
|--------------------------|--------------|--------------|----------------------|-------------------|-------------------|
| General Retail | 1.90% | 1.90% | 0.00 | \$19.09/SF | \$20.80/SF |
| Malls | 1.50% | 1.20% | -0.30 | \$30.79/SF | \$28.28/SF |
| Power Centers | 3.70% | 2.60% | -1.10 | \$24.01/SF | \$25.30/SF |
| Shopping Centers | 6.80% | 6.90% | +0.10 | \$18.10/SF | \$18.62/SF |
| Specialty Centers | 1.00% | 1.00% | 0.00 | \$15.98/SF | \$15.97/SF |
| Totals | 3.60% | 3.50% | -.10 | \$18.80/SF | \$19.65/SF |



E-Commerce continues to evolve to become a staple in consumers' purchasing decisions resulting in a steady rise in online sales. Thanks in large to industry titans such as Amazon and Alibaba, e-commerce will truly become the future of retail, as nearly all of the growth in the retail sector now takes place in the digital space.

Fueled by high customer loyalty and brand awareness, the Amazon prime subscription service continues to grow. Forbes reported in April of 2018 that approximately 45% of all online consumers are Amazon Prime members. Forbes also reported that by September of 2017, 90 million households would be Prime subscribers.⁸

⁸ Forbes: Source – Statista, March 8th 2018



Many retail establishments are currently trying to determine the impact of social networking on their organizations by measuring the potential benefits against the perceived risks. Social networking is generally understood to mean the use of online services or websites to allow users to interact and share information with typical examples including Facebook, LinkedIn, and Twitter. This communication evolution has forced companies to investigate ways to market products and influence brand recognition with this powerful consumer group. Some of the ways a company can capitalize on the benefit of social networking are obvious, such as increasing sales efforts through Twitter, creating community discussion groups and driving brand recognition through company sites on Facebook, and even posting product videos to YouTube. Retail owners use these channels to market properties and promote events aimed at increasing consumer traffic and revenue at their properties⁹.

⁹ PwC Real Estate Investor Survey, 4th Quarter 2010, pg. 8

According to the Marcus & Millichap's 2017 U.S Retail Forecast report:¹⁰

2017 NRI Rank: 1st, Up 2 Places. Strong job growth, tightening vacancy, and reduced construction nudged Seattle to this year's number one ranking.

Vacancy Forecast: Strong tenant demand amid fewer inventory additions will drop the vacancy rate to 3.6% this year, the lowest point in 10 years. A 40-basis point decline on net absorption of 1 million square feet.

Rent Forecast: Asking rents in the metro areas will rise an average of 4.5% to \$20.42/SF in 2017. Last year, a 4.9% rise was registered.

Investment Forecast: Older retail buildings with ample parking that are along major transit routes will continue to be highly sought after for redevelopment. The expansion of Sound Transit 3 will also likely instigate development near transit stations, generating demand for nearby retail.

Employment Forecast: Job growth will reach 3.4% in 2017 with the creation of 68,000 positions. This is on par with last year's 3% growth.

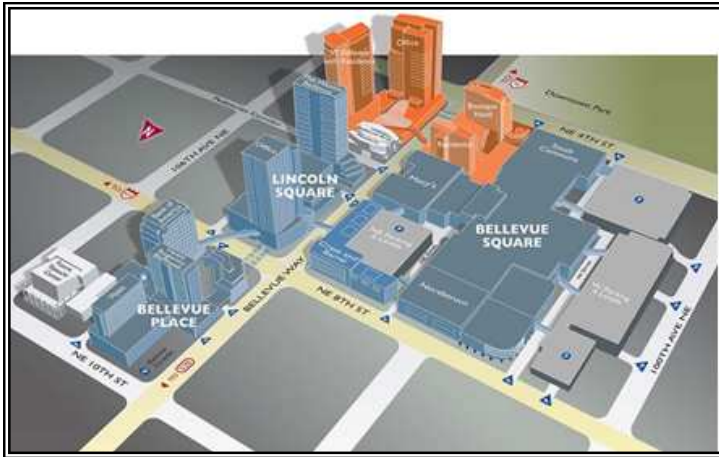
Construction Forecast: Retail construction is slowing. Developers will complete 600,000/SF during 2017, building on last year's increase of 350,000/SF. A newly opened Ikea in Renton and Costco in Redmond will account for the bulk of year 2017 new inventory.

¹⁰ Marcus & Millichap, 2017 U.S Retail Investment Forecast, pg. 57

Notable Construction and Redevelopment Activity:

Within the last year, the number of new construction activity has slowed as existing projects have recently opened or are nearing completion.

The Bellevue Collection Redevelopment (Area 250-123):



Downtown Bellevue has seen a tremendous amount of redevelopment as witnessed by the expansion to Bellevue's CBD jewel mixed-use development known as "The Bellevue Collection", which consists of three major mixed-use real estate project's known as Bellevue Square, Lincoln Square, and Bellevue Place. Within the Bellevue Collection, Lincoln Square is currently added approximately

1.5 million square feet to the existing Lincoln Square development, while Bellevue Square remodeled the 190,000/SF space that was previously occupied by JC Penny's. The former JC Penny's included a specialty grocery store on the 1st level with multiple specialty retail shops on levels 2 and 3. Once Lincoln Square is complete, Bellevue Square will then expand along the southeast corner connecting Lincoln Square and Bellevue Square via a sky bridge. The SE Corner expansion will include approximately 220,000/SF of retail, in addition to a 204-room hotel, and 239 residential units.



Lincoln Square: Lincoln Square expansion added approximately 712,000/SF of Office Space, 392,000/SF of Retail Space, a 120-room hotel, and 200 condominiums.



Bellevue Square:

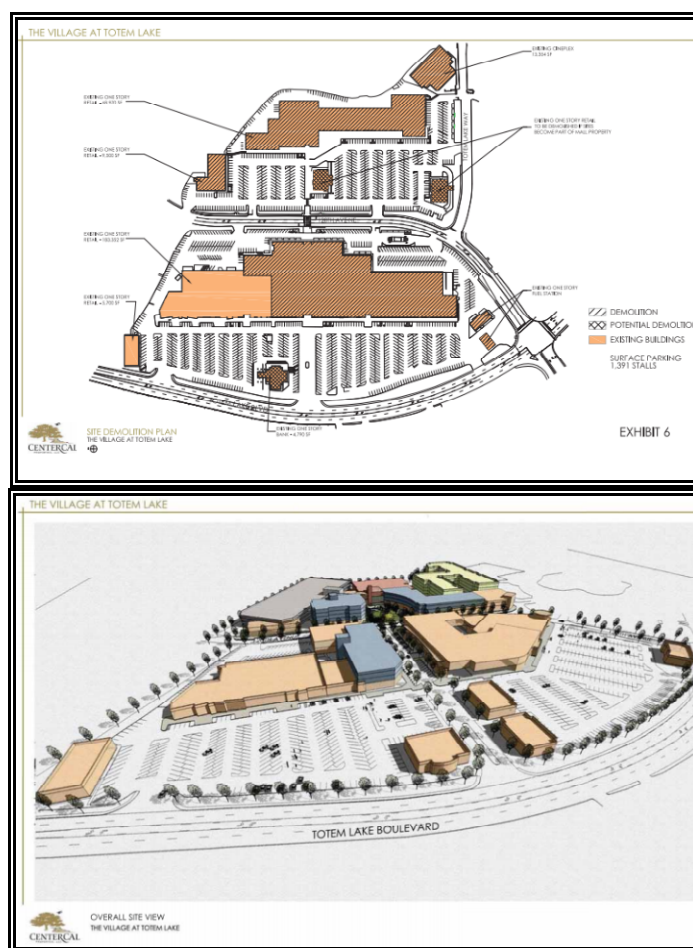
SE Corner Expansion (Land Use Approval): The Bellevue Square expansion will add approximately 220,000/SF of Retail/Commercial Space, in addition to a 204-room hotel, and 239 residential units.

