

Commercial Revalue

2019 Assessment roll

**HIGH
TECH
AREA 510**

**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.

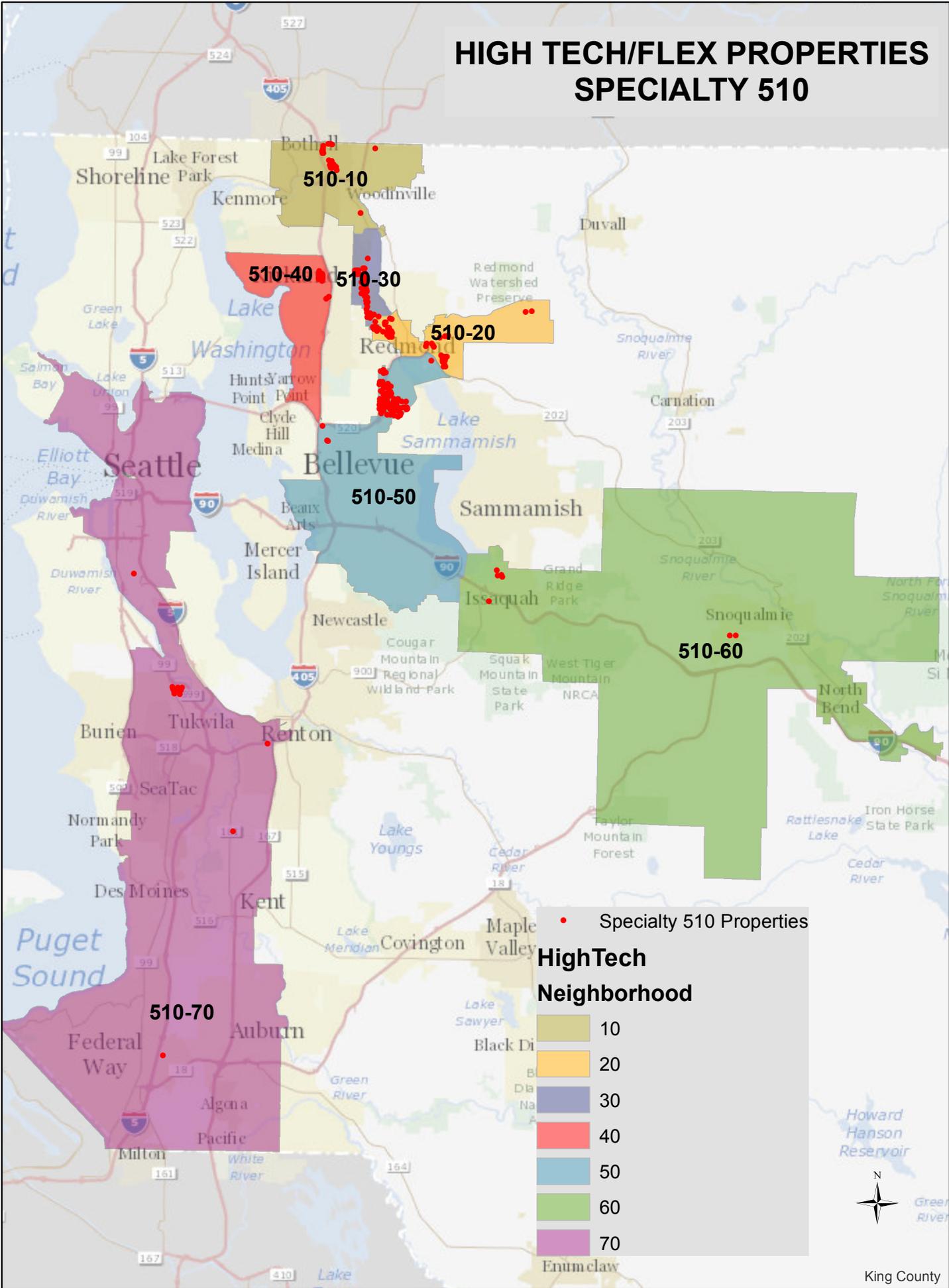
Requirements of State Law

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.

HIGH TECH/FLEX PROPERTIES SPECIALTY 510



2019 REVALUE REPORT
HIGH-TECH/FLEX PROPERTIES





Executive Summary Report

Appraisal Date: January 1, 2019

Specialty Name: High-Tech/Flex Properties

Physical Inspection: For the 2019 Assessment Year, annual inspection was performed on all High Tech/Flex properties within Neighborhoods 510-10, and 510-40.

Sales – Improved Analysis Summary

- Number of Sales: 24
- Range of Sales Dates: 1/16/2016- 04/30/2019

Sales – Ratio Study Summary:

Sales – Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2018 Value	\$35,995,800	\$44,056,100	81.7%	19.24%
2019 Value	\$40,179,900	\$44,056,100	91.2%	12.66%
Abs. Change	\$4,184,100		9.50%	-6.58%
% Change	+11.62%		+11.63%	-34.20%

*Coefficient of Dispersion (COD) is a measure of uniformity. The lower the number the better the uniformity.