Former JC Penny's Remodel: The former JC Penny's included a specialty grocery store on 1st level with multiple specialty retail shops on levels 2 & 3. As of January 1st, 2017, most of the retail shops and the grocery store opened except for a few vacant spaces.

Totem Lake Mall Redevelopment (Kirkland - Area 250-122):

Despite its ideal location adjacent to Interstate 405 with Kirkland's favorable demographics, Totem Lake Mall aged badly and as a result, experienced a steady decline in quality, performance and desirability. After many of years of being regarded as one of the most underdeveloped large commercial properties in all of King, Snohomish, and Pierce Counties, Totem Lake Mall located in Kirkland has a new lease on life.

The 26-acre property was purchased by a California firm for \$35.5 million dollars and the new owners plan on a complete redevelopment. For about 10 years, redevelopment plans for the property have been in the works. Totem Lake will have two new grocery tenants (Whole Foods, Trader Joes), a movie theater, multiple retail shops, restaurants, and hundreds of apartments and a park. Office development is also planned in the upper mall. According to a April 2015 article in the Puget Sound Business Journal¹¹, redevelopment costs could easily exceed \$200 million dollars. Redevelopment of lower Totem Lake Mall had started in the spring of 2016 with most of the lower mall buildings currently under construction.



¹¹ Puget Sound Business Journal; 4/29/2015

Parkplace Mixed-Use Redevelopment (Kirkland – Area 250-422):



After many years of planning, redesign, and approved zoning changes, the redevelopment of Kirkland's Parkplace Center will finally take place. According to the property owner/developer, The Talon Group, the vision for Kirkland's Parkplace is to create a new destination for residents and visitors that will include tree-lined streets, landscaped

open plazas with views to Lake Washington and a wide variety of shopping, dining, entertainment and recreation options. The new master plan for Kirkland's Parkplace includes approximately 225,000/SF of retail/entertainment space, 300,000/SF of apartment homes, and 650,000/SF of Class A office space. The existing 83,455/SF "Class A" office building will remain, while the existing 155,000/SF+ of mixed-use retail and offices has been demolished. Demolition started in early 2016, with ongoing development through 2017 & 2018.

IKEA Redevelopment (Renton - Area 250-361):



The 398,000/SF current Seattle-area IKEA store is located on 29 acres in Renton, WA. Built in 1979, the original, single-level structure previously had been utilized as a warehouse for aerospace electronics until IKEA converted it into a retail store in October of 1994.

IKEA's new store is located on the former parking area, with the older store ultimately demolished to allow for more parking. The new 398,000/SF new Renton store consist of two levels, providing nearly 1,700 convenient parking spaces, offer a more current layout and reflect the same unique architectural design for which IKEA stores are known worldwide. The grand opening was February 22nd, 2017.



Costco (Redmond – Area 250-322):



The new 155,754/SF Costco Warehouse is situated upon a 15.39-acre site in the Redmond/Union Hill neighborhood. The project also includes a gas station facility with 12 multi-product dispensers (MPD's). Costco's grand opening was November 11th, 2017.

Fred Meyers (Overlake – Area 250-322):



Fred Meyer Remodel and Expansion, which includes a 15,000/SF addition, relocation of garden center, and demolition of the 5,200/SF Les Schwab building and parking lot improvements. The building was completely gutted and shut down for approximately 7 months. The grand opening was held on March 29th, 2017.

Westlake Center (Downtown Seattle – Area 250-145):



Westlake Center Complete renovation & remodel of its 2nd and 3rd floor retail floors. The previous 3rd floor food court was relocated to 2nd floor with its completion scheduled in the summer of 2018. Saks 5th Avenue completed its 36,000/SF retail store on the 3rd floor and had its grand opening in October of 2017



Big Box Re-Tenancing:

During the last few years, there have been a number of mid/big box stores that have gone dark (vacant) due to either location underperformance, corporate restructuring, or possibly making the large vacant retail space physically obsolete and difficult to re-tenant or re-sale. Many times the previous owner/user of the building will place deed restrictions on the property, which may severely limit the potential future use of the property. As a result of in-place deed restrictions, vacant big box stores may sit unoccupied for a period of time until a suitable use comes along, by either re-tenancing the existing space, reconfiguring the preexisting space to a different use, demising (splitting) the larger single tenant space into a smaller multi-tenant retail use, or even demolishing the entire building for complete redevelopment.

Most notably, Sears, Sam's Club, K-Mart, Top Foods/Haggen's, Safeway, and Albertsons had closed many of their stores throughout King County and as a result, had marketed the vacant space to be either demised into smaller space, or marketed for another type of use.

| Examples Of Reconfigured Big Box Space (Three Years) | | | |
|--|---------|-------------|--|
| Name | Area | Location | Project |
| Overlake Plaza - Sears | 250-226 | Redmond | At 268,539/SF, built in 1971, and situated on a +/-14.8 acre lot. In early spring of 2018, Sears announced closure and soon after property was marketed for sale. Current redevelopment plans are for demolition of existing building for future development of urban village, which includes hotel, offices, retail, restaurants, and multi-family. |
| Aurora Sears | 250-311 | Shoreline | At 311,601/SF, built in 1967, and situated on a +/-16.6 acre lot. Property was sold in summer of 2017, with store closure in spring of 2018. Current redevelopment plans are for demolition of existing building for future development of urban village, in partnership with adjacent property owners, and the City of Shoreline with proposed retail, restaurants, and multi-family. |
| TC @ FW Sears | 250-353 | Federal Way | At 155,638/SF, built in 1975, and situated on a +/-11.6 acre lot. The Sears is part of TC @ FW Mall. Property was sold in summer of 2017, with store closure in spring of 2018. Redevelopment plans have not been announced. |
| Greenwood Safeway | 250-741 | N. Seattle | Property sold with deed restrictions. After property was purchased in May of 2018, buyer announced store closure for June of 2018. Per new buyer, property (Built in 2003) will be demolished for redevelopment into mixed-use multi-family. |
| Aurora Albertsons | 250-741 | N. Seattle | Property sold with deed restrictions. After property was purchased in May of 2018, buyer announced store closure for June of 2018. Per new buyer, property would be either re-tenanted, demised, or resold with deed restrictions that limits future marketability. |
| Aurora Sam's Club | 250-341 | N. Seattle | In early January of 2018, Sam's Club announced immediate closure of their three King County locations. In June of 2018, 144,776/SF (11.67 acres) property was listed as either "For Sale" or "For Lease". |
| Sam's Club | 250-361 | Renton | In early January of 2018, Sam's Club announced immediate closure of their three King County locations. In June of 2018, 135,489/SF (15.36 acres) property was listed as either "For Sale" or "For Lease". |
| Sam's Club | 250-574 | Auburn | In early January of 2018, Sam's Club announced immediate closure of their three King County locations. In June of 2018, 151,154/SF property was listed as either "For Sale" or "For Lease". |
| Aurora Shopping Center | 250-341 | Seattle | Major remodel of former K-Mart. Existing +/-114,000/SF space split into two +/- 57,000/SF retail spaces. Tenants are Hobby Lobby and Asian Food Centers. Project finished and completed early 2015. |

| Examples Of Reconfigured Big Box Space (Three Years) | | | |
|--|---------|-------------|---|
| Name | Area | Location | Project |
| Former Haggen's Grocery Store | 250-712 | Shoreline | Major remodel of former Top Foods Grocery Store. Existing +/- 52,662/SF space demised into three retail spaces to house a Trader Joes, The Everett Clinic, and Mud Bay. Trader Joes and Mud Bay recently opened with renovations of The Everett Clinic ongoing. |
| West Campus Square Shopping Center | 250-253 | Federal Way | Conversion of former 37,180/SF Circuit City to Children's Hospital South Sound Clinic. Project finished spring of 2015. |
| Former Top Foods | 250-353 | Federal Way | Conversion of the former 62,818/SF Top Foods Grocery Store into a multi-tenant mixed-use retail development which will have a home furnishing store as the primary anchor tenant with line retail, offices, two restaurants and a bank. Currently, permit is ready to be issued, but waiting on owner to pay permit fees. |
| Former Albertsons | 250-463 | Auburn | Conversion of former +/-51,696/SF Albertsons demised into two retail spaces. One space will be a 34,500/SF LA Fitness, while the remaining 17,196/SF retail space is yet to be determined. |

Major Retail Summary: For 2018, rents are expected to rise or remain stable as the economic recovery continues. With respect to the greater major retail market, 2017 experienced steady to increasing property values generally due to stable to increasing lease rates, stable to decreasing vacancy rates, and decreasing cap rates. The demand for stabilized well-positioned investment properties with strong NOI's has increased.

| 2016 YEAR END | | | | |
|---------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| CATEGORY | LEASE RATES | VACANCY RATES | CAPITALIZATION RATES | IMPROVED PROPERTY VALUES |
| MAJOR RETAIL | ↔/↗ (STABLE TO INCREASING) | ↔/↘ (STABLE TO DECREASING) | ↔/↘ (STABLE TO DECREASING) | ↔/↗ (STABLE TO INCREASING) |

Physical Inspection Identification:

The major retail specialty assignment had completed its six year required physical inspection schedule in 2016 (one year early). Therefore, a physical inspection was not performed in 2017 for the 2018 revalue.

Preliminary Ratio Analysis

No ratio studies were included within this report due to the small number of sales relative to the size and complexity of the major retail population. The Parcel Summary Data does not reflect any statistical measure associated with IAAO standards.¹²

Scope of Data

Land Value Data:

The geographic appraiser in the area in which the major retail property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales 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. There were 17 improved sales that were verified as "Sales Used". The following page lists a brief description of each improved sale.

Improved Parcel Total Values:

Sales Comparison Approach Model Description

Sales of improved parcels for Area 250 were verified and entered into the Frozen Sales File. The sales used date range from 01/01/2015 and 12/31/2017. Verification of the sales data consisted of contact with the buyer, seller or broker, if possible, or information gathered from the CoStar Real Estate Sales Verification Service. At the time of sale, information on vacancy and market absorption rates, capitalization rates, current and anticipated rents, and the competitive position of the properties were also gathered. Sales were then compared to similar properties within the area for valuation.

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. Individual values were applied based on various characteristics deemed appropriate by each market. These sales statistics also helped form the Income Approach model by setting parameters

¹² Mass Appraisal of Real Property, IAAO, 1999, p. 271-274

for the income rent rates, vacancies, expenses, and capitalization rates. Sales of improved properties in adjacent neighborhoods were also considered.

| Excise No. | Area | Name | Sales Price | Sales Date | Sales \$/SF | Comments: |
|------------|---------|-----------------------------------|--------------|------------|-------------|---|
| 2909161 | 250-442 | Roosevelt Square Shopping Center | \$68,248,303 | 12/28/2017 | \$450.55 | Neighborhood/Community Center: Multi-tenant, multi-parcel urban shopping center anchored by Whole Foods, Dania, and multiple line retail shops. Occupancy ATOS was +/-100%, with a reported cap rate (Costar) at 4.68%. |
| 2886821 | 250-226 | Pickering Place – Big Lots | \$4,285,000 | 08/22/2017 | \$388.13 | Power Center: Property was 100% vacant ATOS. The property was a former bank building and was delivered vacant to new owner-user. The buyer will relocated his cycle retail store to this location. |
| 2868402 | 250-226 | Pickering Place – Big Lots | \$5,800,000 | 06/02/2017 | \$178.79 | Power Center: Single parcel sale located within a multi-tenant, multi-parcel power center known as Pickering Place. Building was 100% occupied ATOS with reported cap rate of 6.08%. |
| 2859520 | 250-622 | Former REI – Redmond Town Center | \$9,200,000 | 04/19/2017 | \$281.90 | Lifestyle Center: Property was 100% vacant ATOS. Unable to confirm sale, but no indication that property sold not at market. |
| 2828371 | 250-422 | Bridle Trails Shopping Center | \$32,200,000 | 10/13/2016 | \$308.45 | Neighborhood/Community Center: Multi-tenant/building shopping center anchored by Red Apple Grocery Store, Bartell Drugs, Ace Hardware, and multiple line retail shops. Occupancy ATOS was +/-99.3%. |
| 2809265 | 250-422 | KLAHANIE COMMUNITY CENTER | \$35,988,000 | 07/15/2016 | \$539.26 | Neighborhood/Community Center: Multi-tenant/building shopping center anchored by QFC (shadow tenant) Also included a Chevron Gas station with convenience store. Per CoStar, occupancy ATOS was +/-93% with an actual cap rate of 5.18% and pro-forma cap rate reported at 5.66% |
| 2805285 | 250-462 | MEEKER SQUARE SHOPPING CENTER | \$17,000,000 | 06/23/2016 | \$123.59 | Neighborhood/Community Center: Multi-tenant development anchored by DSHS, Big Lots, Rite Aid, and line retail. Occupancy ATOS = 86% with a cap rate of 8.00%. |
| 2790179 | 250-461 | SAFEWAY PLAZA | \$16,900,000 | 04/12/2016 | \$311.44 | Neighborhood/Community Center: Multi-tenant/building shopping center anchored by Safeway (shadow tenant). Primary tenants include 24-Hour Fitness, AutoZone, and line retail. Occupancy ATOS was +/-100% with a reported cap rate of 6.30%. |
| 2776071 | 250-463 | WHITE RIVER JUNCTION | \$10,600,000 | 01/12/2016 | \$197.86 | Neighborhood/Community Center: Multi-tenant shopping center anchored by Safeway (shadow tenant). Primary tenants include Bartell Drugs, McDonalds, line-retail. Occupancy ATOS was +/-89% with a reported cap rate of 7.71%. Property marketed for 2.5 years prior to purchase. |
| 2772600 | 250-471 | FOUR CORNER SQUARE | \$41,500,000 | 12/21/2015 | \$347.05 | Neighborhood/Community Center: Multi-tenant shopping center anchored by Johnsons Home & Garden, Grocery Outlet, and Walgreen. Also included were two fast food restaurants, an auto parts store and line retail. Per CoStar, vacancy ATOS was +/- 5% with a pro-forma cap rate reported at 5.60% |
| 2772999 | 250-412 | BALLINGER VILLAGE SHOPPING CENTER | \$23,750,000 | 12/16/2015 | \$211.64 | Neighborhood/Community Center: Multi-tenant shopping center anchored by Thriftway Grocery, 24-Hour Fitness, and Rite Aid Drugs. Also included were multiple line retail shops. Per CoStar, vacancy ATOS was +/- 8% with a reported actual cap rate of 6.60% |