Sales used in analysis: All improved sales that were verified as good sales that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are sales that are change of use after the sale date; sold as a portion of a bulk portfolio sale; net lease sales; sales that had major renovation after sale, or have been segregated or merged since being purchased.

Land values were provided by the appraisers for each geographical area and subsequently applied in total valuation.

While the Sales Comparison Approach was given consideration, the Income Approach was predominantly used in the final reconciliation to value allocation, as it allows greater equalization and uniformity of values among the various stratifications within the high-tech/flex classification, and because income data as of the valuation date was reasonably available. Current market income parameters, including rent levels and vacancy rates, support the overall high-tech/flex valuation for 01/01/2019 as compared to 01/01/2018 values. Industry data for high-tech/flex properties within the Seattle/King County area used in value allocation resulted in an overall upward adjustment of +13.17%.

Total Population – Parcel Summary Data:

Total Population – Parcel Summary Data			
	Land	Improvement	Total
2018 Value	\$1,417,549,600	\$2,752,392,100	\$4,169,941,700
2019 Value	\$1,600,519,600	\$3,118,515,200	\$4,719,034,800
% Change	+12.91%	+13.30%	+13.17%

- Number of Parcels in the population: 227

Conclusion and Recommendation:

Assessed values for the 2019 revalue have increased by +13.17%.

Values recommended in this report reflect improvements within the market over this past year, and reflect uniformity and equity among parcel values applied within the Tech Flex population; therefore, it is recommended they be posted for the 2019 Assessment Year.

Identification of the Area

Name or Designation: High-Tech/Flex Properties: Specialty Area 510

Boundaries: The properties are located throughout King County within seven neighborhoods but are predominantly situated within the Redmond and Bothell/North Creek areas.

Parcel Count: 227

Maps:

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

Area Overview

Specialty Description:

The High-Tech/Flex Specialty properties are defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, medical instrumentations, and corporate offices (corporate offices of Microsoft and Nintendo are included). The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% office build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical office buildings or business park/flex buildings.

Also included in the high-tech specialty are data centers. A data center is a facility used to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, power conditioning equipment, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and security infrastructure.

Tech Flex buildings have been segmented into seven distinct neighborhood regions described by their geographic location, totaling 227 separate tax parcels. Most of these properties (74%) are located in the Redmond and Bellevue/Overlake area, with the remainder located in Bothell (10%), Kirkland (7.5%), Seattle/Federal Way (5.5%), and Snoqualmie/Issaquah (3%). The East King County Tech Flex market, also sees significant leasing activity from smaller tenants, but stands in contrast to that of the broader industrial warehouse market with vacancy rates nearly double that of the eastside and higher than the average for industrial properties within the region.

Market Conditions:

The broader real estate market for warehouse properties in King County continues to tighten due to shrinking inventory and little new product meeting demand. Few quality buildings are on the market which drive prices up and reduce mitigating concessions offered by sellers. As a result, industrial warehouse parcel values continue to improve. The Flex Tech market, as a segment of the broader industrial market, also has experienced value increases based upon sales from a general standpoint, however, recent patterns continue to reflect bulk portfolio transfers, and/or high quality properties at or near full occupancy with rated tenants, which stand in contrast to the general Tech Flex population.

The Puget Sound area is among the top commercial markets targeted by both private and publicly held companies, and supported further by recent announced plans for the renovation and expansion of the Microsoft campus involving approximately 9.2 million square feet of building area. Due to lower capital requirements, and associated management and maintenance requirements, industrial properties continue to be considered a prime, sought after real estate investment class. From an investment perspective, and as a submarket of the Industrial Sector, Flex Tech property values reflect steady improvement with decreasing vacancies, increasing rents, and lower capitalization rates reflective of the broader Seattle Metro Industrial Sector activity.

Analysis Process

Effective Date of Appraisal: January 1, 2019

Date of Appraisal Report: May 16, 2019

The following Appraiser did the valuation for this specialty assessment:

- Yuen Chin, 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.

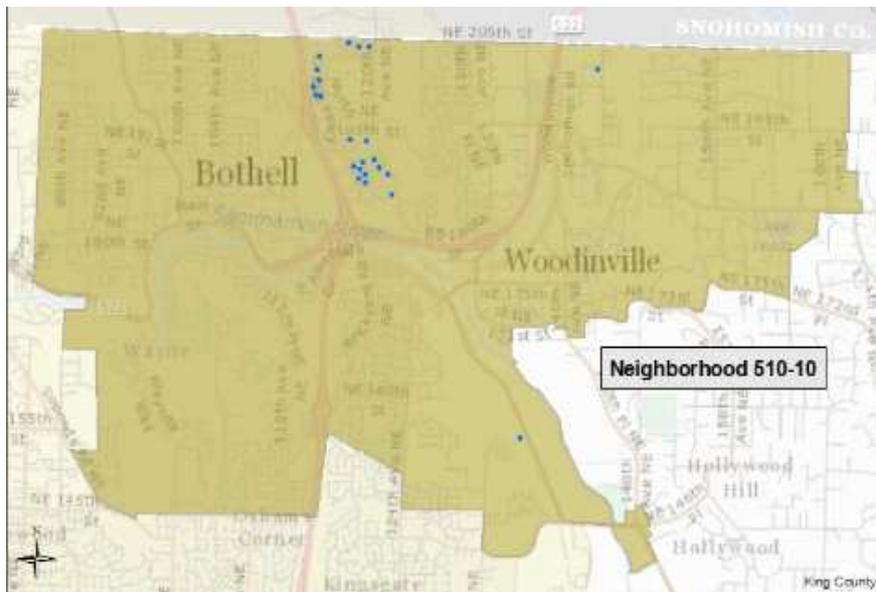
This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6.