| Excise No. | Area | Name | Sales Price | Sales Date | Sales \$/SF | Comments: |
|------------|---------|--|--------------|------------|-------------|--|
| 2770079 | 250-462 | PANTHER LAKE CENTER | \$14,680,000 | 11/17/2015 | \$217.58 | Neighborhood/Community Center: Multi-tenant shopping center which sold together with adjacent vacant big box (former Albertsons) retail building located on parcel 052205-9097 (E# 2770074; SP - \$4,650,000) Combined Sales price is \$19,330,000 (\$169.95/SF). Also included in sale was a stand-alone bank and stand-alone restaurant. Former Albertson was 100% vacant ATOS. |
| 2770074 | 250-462 | PANTHER LAKE CENTER – ALBERTONS | \$4,650,000 | 11/17/2015 | \$100.49 | Neighborhood/Community Center: Vacant Albertson's sold together with adjacent multi-tenant shopping center located on parcel 052205-9091. Combined Sales price is \$19,330,000 (\$169.95/SF). Also included in sale was a bank and stand-alone restaurant. |
| 2759208 | 250-222 | Pickering Place - Harborstone Credit Union | \$3,000,000 | 09/23/2015 | \$271.14 | Power Center: Single parcel sale located within a multi-tenant, multi-parcel power center known as Pickering Place. Building was 100% occupied ATOS. Sales Transaction was a 90-day sale/leaseback, while seller moves into another building. |
| 2752651 | 250-424 | COAL CREEK MARKETPLACE | \$17,600,000 | 08/27/2015 | \$313.50 | Neighborhood/Community Center: Multi-tenant shopping center anchored by QFC, and line retail and bank. Reported occupancy ATOS was 100%. |
| 2749671 | 250-222 | Pickering Place - Pier One Imports | \$2,992,000 | 08/11/2015 | \$333.41 | Power Center: Single parcel sale located within a multi-tenant, multi-parcel power center known as Pickering Place. Marketing Flyer reported building was 100% occupied ATOS with reported cap rate of 7.97%. |
| 2736154 | 250-422 | WOODINVILLE PLAZA | \$35,250,000 | 06/10/2015 | \$213.86 | Neighborhood/Community Center: Multi-tenant shopping center anchored by Country Market and TJ Maxx. Also included multiple line retail buildings. Per CoStar, vacancy ATOS was +/- 9%. |

Cost Approach Model Description

Cost estimates are automatically calculated and calibrated using the Marshall and Swift cost valuation service model in the computerized “Real Property” program for all improved parcels. Depreciation is based on studies done by Marshall & Swift Valuation Service. The cost was also adjusted to the western region and the Seattle market area. The dynamics of the retail market as well as the fact that income is the primary characteristic, around which investment analysis revolves, make it difficult to utilize the cost approach in valuing most major retail properties. Accordingly, the cost approach is usually limited to valuing new construction and/or remodeling in the major retail properties.

Cost Calibration

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

Income Capitalization Approach model description

The Income Approach was considered a reliable approach to valuation throughout Area 250 for improved property types where income and expense data is available to ascertain market rates. Income parameters were derived from the market place through market rental surveys, sales, and available real estate’s publications and websites.

Income: Income parameters were derived from the market place through listed fair market sales as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, and multiple corporate real estate websites such as CBRE, Colliers, GVA Kidder Mathews, Grubb & Ellis, etc.), and opinions expressed by real estate professionals active in the market.

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

Expenses: Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area’s rental practices. Within the income valuation models for Area 250, the assessor used triple net expense rates as the basis for calculating overall expenses.

Capitalization Rates: Capitalization rates were determined by local published market surveys, such as CoStar, Real Capital Analytics, The American Council of Insurance Adjustors, Integra Realty Resources, Korpaz, etc. For model calibration, the effective year built and condition of each building determined the capitalization rate used by the appraiser. For example, a building with an older effective year built of lesser condition will typically warrant a higher capitalization rate and a building in better condition with a newer effective year built will warrant a lower capitalization rate.

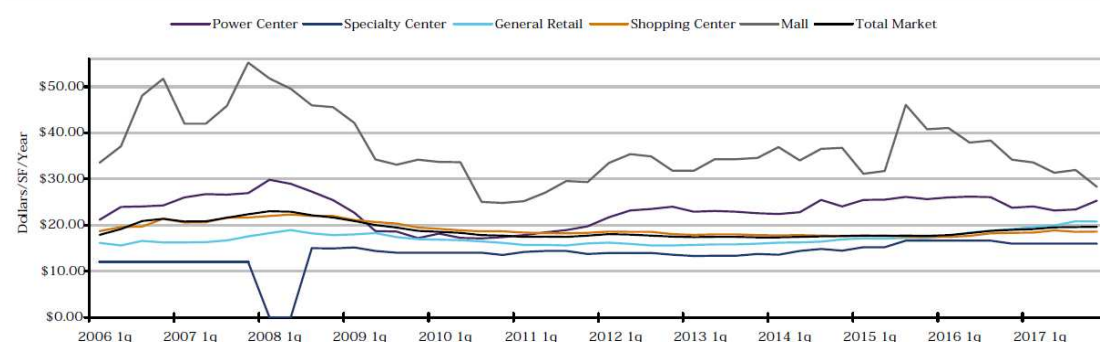
Lease & Vacancy Rates:

The below tables summarize surveyed area market reports for asking rents and vacancy rates for different major retail property types within the King County market area.

| Puget Sound Retail Market Statistics | | | | | | |
|---|------------------|------------|--------------|----------------|--------------|-----------------------|
| CoStar Retail Market Statistics (Seattle Mkt. Area - Year End 2017) | | | | | | |
| Property Type | Market | # of Bldgs | Total Sq.Ft. | Direct Vacancy | Vacancy Rate | Quoted Avg. NNN Rents |
| Total Retail | Downtown Seattle | 3,138 | 26,610,889 | 575,412 | 2.3% | \$28.35/SF |
| | Eastside | 1,746 | 28,555,557 | 656,375 | 2.5% | \$26.95/SF |
| | Northend | 3,818 | 47,836,320 | 1,861,336 | 4.1% | \$18.17/SF |
| | Southend | 2,313 | 31,983,142 | 1,077,977 | 3.4% | \$18.89/SF |
| Malls | Downtown Seattle | 2 | 592,681 | 20,332 | 3.4% | \$32.33/SF |
| | Eastside | 5 | 3,448,651 | 98,450 | 2.9% | \$31.00/SF |
| | Northend | 3 | 3,037,727 | 784 | 0.0% | \$31.00/SF |
| | Southend | 4 | 4,062,387 | 39,851 | 1.0% | \$22.52/SF |
| Power Centers | Downtown Seattle | 1 | 410,387 | 21,777 | 5.3% | \$30.03/SF |
| | Eastside | 4 | 1,547,973 | 0 | 0.0% | \$31.08/SF |
| | Northend | 9 | 3,478,741 | 42,157 | 1.2% | \$20.75/SF |
| | Southend | 4 | 1,919,968 | 61,742 | 3.2% | \$28.44/SF |
| Shopping Centers | Downtown Seattle | 114 | 2,927,709 | 98,442 | 3.4% | \$26.53/SF |
| | Eastside | 223 | 11,644,036 | 392,188 | 3.8% | \$24.49/SF |
| | Northend | 366 | 16,236,383 | 1,300,670 | 8.4% | \$19.29/SF |
| | Southend | 268 | 11,082,473 | 748,584 | 6.8% | \$16.05/SF |

Historical Rental Rates

Based on NNN Rental Rates



Capitalization Rates: The following tables demonstrate ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market in area 250 to develop the income model. The range of capitalization rates in the income model for area 250 reflects the variety of properties in this area.

The capitalization rates presented in the following tables aggregate (consolidate) many variables such as quality, condition, location, and leasing class, while the range of capitalization rates typically reflect the building age, quality and competitiveness within a given market. With reported capitalization ranges, lower rates are typically those buildings having superior quality, condition, and leasing class with the higher cap rates

typically being those buildings with inferior quality, condition, and leasing class. Higher cap rates might also be applied to the lesser quality retail buildings or to properties that have higher than the normal sub-market vacancy, substantial sub-lease vacancy, or physical issues that require additional capital investment.

| SEATTLE / REGIONAL CAP RATES | | | | |
|--|-------------|----------------------------------|---|---|
| Source | Date | Location | Retail | Remarks |
| CBRE: U.S. Cap. Rate survey. Advance Review | H2 2017 | | | CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2017 based on recent trades as well as interactions with investors. Value-Add represents an underperforming property that has an occupancy level below the local average under typical market conditions. |
| | | Seattle | 4.50% - 5.50% 5.50% - 7.00% 7.25% - 9.00% 7.50% - 8.50% 9.00% - 11.00% 5.50% - 6.00% 6.00% - 7.50% 7.00% - 8.50% 7.00% - 8.75% 7.50% - 10.00% 4.50% - 5.50% | Class A (Neigh./Comm) Class B (Neigh./Comm) Class B (Neigh./Comm.) – Value-Add Class C (Neigh./Comm) Class C (Neigh./Comm.) – Value-Add Class A (Power Centers) Class B (Power Centers) Class B (Power Centers) – Value-Add Class C (Power Centers) Class C (Power Centers) – Value-Add High Street Retail (Urban Core) |
| IRR: Viewpoint for 2018 | Yr-End 2017 | West Region | 6.22% 6.16% 6.30% | <u>Institutional Grade Properties"</u> Regional Mall Community Retail Neighborhood Retail |
| CoStar | Yr-End 2017 | Seattle Puget Sound | 5.85% 6.10% N/A 10.00% | Building Size < 25,000 SF Building Size 25,000 SF – 99,000 SF Building Size 100,000 SF – 249,000 SF Building Size > 250,000 SF |
| RERC: Real Estate Report Valuation Rates & Metrics | 4Q 2017 | | | 1 st Tier properties are defined as new or newer quality const. in prime to good location; 2 nd Tier properties are defined as aging, former 1 st tier in good to average locations; 3 rd Tier are defined as older properties w/ functional inadequacies and/or marginal locations. |
| | | Seattle | 5.90% 6.00% 5.90% | Regional Mall – 1 st Tier Properties Power Center – 1 st Tier Properties Neigh/Comm. Ctrs. – 1 st Tier Properties |
| | | West Region | 5.00% - 8.50% 6.00% - 8.80% 5.80% - 9.00% 5.00% - 8.00% 5.80% - 8.50% 6.00% - 9.50% 4.50% - 7.50% 5.30% - 8.50% 6.00% - 9.00% | Regional Mall – 1 st Tier Properties Regional Mall – 2 nd Tier Properties Regional Mall – 3 rd Tier Properties Power Center – 1 st Tier Properties Power Center – 2 nd Tier Properties Power Center – 3 rd Tier Properties Neigh/Comm. Ctr. – 1 st Tier Properties Neigh/Comm. Ctr. – 2 nd Tier Properties Neigh/Comm. Ctr. – 3 rd Tier Properties |
| ACLI | 4Q 2017 | Seattle – Bellevue - Everett MSA | 6.61% | All Classes |
| | | Pacific Region | 6.19% | All Classes |

| NATIONAL CAP RATES | | | | |
|---|--------------|----------|--|--|
| Source | Date | Location | Retail | Remarks |
| RERC: Real Estate Report Income Vs. Price Realities | 4Q 2017 | | | 1 st Tier properties are defined as new or newer quality const. in prime to good location |
| | | National | 5.00% - 7.00% 6.00% - 6.80% 5.30% - 7.00% | Regional Mall – 1 st Tier Properties Power Center – 1 st Tier Properties Neigh/Comm. Ctrs. – 1 st Tier Properties <u>Institutional Grade Properties”</u> |
| IRR: Viewpoint 2018 Commercial Real Estate Trends report | Yr. End 2017 | National | 6.67% 6.82% 6.96% | Regional Mall Community Retail Neighborhood Retail |
| ACLI | 4Q 2017 | National | 5.97% 6.63% 6.80% 6.21% 5.62% | Overall Sq.Ft. - <50k Sq.Ft. - 50k – 100k Sq.Ft. – 100,001 – 200k Sq.Ft. – 200k+ |
| PWC / Korpaz Real Estate Investor Survey | 4Q 2017 | National | 4.00% - 10.00% 5.25% - 8.00% 4.00% - 9.50% | Regional Mall Power Center Neigh. Strip Centers |
| PWC / Korpaz Real Estate Investor Survey | 4Q 2017 | National | 4.00% - 9.50% 5.25% - 9.00% 4.00% - 10.00% | U.S. Strip Shop Centers U.S Power Centers U.S. Regional Malls |
| The Boulder Group: Net Lease Market Report | 4Q 2017 | National | 6.07% | Overall (Average) |

Income Approach Calibration

Properties were valued based on an income model using economic rents, typical vacancy and credit loss, expenses, and capitalization rates. The income model was calibrated and adjustments were based on effective age and quality of construction. Fifteen tables were created to value the less complex mall properties and downtown Seattle department stores.

Income Model Conclusions:

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year, condition, and location are variables considered in the application of the income model to the parcels in the population best suited to be valued via the income approach. Property types in Specialty Area 250 that are valued by the income approach include, but are not limited to power centers, big box retail, neighborhood/community centers, and free standing grocery stores.

Typical income model parameters for the various markets that make up Specialty Area 250 are summarized in the following table. It should be noted that due to the nature of commercial real estate, not all properties fall within the “typical” parameters listed below

for their respective property use type. For purposes of record keeping, all of the malls, outlet malls, and lifestyle centers have been assigned their proper geographic neighborhood and do not typically lend themselves to neighborhood designations due to the unique composition of the tenants and the overall quality of building improvements. In addition, due to the complexity in appraising malls, outlet malls, and lifestyle centers, these properties were not assigned neighborhood income tables and were assessed on an individual basis.