Area Description:

Within the High-Tech/Flex specialty assignment (Area 510), there are seven neighborhoods (Neighborhoods 10 through 70) totaling 227 parcels that have been established for valuation purposes. Of these 227 parcels, approximately 204 parcels are improved, and 23 parcels are vacant. The vacant parcels are typically viewed as contributing economic units contiguous to their respective improved parcels.

The highest concentration of High-Tech/Flex buildings are within the Redmond (Close-in, Willows, & Overlake) and Bothell (North Creek) market areas with a scattering of the remaining properties throughout King County (Auburn, Bellevue, Federal Way, Kent, Kirkland, Issaquah, & Woodinville).

Neighborhood 510-10:

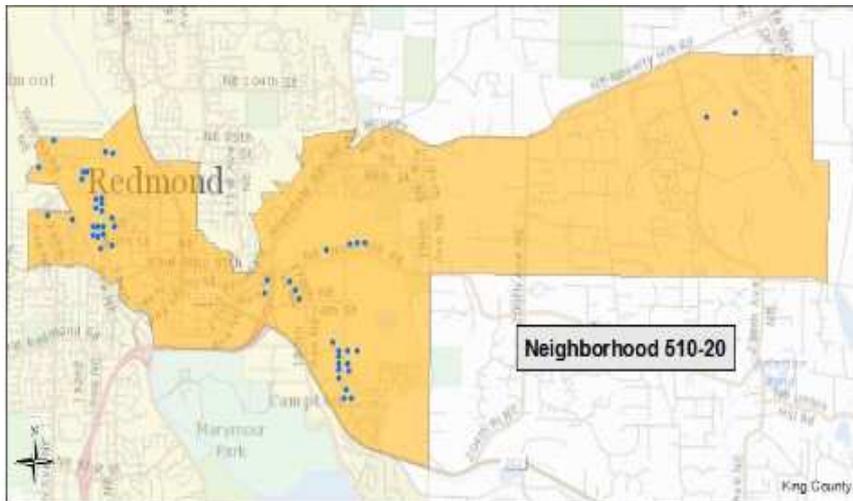


Neighborhood 510-10 is defined as those High-Tech/Flex buildings located within the Bothell (North Creek) and Woodinville neighborhoods within King County.

Within geographic neighborhood 510-10, 24 parcels comprise the High-Tech/Flex specialty. The broader commercial and industrial market

extends on into the Snohomish County Canyon Park area to the north. The 510-10 neighborhood buildings range in age from 1979 to 2000, and in Gross Building Area from 16,596 to 173,721 SF, with multiple buildings on some parcels. Predominant use is office. No newly constructed buildings were added to the specialty for the 2019 Assessment Year.

Neighborhood 510-20:



Neighborhood 510-20 is defined as those High-Tech/Flex buildings located within the Redmond (Close-In & Marymoor Park) neighborhoods. Within geographic area 510-20, there are 47 parcels that are part of the High-Tech/Flex specialty. They are equally distributed around both the Redmond city center Marymoor

Park. Building ages range from 1977 to 2008, and Gross Building Area ranges from 12,240 to 274,848 SF with some parcels having multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2019 Assessment Year.

Neighborhood 510-30:



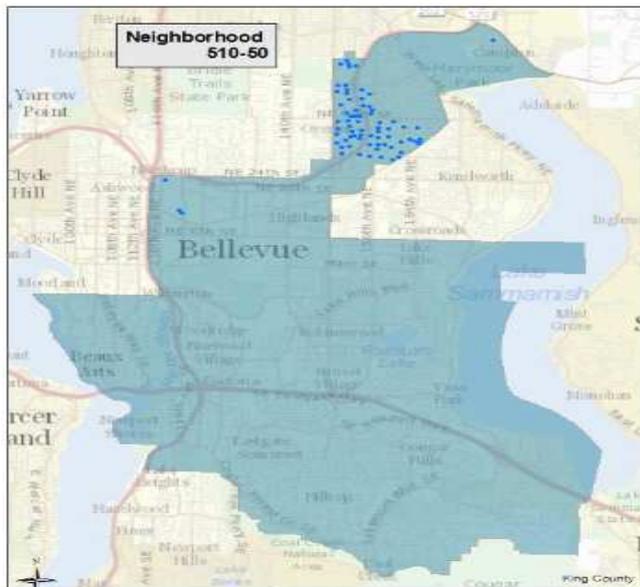
Neighborhood 510-30 is defined as those High-Tech/Flex buildings located within the Redmond (Willows Corridor) neighborhood. Within geographic area 510-30, there are 47 parcels that are part of the High-Tech/Flex specialty which are evenly distributed along Willows Road NE between NE 124th St on the North and NE 87th St on the South. Building age ranges from 1969 to 2008, with Gross Building Areas of 19,195 to 220,253 SF with some parcels have multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2019 Assessment Year.

Neighborhood 510-40:



Neighborhood 510-40 is defined as those High-Tech/Flex buildings located within Kirkland’s Totem Lake neighborhood. Within geographic area 510-40, there are 17 parcels that are part of the High-Tech/Flex specialty, and predominantly located near Hwy 405 and NE 124th St. Predominant use is office space, with building ages range from 1966 to 1993, with Gross Building Areas ranging from 17,636 to 60,029 SF. No newly constructed buildings were added to the specialty for the 2019 Assessment Year.

Neighborhood 510-50:



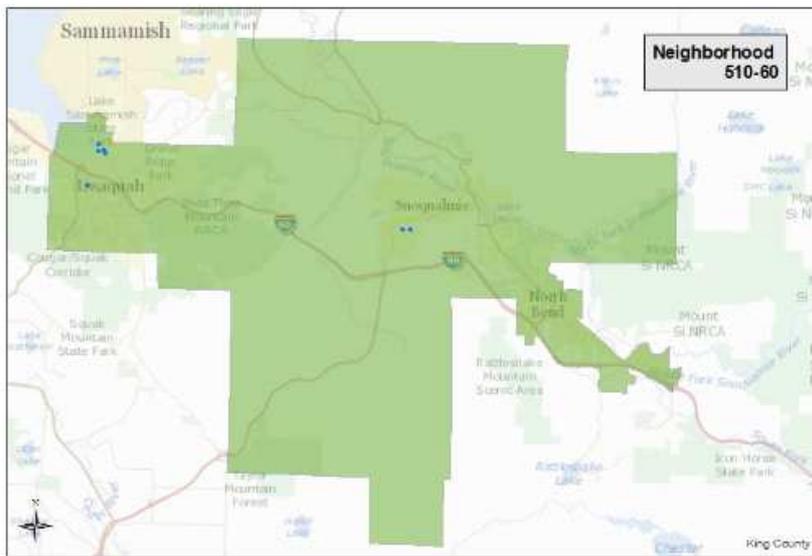
Neighborhood 510-50 is defined as those High-Tech/Flex buildings located within the Redmond (Overlake) and Bellevue (SR-520 & I-90 Corridor) neighborhoods. Within geographic area 510-50, there are 73 parcels that comprise the High-Tech/Flex specialty. This is the largest of the Tech Flex neighborhoods, and includes both Microsoft and Nintendo corporate headquarters. Located within the Overlake area, the neighborhood benefits from the confluence of these two tech employers, associated development under the Overlake Master Plan, and the Spring District’s development near Bellevue. The University of Washington’s partnership with the Tsinghua University called the

Global Innovation Exchange, which is a graduate study program to be located within the Spring District continues to be a positive growth influence. With partnership of the Microsoft

Corporation, student enrollment is expected to grow to as many as 3,000 students by 2025. Along similar lines, Microsoft's announced redevelopment/expansion of its corporate campus is expected to increase its Puget Sound employment by 8,000 to 55,000.

Within this neighborhood the Microsoft Corporation has recently completed and occupied Building #83, a 270,000 SF building with subterranean parking. Construction was halted during 2011 and the parking garage was capped off due to the negative economic market at that time. Neighborhood building age ranges from 1960 to 2014 (Bldg. 83), with Gross Building Areas ranging from 17,069 to 1,643,975 SF, with many parcels having large, multiple building structures. Predominate space use is for office.

Neighborhood 510-60:



Neighborhood 510-60 is defined as those High-Tech/Flex buildings located within the Issaquah neighborhood. This is the smallest neighborhood within the specialty with 7 parcels. Five are located within the City of Issaquah, and two others are located within a developing commercial district in the City of Snoqualmie. Building age ranges from 1987 to 2000 and Gross Building Areas range from

53,555 to 1,285,024 SF, with several parcels having multiple structures. Predominate space use is for office.

Neighborhood 510-70:

Neighborhood 510-70 is defined as those High-Tech/Flex buildings located within the Seattle, Kent, Auburn, Tukwila, and Federal Way neighborhoods, and demonstrates the market preferences with concentration of Tech Flex properties to the Bellevue/Eastside. Within geographic area 520-70, there are 13 parcels that are part of the High-Tech/Flex specialty. The largest of which is the International Headquarters of the Weyerhaeuser Corporation in Federal Way, a 420 acre campus which includes the Rhododendron Species Botanical Garden and the Pacific Bonsai Museum. With its move to the Pioneer Square area in Seattle, and completion of construction at 200 Occidental, the campus was sold under a multi-parcel sale with a leaseback provision to the Weyerhaeuser Corporation for occupancy of several buildings which will continue for several more years. Both the garden and museum will remain on campus.