| TYPICAL LEASE RATES FOR COMMON MAJOR RETAIL TYPE PROPERTIES | | | | | | | | |
|---|-------|---------------|-------------------|----------------------|-------------------------|------------------------|-------------------|---------------------------|
| Type | Dist. | Vac. % | Line Retail \$/SF | Retail \$/SF <10K SF | Retail \$/SF 10K-25K SF | Retail \$/SF > 25K SF> | Supermarket | Discount / Whse. Discount |
| Power Centers | 2 | 5% | \$25.00 - \$33.00 | \$16.00 - \$21.00 | \$15.00 - \$19.00 | \$11.00 - \$17.00 | \$13.00 - \$17.00 | \$10.00 - \$17.00 |
| | 4 | 5% | \$21.00 - \$31.00 | \$15.00 - \$23.00 | \$13.00 - \$21.00 | \$10.00 - \$19.00 | \$13.50 - \$17.50 | \$10.00 - \$16.00 |
| | 5 | 8% | \$19.00 - \$29.00 | \$14.00 - \$18.00 | \$12.00 - \$16.00 | \$10.00 - \$15.00 | \$9.50 - \$13.50 | \$8.50 - \$13.50 |
| | 6 | 10% | \$26.00 - \$34.00 | \$19.00 - \$25.00 | \$15.00 - \$21.00 | \$12.00 - \$20.00 | --- | --- |
| Big Box | 1 | 5% | \$21.00 - \$25.00 | --- | --- | --- | --- | \$8.00 - \$14.00 |
| | 2 | 5% | --- | --- | --- | --- | --- | \$8.00 - \$14.00 |
| | 4 | 5% | \$21.00 - \$32.00 | --- | --- | --- | --- | \$8.00 - \$14.00 |
| | 5 | 5% | \$16.00 - \$24.00 | --- | --- | \$19.00 - \$23.00 | --- | \$10.00 - \$14.00 |
| | 6 | 5% | \$16.00 - \$24.00 | --- | --- | --- | --- | \$7.00 - \$13.00 |
| | 7 | 5% | \$19.00 - \$26.00 | --- | --- | --- | --- | \$7.00 - \$13.00 |
| Neigh. / Retail Centers | 1 | 5% | \$20.00 - \$28.00 | \$17.00 - \$21.00 | \$16.00 - \$20.00 | \$13.00 - \$19.00 | \$13.00 - \$17.00 | \$10.00 - \$17.00 |
| | 2 | 5% - 12% | \$13.00 - \$32.00 | \$16.00 - \$25.00 | \$15.00 - \$24.00 | \$13.00 - \$23.00 | \$11.00 - \$20.00 | \$9.00 - \$20.50 |
| | 4 | 5% | \$21.00 - \$38.00 | \$17.00 - \$29.00 | \$16.00 - \$25.00 | \$14.00 - \$25.00 | \$13.50 - \$23.00 | \$17.00 - \$21.00 |
| | 5 | 5% - 8% | \$15.00 - \$26.00 | \$14.00 - \$21.00 | \$9.00 - \$18.00 | \$8.00 - \$17.00 | \$8.50 - \$14.50 | \$9.00 - \$14.50 |
| | 6 | 5% | \$16.00 - \$27.00 | \$14.00 - \$21.00 | \$12.00 - \$19.00 | \$10.50 - \$18.00 | \$10.50 - \$15.50 | \$8.50 - \$13.50 |
| | 7 | 5% | \$16.00 - \$30.00 | \$14.00 - \$19.00 | \$12.00 - \$18.00 | \$10.50 - \$17.00 | \$9.00 - \$16.00 | \$8.00 - \$15.00 |
| Grocery | 1 | 5% | --- | --- | --- | --- | \$13.00 - \$17.00 | --- |
| | 2 | 5% | --- | --- | --- | --- | \$13.00 - \$17.00 | --- |
| | 3 | 5% | --- | --- | --- | --- | \$12.50 - \$16.50 | --- |
| | 4 | 5% | --- | --- | --- | --- | \$13.50 - \$22.00 | --- |
| | 5 | 5% | --- | --- | --- | --- | \$10.50 - \$14.50 | --- |
| | 6 | 5% | --- | --- | --- | --- | \$10.50 - \$15.50 | --- |
| | 7 | 5% | --- | --- | --- | --- | \$9.00 - \$16.00 | --- |
| Typical Expense Rates (NNN) | | 7.50% | | | | | | |
| Typical Cap. Rates | | 5.50% - 8.00% | | | | | | |

*Lease Rate Ranges encompass all sub-areas within each district

Certain properties with a history of extremely high vacancy or other negative factors were given higher vacancy and capitalization rates to reflect the higher risk associated with those properties.

The following typical income parameters were considered on most major retail properties:

Power Centers: For Power Centers, line retail rent rates typically range from \$19.00/SF to \$34.00/SF, while lease rates for general retail space typically range from \$14.00/SF to \$25.00/SF (< 10K/SF); \$12.00/SF to \$21.00/SF (10K – 25K SF); and \$10.00/SF to \$20.00/SF (>25K SF), respectively. Supermarket lease rates range between \$9.50/SF to \$17.50/SF, while discount / warehouse discount stores have rent rates ranging from \$8.50/SF to \$17.00/SF. Deductions for vacancy and collection loss were estimated between 5.00% and 10.00% of Potential Gross Income. Typical expense rates for properties of this type were estimated at 7.50%. Capitalization Rates applicable to this property type typically range from 5.75% to 7.50% depending on factors such as effective age and quality/condition.

Big Box Retail: For Big Box retail stores, line retail rent rates typically range from \$16.00/SF to \$32.00/SF, while lease rates for discount / warehouse discount stores have rent rates ranging from \$7.00/SF to \$14.00/SF. Deductions for vacancy and collection loss were estimated 5.00% of Potential Gross Income. Typical expense rates for properties of this type were estimated at 7.50%. Capitalization Rates applicable to this property type typically range from 7.50% to 8.00% depending on factors such as effective age and quality/condition.

Neighborhood / Community Centers: For Neighborhood / Community Centers, line retail rent rates typically range from \$13.00/SF to \$38.00/SF, while lease rates for general retail space typically range from \$14.00/SF to \$29.00/SF (< 10K/SF); \$9.00/SF to \$25.00/SF (10K – 25K SF); and \$8.00/SF to \$25.00/SF (>25K SF), respectively. Supermarket lease rates range between \$8.50/SF to \$23.00/SF, while discount / warehouse discount stores have rent rates ranging from \$8.00/SF to \$21.00/SF. Deductions for vacancy and collection loss were estimated between 5.00% and 12.00% of Potential Gross Income. Typical expense rates for properties of this type were estimated at 7.50%. Capitalization Rates applicable to this property type typically range from 5.50% to 8.00% depending on factors such as effective age and quality/condition.

Supermarket / Grocery: For Supermarket / Grocery stores, retail rent rates typically range from \$9.00/SF to \$22.00/SF. Deductions for vacancy and collection loss were estimated 5.00% of Potential Gross Income, while typical expense rates for properties of this type were estimated at 7.50%. Capitalization Rates applicable to this property type typically range from 6.00% to 7.75% depending on factors such as effective age and quality/condition.

Regional Malls / Lifestyle Centers: For regional mall and lifestyle centers, typical rents ranged from \$15.00 to \$50.00 per square foot of rentable area with capitalization rates ranging from 5.50% to 7.75%. Allowances for vacancy and collection loss were typically stabilized between 5% or 10% with expenses ranging between 7.50% to 25.00%. Anchor stores have relatively low rents, less than \$9.00 per square foot per year, while smaller retail stores in premium locations may lease for as much as \$75 per square foot per year. The investment quality of the property determined the capitalization rate. Location, condition, age, and tenancy were considered in the valuation of the regional malls. Generally, the institutional grade properties were analyzed using higher average rents and lower capitalization rates than non-institutional grade properties.

Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach is considered the most reliable indicator of value when comparable sales were available, however the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, and along with data from surveys and publications, these parameters were applied to the income model. The income approach to value was considered a reliable indicator of value in most instances. The

market rental rate applied to a few properties varied from the model but fell within an acceptable range of variation from the established guideline. 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.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

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

With respect to the greater major retail market, the 2017 assessment year experienced stable to slightly increasing property values generally due to stable to modest increasing lease rates, lower vacancy rates & stable to lower capitalization rates. As mentioned earlier in this report, there were only 17 sales of major retail properties. Because of the lack of market sales, the appraiser relied primarily on the economic income approach.

Application of these recommended values for the 2018 assessment year results in a total change from the 2017 assessments of +4.91%. The total assessed value for the 2017 assessment year was \$7,078,002,700, and the total recommended assessed value for the 2018 assessment year is \$7,425,369,500.

| Total Population - Parcel Summary Data: | | | |
|--|-----------------|-----------------|-----------------|
| | Land | Imps | Total |
| 2017 Value | \$4,253,483,400 | \$2,824,519,300 | \$7,078,002,700 |
| 2018 Value | \$4,571,897,100 | \$2,853,472,400 | \$7,425,369,500 |
| Percent Change | 7.49% | 1.03% | 4.91% |

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 the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.