Improved Parcel Total Values

Current Economic Conditions - High Tech/High Flex:

Properties within the Tech/Flex Specialty make up a small portion of the overall Industrial Market. Within the Seattle/Puget Sound Region's broader industrial market, vacancy and rental rates improved throughout 2018 with associated value increases which were also reflected within the Tech Flex sector.

Vacancy Rates: Vacancy rates remain stable with modest decline declining in 2018 across the Central Puget Sound region for the general Industrial Sector. Tech Flex vacancy improved from previous year's level to approximately 10%. The Overlake Bellevue Neighborhood (510-50) is an exception at 5%, and showed continued relative improvement due to locational influences of development under the Overlake Master Plan and similar activity within the Bellevue Core, whereas the Bothell/Snohomish corridor maintained vacancy at approximately 12%.

Rental Rates: Rental rates improved in 2018 with modest increases in markets where vacancy rates support this trend. Newer, well maintained, properties within preferred locations have benefited as tenants gravitate to these properties. Conversely, older and more outdated properties in less desirable locations continue to face difficulty signing tenants, as reflected by their higher vacancy and extended market exposure time prior to lease.

Rental Rates:

The Puget Sound Tech Flex Market is considered to be on an improving trend supported by the economic recovery of the region. Prior sales of distressed high-tech buildings have shown an increase from previous values, based upon repurposing for owner user occupancy, and/or lower

vacancy with increased cash flow for investor managed properties. Credit availability slowly continues to improve for the commercial real estate sector as lending institutions improve their regulatory financial position and real estate lending portfolios. Local and national investment interest continues to increase, as evidenced by general office/industrial construction and sales activity. Sales support investor sentiment in anticipation of positive future benefits, and the Office and Tech/Flex portion of this market is anticipated to benefit from this improving trend, supported by sales, increasing rents, and declining vacancy.

The following chart gives a comparative overview of the current state of the economic conditions for the High Tech/High Flex Specialty (510) relative to the broader Office and Industrial markets:

1/1/2019 Revaluation Metrics				
	Office	Industrial	High Tech	High Flex
Vacancy	↔ (stable)	↔ (stable)	↔ (stable)	↔ (stable)
Rental Rate	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Capitalization Rate	↔ (stable)	↔ (stable)	↔ (stable)	↔ (stable)
Improved Property Values	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Land Values	↑ (increase)	↑ (increase)	↑ (increase)	↑ (increase)

The following is a broad based survey of market rents within the Seattle/Eastside/South End markets for Office and Industrial/High Tech Flex type properties relating to the High Tech Flex Specialty.

Office: For year 2019 revaluation, surveyed area market reports indicated rental rates have increased to office spaces in the Puget Sound Area. To retain tenants, however, landlords remain flexible in offering leasing concessions. Kidder Mathews 4th Quarter 2018 office market reports indicated the Seattle and Eastside rental rates have increased in the past quarter. Seattle office market median annual rental rate of \$39.85 per square foot, and Eastside office market median annual rental rate of \$37.18 per square foot. Cushman & Wakefield, Collier International, and CBRE Office 4th Quarter 2018 market asking rents survey reports are indicated below:

Cushman & Wakefield Office 2018 – 4 th Quarter Asking Rents					
Property Type (Class)	Eastside Suburban	Bellevue CBD	Seattle In-City	South King County	Federal Way
Class A	\$29.55 - \$35.30 (Blended \$37.41)	\$47.60	\$34.60 - \$38.50 (Blended \$35.75)	\$26.65 - \$30.00 (Blended \$28.90)	\$25.00
All Classes	\$29.50 - \$36.50 (Blended \$34.20)	\$46.40	\$30.00 - \$32.25 (Blended \$31.90)	\$25.25 - \$28.10 (Blended \$26.80)	\$27.10

CUSHMAN & WAKEFILED: Office Q4 2018 / MARKETBEAT / PUGET SOUND EASTSIDE

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL OTHER CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
BELLEVUE CBD	9,692,794	54,037	267,278	3%	172,746	381,267	1,962,224	0	\$ 46.40	\$ 47.57
405 Corridor	2,445,096	77,907	96,891	7.1%	40,070	87,024	198,132	316,009	\$31.69	\$35.00
520 Corridor	3,196,143	42,008	190,045	7.3%	-58,353	9,854	344,940	0	\$35.28	\$37.00
I-90 Corridor	6,575,306	48,827	493,841	8.3%	124,612	-64,341	672,964	0	\$36.46	\$39.02
Bel-Red	1,124,339	25,742	41,507	6.0%	-77,006	-90,673	149,588	0	\$29.52	\$0.00
Redmond	2,543,687	38,857	89,573	5.0%	-8,727	235,131	304,515	0	\$33.90	\$35.43
Kirkland	2,308,602	19,325	89,704	4.7%	-3,837	46,671	198,021	402,248	\$34.69	\$40.90
Bothell/Woodinville	2,597,354	42,866	140,707	7.1%	30,744	464,793	419,667	0	\$30.73	\$33.86
EASTSIDE SUBURBAN	20,790,527	295,532	1,142,268	6.90%	47,503	688,459	2,287,827	718,257	\$ 34.27	\$ 37.41
Lynnwood	2,269,769	1,980	162,315	7.2%	17,604	4,008	152,807	0	\$28.57	\$31.76
Everett	2,085,677	30,643	220,609	12.0%	9,352	-23,070	110,944	0	\$24.11	\$0.00
NORTHEND SUBURBAN	4,355,446	32,623	382,924	9.50%	26,956	-19,062	263,751	0	\$ 25.87	\$ 31.76
SUBURBAN TOTALS	25,145,973	328,155	1,525,192	6.20%	74,459	669,397	2,551,578	718,257	\$ 33.69	\$ 36.69
EASTSIDE TOTALS	34,838,767	382,192	1,792,470	6.20%	247,205	1,050,664	4,513,802	718,257	\$ 35.56	\$ 40.31

BLDG CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT ASKING RATE **	OVERALL AVERAGE ASKING RENT RATE**
Class A	18,945,387	140,864	694,325	4.4%	241,424	588,136	2,774,085	718,257	\$40.62	\$40.31
Class B	14,005,541	241,328	947,783	8.5%	492	430,291	1,579,729	0	\$32.13	\$31.08
Class C	1,887,839	0	150,362	8.0%	5,289	32,237	159,988	0	\$28.69	\$28.68

CUSHMAN & WAKEFILED: Office Q4 2018 / MARKETBEAT / SEATTLE SUBURBAN

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL OTHER CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
North Seattle/Northgate	2,519,361	39,326	152,687	7.6%	19,174	99,141	160,593	222,480	\$32.24	\$34.60
Close-In Seattle	2,098,749	28,544	129,033	7.5%	46,131	86,616	225,528	0	\$32.24	\$38.47
East Seattle/Capitol Hill	886,995	2,642	67,633	7.9%	927	11,394	98,374	71,564	\$30.22	\$0.00
Seattle-In City Total	5,505,105	70,512	349,353	7.6%	66,323	197,151	484,495	294,044	\$ 31.90	\$ 35.73
Tukwila	1,873,256	0	373,099	19.9%	35,957	-15,335	59,932	0	\$25.87	\$27.39
Sea Tac	818,125	0	116,554	14.2%	20,308	90,788	81,010	0	\$26.05	\$26.62
Renton	2,301,949	7,155	480,383	21.2%	74,134	-97,634	194,051	688,147	\$28.08	\$29.97
Kent/Auburn	1,504,312	900	151,928	10.2%	1,244	23,626	107,995	0	\$25.26	\$27.18
Southend Total	6,497,642	8,055	1,121,946	17.4%	131,643	1,445	442,958	688,147	\$ 26.76	\$ 28.89
Federal Way	2,317,497	41,061	846,889	38.3%	-31,550	-7,054	116,868	0	\$ 25.27	\$ 25.07
Seattle Suburban Total	14,320,244	119,628	2,318,206	17.0%	116,325	119,542	1,044,321	982,191	\$ 27.10	\$ 28.54

BLDG CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT ASKING RATE **	OVERALL AVERAGE ASKING RENT RATE**
Class A	7,481,588	76,865	1,065,782	15.3%	126,562	-40,160	603,189	961,711	\$28.82	\$28.54
Class B	5,802,026	33,249	1,089,972	19.4%	35,882	206,491	374,814	20,480	\$26.19	\$25.99
Class C	1,036,630	954	162,542	16.6%	3,881	25,181	66,318	0	\$25.29	\$24.80

*Leasing Activity does not include Renewals
 **Rental rates reflect gross asking \$psf/year

CUSHMAN & WAKEFILED: Office Q4 2018 / MARKETBEAT / SEATTLE CBD

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL OTHER CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
Financial District	22,505,289	24,196	1,449,498	7.4%	12,000	1,321,787	2,368,700	1,447,802	\$43.51	\$47.69
Denny Regrade	9,691,188	5,1081	359,795	4.2%	95,468	245,538	547,510	0	\$41.12	\$50.33
Pioneer Sq/International District	5,011,839	24,921	126,533	3.0%	113,776	118,958	343,666	0	\$37.86	\$45.86
Lower Queen Anne/So Lake Union	12,374,990	150,201	297,209	3.6%	24,159	324,551	1,008,722	1,883,907	\$36.19	\$41.99
Seattle Total CB	49,583,306	440,399	2,233,035	5.4%	245,403	2,010,834	4,268,598	3,331,709	\$41.60	\$47.19