- No significant real property assistance as determined by the undersigned. All services as may be variously defined significant or otherwise, and performed by duly authorized and qualified King County Assessment staff employed in the areas of Public Information, Accounting/Abstract, Commercial, Residential, Information Services, Personal Property, Accounting/Mapping, Accounting/Support, Accounting/Appeals, Chief Appraiser, Accounting/Exemptions, Accounting/Levy Administration, who may have involvement in physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time, is made part of each real property parcel as a matter of public record and this certification by reference.
- 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: Any and all activities required under the Certificate of Appointment dated 24 April 2004 under sworn oath appointing the below signed appraiser to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Commercial Appraiser I in the management and valuation of Commercial Area 40. Such duties, responsibilities and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and to be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.

| Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|------|------|--------|-------|-----------|---------|--------------|-----------|----------|---|---------|----------|-----------|---------|
| 250 | 442 | 179750 | 0715 | 151,477 | 2909161 | \$68,248,303 | 12/28/17 | \$450.55 | ROOSEVELT SQUARE - (ECON. UNITS ON #0755 & #0850) | NC3P-85 | 6 | Y | |
| 250 | 226 | 355750 | 0190 | 11,040 | 2886821 | \$4,285,000 | 08/22/17 | \$388.13 | PICKERING PLACE - RETAIL W/2ND FL OFFICE | UC | 1 | Y | |
| 250 | 226 | 355750 | 0200 | 32,441 | 2868402 | \$5,800,000 | 06/02/17 | \$178.79 | PICKERING PLACE - Big Lots | UC | 1 | Y | |
| 250 | 622 | 720241 | 0110 | 32,636 | 2859520 | \$9,200,000 | 04/19/17 | \$281.90 | REDMOND TOWN CENTER - REI | TWNC | 1 | Y | |
| 250 | 422 | 124150 | 0310 | 104,394 | 2828371 | \$32,200,000 | 10/13/16 | \$308.45 | BRIDLE TRAILS SHOPPING CENTER | BCX | 1 | Y | |
| 250 | 422 | 390530 | 0020 | 66,736 | 2809265 | \$35,988,000 | 07/15/16 | \$539.26 | Klahanie Community Center | CB | 6 | Y | |
| 250 | 462 | 543620 | 0524 | 137,555 | 2805285 | \$17,000,000 | 06/23/16 | \$123.59 | MEEKER SQUARE SHOPPING CENTER | GC-MU | 2 | Y | |
| 250 | 461 | 102305 | 9128 | 54,264 | 2790179 | \$16,900,000 | 04/12/16 | \$311.44 | SAFEWAY PLAZA - RENTON / LINE RETAIL | CA | 3 | Y | |
| 250 | 463 | 302105 | 9018 | 53,574 | 2776071 | \$10,600,000 | 01/12/16 | \$197.86 | WHITE RIVER JUNCTION | C3 | 7 | Y | |
| 250 | 471 | 510711 | 0010 | 119,579 | 2772600 | \$41,500,000 | 12/21/15 | \$347.05 | FOUR CORNER SQUARE | CB | 6 | Y | |
| 250 | 412 | 741770 | 0370 | 112,217 | 2772999 | \$23,750,000 | 12/16/15 | \$211.64 | BALLINGER VILLAGE SHOPPING CNTR | CB | 2 | Y | |
| 250 | 462 | 052205 | 9097 | 46,271 | 2770074 | \$4,650,000 | 11/17/15 | \$100.49 | PANTHER LAKE CENTER - ALBERTSONS | CC-MU | 1 | Y | |
| 250 | 462 | 052205 | 9101 | 67,468 | 2770079 | \$14,680,000 | 11/17/15 | \$217.58 | PANTHER LAKE CENTER | CC-MU | 3 | Y | |
| 250 | 222 | 355750 | 0190 | 11,040 | 2759208 | \$3,000,000 | 09/23/15 | \$271.74 | Issaquah Power Center - Harborstone Credit Union | UC | 1 | Y | |
| 250 | 424 | 282405 | 9140 | 56,141 | 2752651 | \$17,600,000 | 08/27/15 | \$313.50 | COAL CREEK MARKETPLACE | CB | 3 | Y | |
| 250 | 222 | 355750 | 0210 | 8,974 | 2749671 | \$2,992,000 | 08/11/15 | \$333.41 | Issaquah Power Center - Pier One Imports | UC | 1 | Y | |
| 250 | 422 | 951760 | 0010 | 164,824 | 2736154 | \$35,250,000 | 06/10/15 | \$213.86 | WOODINVILLE PLAZA - ALBERTSONS | CBD | 6 | Y | |

| Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|------|------|--------|-------|-----------|---------|--------------|-----------|----------|---|----------|----------|-----------|--------------------------|
| 250 | 461 | 880500 | 0030 | 61,951 | 2907531 | \$28,688,693 | 12/19/17 | \$463.09 | SAFEWAY PLAZA - Safeway + GAS | CA | 1 | 64 | Sales/leaseback |
| 250 | 731 | 242606 | 9008 | 44,816 | 2900309 | \$8,006,964 | 10/31/17 | \$178.66 | Safeway - Duvall (#1572) | Co | 1 | 64 | Sales/leaseback |
| 250 | 742 | 679810 | 0875 | 51,300 | 2899404 | \$6,545,455 | 10/31/17 | \$127.59 | SAFEWAY PINEHURST-(Econ Units -0890,-0970,-0975,-0980) | NC3P-40 | 1 | 64 | Sales/leaseback |
| 250 | 753 | 042104 | 9110 | 25,780 | 2899794 | \$5,952,381 | 10/31/17 | \$230.89 | SAFEWAY - FEDERAL WAY (STORE #477) | BN | 1 | 64 | Sales/leaseback |
| 250 | 773 | 332205 | 9135 | 59,813 | 2899803 | \$15,117,460 | 10/31/17 | \$252.75 | SAFEWAY STORE w/ GAS | CC | 1 | 59 | Bulk portfolio sale |
| 250 | 724 | 531510 | 1395 | 37,076 | 2898617 | \$8,625,000 | 10/30/17 | \$232.63 | SEASON'S MARKET - MERCER ISLAND | TC | 1 | 33 | Lease or lease-hold |
| 250 | 311 | 182604 | 9014 | 334,917 | 2878151 | \$14,750,000 | 07/19/17 | \$44.04 | SEARS | MB | 1 | 59 | Bulk portfolio sale |
| 250 | 361 | 182305 | 9118 | 109,800 | 2875228 | \$15,049,407 | 06/30/17 | \$137.06 | MCLENDON'S HARDWARE STORE - RENTON | CA | 1 | 59 | Bulk portfolio sale |
| 250 | 361 | 182305 | 9118 | 109,800 | 2861178 | \$116,000 | 03/31/17 | \$1.06 | MCLENDON'S HARDWARE STORE - RENTON | CA | 1 | 18 | Quit claim deed |
| 250 | 153 | 762240 | 0025 | 141,256 | 2854408 | \$45,911,436 | 03/21/17 | \$325.02 | TC @ FW - MACY'S (1901) | CC-C | 1 | 33 | Lease or lease-hold |
| 250 | 722 | 292605 | 9054 | 38,176 | 2849910 | \$8,352 | 01/20/17 | \$0.22 | WEST TOTEM LAKE QFC | TL 6B | 1 | 24 | Easement or right-of-way |
| 250 | 452 | 192304 | 9020 | 137,365 | 2844536 | \$1,200 | 12/09/16 | \$0.01 | Burien Town Plaza | DC | 1 | 68 | Non-gov't to gov't |
| 250 | 353 | 292104 | 9077 | 137,024 | 2829262 | \$14,445 | 09/20/16 | \$0.11 | LOWE'S - FEDERAL WAY | CE | 1 | 68 | Non-gov't to gov't |
| 250 | 753 | 082104 | 9062 | 0 | 2822435 | \$3,465,000 | 09/14/16 | \$0.00 | ALBERTSONS - FEDERAL WAY - PARKING (ECON. UNIT FOR #9089) | BC | 4 | 33 | Lease or lease-hold |
| 250 | 422 | 951760 | 0010 | 39,973 | 2820467 | \$4,500,000 | 08/30/16 | \$112.58 | WOODINVILLE PLAZA - COUNTY MARKET | CBD | 1 | N | |
| 250 | 461 | 756080 | 0018 | 43,020 | 2809841 | \$7,479,000 | 07/18/16 | \$173.85 | FAIRWOOD SQUARE - ALBERTSONS | CB | 1 | 59 | Bulk portfolio sale |
| 250 | 752 | 072304 | 9624 | 47,820 | 2808816 | \$8,778,100 | 07/08/16 | \$183.57 | Albertsons | CN | 1 | 59 | Bulk portfolio sale |
| 250 | 722 | 222506 | 9026 | 46,733 | 2806636 | \$12,476,440 | 06/27/16 | \$266.97 | HAGGENS NW FRESH | NBP | 1 | 59 | Bulk portfolio sale |
| 250 | 452 | 202304 | 9243 | 40,593 | 2804838 | \$832,500 | 06/24/16 | \$20.51 | Five Corners Plaza - Haggen's | CC-2 | 1 | 33 | Lease or lease-hold |
| 250 | 253 | 185295 | 0010 | 114,815 | 2794161 | \$3,406 | 04/12/16 | \$0.03 | Federal Way Crossings - LA Fitness/Office Depot/Line Retail | CE | 1 | 24 | Easement or right-of-way |
| 250 | 253 | 185295 | 0060 | 5,985 | 2794160 | \$11,350 | 04/12/16 | \$1.90 | Federal Way Crossings - Restaurant | CE | 1 | 24 | Easement or right-of-way |
| 250 | 361 | 352304 | 9103 | 100,036 | 2781736 | \$10,000,000 | 02/26/16 | \$99.96 | DANIA - TUKWILA (FURNITURE STORE/WHSE) | TUC | 1 | 44 | Tenant |
| 250 | 763 | 000100 | 0056 | 71,266 | 2773268 | \$4,180,000 | 12/22/15 | \$58.65 | SAAR'S MARKET W/ LINE RETAIL | C3 | 1 | 46 | Non-representative sale |
| 250 | 752 | 004000 | 0115 | 57,084 | 2765896 | \$4,500,000 | 11/05/15 | \$78.83 | Saar's Super Saver Foods | NCC | 1 | 46 | Non-representative sale |
| 250 | 124 | 244270 | 0060 | 301,207 | 2760785 | \$367,761 | 10/07/15 | \$1.22 | FACTORIA SQUARE - MAIN MALL | F1 | 1 | 59 | Bulk portfolio sale |
| 250 | 142 | 292604 | 9025 | 506,301 | 2761065 | \$406,778 | 10/07/15 | \$0.80 | NORTHGATE MALL SHOPPING CENTER | NC3-85 | 1 | 59 | Bulk portfolio sale |
| 250 | 153 | 762240 | 0016 | 4,600 | 2760805 | \$291,905 | 10/07/15 | \$63.46 | TC @ FW - Panera Bread | CC-C | 1 | 59 | Bulk portfolio sale |
| 250 | 222 | 210600 | 0110 | 122,982 | 2760939 | \$530,469 | 10/07/15 | \$4.31 | WOODINVILLE - BSP | CBD | 1 | 59 | Bulk portfolio sale |
| 250 | 222 | 282406 | 9310 | 248,815 | 2760773 | \$384,285 | 10/07/15 | \$1.54 | THE COMMONS AT ISSAQUAH - w/SAFEWAY | UC | 1 | 59 | Bulk portfolio sale |
| 250 | 261 | 788892 | 0020 | 139,767 | 2760820 | \$357,336 | 10/07/15 | \$2.56 | SOUTHCENTER SQUARE - Nordstrom Rack/DSW/PETCO/LINE RETAIL | TUC | 1 | 59 | Bulk portfolio sale |
| 250 | 422 | 122505 | 9211 | 86,154 | 2760758 | \$423,810 | 10/07/15 | \$4.92 | BEAR CREEK VILLAGE - SAFEWAY | BC | 2 | 59 | Bulk portfolio sale |
| 250 | 661 | 088660 | 0040 | 263,453 | 2761013 | \$388,560 | 10/07/15 | \$1.47 | THE LANDING | UC | 3 | 59 | Bulk portfolio sale |
| 250 | 662 | 383098 | 0010 | 36,650 | 2760767 | \$278,153 | 10/07/15 | \$7.59 | KENT STATION - Phase II - Buildings 11N & 11S | DCE | 1 | 59 | Bulk portfolio sale |
| 250 | 722 | 212605 | 9198 | 75,861 | 2741514 | \$8,760,000 | 07/07/15 | \$115.47 | KINGSGATE SAFEWAY (ECON. UNIT #9249) | BC 2 | 3 | 46 | Non-representative sale |
| 250 | 711 | 182604 | 9268 | 47,736 | 2739566 | \$10,697,121 | 06/26/15 | \$224.09 | HAGGEN - AURORA/SHORELINE STORE | MB | 1 | 59 | Bulk portfolio sale |
| 250 | 753 | 082104 | 9062 | 0 | 2735344 | \$4,100,410 | 06/05/15 | \$0.00 | ALBERTSONS - FEDERAL WAY - PARKING (ECON. UNIT FOR #9089) | BC | 2 | 59 | Bulk portfolio sale |
| 250 | 452 | 202304 | 9243 | 40,593 | 2734473 | \$872,352 | 06/01/15 | \$21.49 | Five Corners Plaza - Albertson's | CC-2 | 1 | 59 | Bulk portfolio sale |
| 250 | 461 | 756080 | 0018 | 43,020 | 2735269 | \$2,641,584 | 05/27/15 | \$61.40 | FAIRWOOD SQUARE - ALBERTSONS | CB | 1 | 59 | Bulk portfolio sale |
| 250 | 443 | 766620 | 1627 | 85,960 | 2725855 | \$47,817,900 | 04/16/15 | \$556.28 | INTERBAY RETAIL | IG2 U/45 | 2 | 46 | Non-representative sale |
| 250 | 722 | 222506 | 9026 | 46,733 | 2718548 | \$6,213,753 | 03/09/15 | \$132.96 | ALBERTSONS #403 | NBP | 1 | 59 | Bulk portfolio sale |
| 250 | 752 | 072304 | 9624 | 47,820 | 2718509 | \$5,952,489 | 03/09/15 | \$124.48 | Albertsons | CN | 1 | 59 | Bulk portfolio sale |
| 250 | 461 | 880500 | 0030 | 61,951 | 2717572 | \$21,913,650 | 03/04/15 | \$353.73 | SAFEWAY w/GAS | CA | 1 | 59 | Bulk portfolio sale |
| 250 | 711 | 182604 | 9268 | 47,736 | 2716514 | \$9,252,302 | 02/26/15 | \$193.82 | SAFEWAY - AURORA/SHORELINE STORE # 442 | MB | 1 | 59 | Bulk portfolio sale |