BLDG CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	DIRECT ASKING RATE **	OVERALL AVERAGE ASKING RENT RATE**
Class A	34,480,237	281,896	1,297,161	4.6%	222,666	1,466,976	2,948,152	3,331,709	\$48.63	\$47.19
Class B	12,468,768	138,874	718,842	6.9%	-47,984	476,984	1218,077	0	\$34.21	\$33.52
Class C	2,634,301	19,629	217,392	9.0%	70,721	66,874	102,369	0	\$34.18	\$33.57

*Leasing Activity does not include Renewals
 **Rental rates reflect gross asking \$psf/year

Collier International Office 4th Qtr 2018

RENTAL RATE QUARTERLY COMPARISON

Market	Quarter over Quarter			Year over Year		
	Q4 2018	Q3 2018	QoQ % Change	Q4 2018	Q4 2017	YoY % Change
Seattle CBD: Class A	\$50.39	\$49.25	2.3%	\$50.39	\$46.50	8.4%
Seattle CBD: Class B	\$40.40	\$38.48	5.0%	\$40.40	\$36.96	9.3%
Bellevue CBD: Class A	\$52.28	\$51.06	2.4%	\$52.28	\$44.94	16.3%
Bellevue CBD: Class B	\$41.77	\$41.81	-0.1%	\$41.77	\$34.92	19.6%

*Rates represent full service asking rents for available space.

ECONOMIC DRIVERS

MARKET INDICATORS	QoQ	YoY	MARKET INDICATORS	QoQ	YoY
VACANCY	↓	↓	CONSTRUCTION	↓	↓
RENTAL RATES	↑	↑	SALES VOLUME	↓	↓
NET ABSORPTION	↑	↑	SALE PRICE	↓	↓

MARKETVIEW PUGET SOUND OFFICE
Market Statistics

Submarket	Net Rentable Area (SF)	Direct Vacancy Rate (%)	Total Vacancy Rate (%)	Q4 2018 Net Absorption (SF)	Last 4 Qtrs Net Absorption (SF)	Under Construction (SF)	Class A Direct Weighted Avg. Asking Lease Rate, FS (\$/SF/Yr)	Class A Total Weighted Avg. Asking Lease Rate, FS (\$/SF/Yr)
Seattle CBD	21,625,652	8.5	9.3	209,251	1,073,111	2,008,000	49.87	47.99
Waterfront	2,594,327	7.9	8.8	8,078	160,674	0	47.46	47.23
Pioneer Square	4,484,973	5.1	5.7	19,686	306,385	0	46.92	46.92
Denny Triangle/Regrade	7,908,331	4.5	4.7	128,539	507,956	176,565	47.22	47.15
Lower Queen Anne	3,299,038	13.9	14.6	11,040	(200,010)	0	45.59	43.52
Lake Union	8,197,755	2.9	3.3	(16,891)	430,531	1,805,803	44.77	42.79
Canal	1,869,086	1.9	3.1	6,185	62,515	33,566	42.00	42.00
Downtown Seattle	49,979,162	6.7	7.4	365,888	2,341,162	4,023,934	48.43	46.92
North Seattle/Interbay	2,462,627	5.2	6.1	14,467	58,935	229,000	42.99	40.47
Capitol Hill/E Seattle/Rainier	1,019,567	4.6	4.6	8,046	75,136	71,564	48.00	48.00
South/West Seattle	2,207,485	6.4	7.2	18,386	42,095	0	30.32	30.32
Seattle Close-In	5,689,679	5.6	6.3	40,899	176,166	300,564	42.57	40.51
Sea-Tac	1,232,360	10.9	11.0	11,443	347,224	0	25.09	25.09
Tukwila	2,296,634	23.8	23.9	37,420	(17,575)	0	23.82	23.82
Renton	3,702,596	19.9	20.0	16,147	(265,527)	714,078	27.45	27.34
Kent	1,208,196	9.8	9.8	32,126	11,210	0	25.09	24.51
Auburn	289,025	14.4	14.4	3,589	(19,138)	0	25.03	25.03
Federal Way	2,705,395	30.5	30.8	13,915	18,907	0	24.55	24.55
Southend	11,434,206	21.0	21.2	114,640	75,101	714,078	25.76	25.68
Bellevue CBD	9,412,599	6.3	6.9	102,404	324,482	0	53.29	49.27
I-405	2,865,871	5.9	7.2	14,550	42,849	0	41.31	37.82
SR-520	2,421,613	10.1	11.8	(15,756)	(43,244)	0	39.74	39.35
I-90	7,115,312	12.3	13.0	(11,317)	145,562	0	38.94	38.67
Bel-Red Road	1,563,001	5.1	5.8	657	(41,143)	316,009	37.62	37.42
Kirkland	1,682,093	5.2	6.2	(24,411)	(15,929)	389,406	50.15	49.46
Redmond	4,122,815	2.6	4.0	98,899	352,041	0	34.43	28.16
Bothell	2,787,948	14.8	15.3	(6,156)	170,512	0	31.22	30.69
Eastside	31,971,252	8.1	8.9	158,870	935,130	705,415	43.68	41.76
Lynn/Edm/Milk Terr	2,441,750	8.2	8.2	(23,106)	(3,187)	0	30.23	30.23
Everett	2,021,547	13.8	13.8	54,859	35,170	0	23.57	20.96
Northend	4,463,297	10.8	10.8	31,753	31,983	0	27.30	25.56
Tacoma CBD	2,742,272	6.9	8.2	44,667	(2,489)	0	26.65	27.16
Tacoma Suburban	1,307,321	8.7	8.7	22,102	57,978	0	26.97	26.97
Fife	213,994	14.0	14.0	0	0	0	N/A	N/A
Puyallup	481,352	7.5	7.5	(48)	(22,635)	0	N/A	N/A
DuPont	364,020	0.0	0.0	0	0	0	N/A	N/A
Tacoma/Fife	5,108,959	7.2	7.9	66,721	32,854	0	26.80	27.07
Market Total	108,646,555	8.8	9.4	778,771	3,592,396	5,743,991	40.56	39.81

Source: CBRE Research, Q4 2018.

Industrial/Flex: For the year 2019 revaluation, typical Industrial/Flex-tech asking lease rates were considered to have increased from the previous year. The Kidder Mathews 4th Quarter 2018 Industrial market reports indicated Seattle area NNN warehouse space rental rates range between \$0.75/sf/month and \$1.00/sf/month, with most in the \$0.80/sf/month to \$0.90/sf/month range. In the Bellevue and Eastside market, the rate is pushing closer to \$1.00/sf/month and above. Office spaces are renting \$1.40/sf/month to \$1.75/sf/month range. Flex spaces rental rates range between \$1.00/sf/month and \$1.50/sf/month, NNN.

Cushman & Wakefield, JLL, and Collier International Industrial 4th Quarter 2018 market asking rents survey reports for the Puget Sound area are indicated below:

Cushman & Wakefield			
Property Type	2018 – 4 th Qtr. Asking Rents (Eastside)	2018 – 4 th Qtr. Asking Rents (South King)	2018 – 4 th Qtr. Asking Rents (Seattle In-City)
Warehouse/Distribution	\$9.25 – \$19.00 (Blended \$11/15)	\$7.31 - \$13.20 (Blended \$8.30)	\$11.28 - \$12.93 (Blended \$12.80)
High Tech/Flex	\$12.58 - \$18.40 (Blended \$16.20)	\$9.00 - \$14.00 (Blended \$9.55)	\$21.04 - \$22.00 (Blended \$21.35)
Manufacturing	\$9.00 - \$16.00 (Blended \$10.35)	\$6.60 - \$13.20 (Blended \$9.85)	\$10.48 - \$13.80 (Blended \$11.40)
Office Service/Flex	\$13.52 - \$19.20 (Blended \$14.65)	\$9.00 - \$15.28 (Blended \$11.60)	\$10.00 - \$11.75 (Blended \$10.00)

2018 – 4 th Qtr. Asking Rents	Warehouse/Distribution	High Tech/Flex	Manufacturing	Office Service/Flex
Bellevue CBD	\$19.00	\$15.00	\$15.00	\$13.55

CUSHMAN & WAFIELD- MarketBeat- Industrial Q4 2018- Puget Sound/Eastside										
SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITIES (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
EASTSIDE SUBURBAN	870	36,001,996	205,717	4.2%	760,994	516,806	\$ 16.20	\$ 10.34	\$ 14.64	\$ 11.15
Bellevue	14	3,629,334	8,544	4.3%	-71,349		\$ 0.00	\$ 5.00	\$ 3.52	\$ 9.00
Issaquah/East I-90	46	3,235,949	7,660	0.3%	16,174		\$ 10.00	\$ 0.00	\$ 14.16	\$ 15.31
Redmond (Overlake)	34	10,777,12	0	0.9%	38,443		\$ 0.00	\$ 0.00	\$ 17.47	\$ 0.00
Redmond (Willows)	145	5,637,207	0	2.1%	310,388		\$ 10.20	\$ 10.80	\$ 5.17	\$ 12.60
Redmond (East)	104	3,996,091	0	8.0%	55,466		\$ 13.38	\$ 16.00	\$ 19.20	\$ 9.25
Kirkland	81	2,712,196	0	2.9%	16,491		\$ 18.00	\$ 9.00	\$ 14.87	\$ 10.75
Woodinville/522 Corridor	237	9,661,103	189,513	4.7%	52,491	518,806	\$ 12.58	\$ 11.68	\$ 5.76	\$ 9.68
Bothell	109	6,112,404	0	5.7%	342,890		\$ 17.37	\$ 0.00	\$ 13.84	\$ 17.56

*Rental rates reflect asking \$psf/year HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

CUSHMAN & WAFIELD- MarketBeat- Industrial Q4 2018- Seattle/Kent Valley											
SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER SALES ACTIVITIES (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (HT)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)	
SEATTLE IN-CITY	591	44,212,414	158,615	4.2%	-89,671	71,460	\$21.31	\$11.40	\$9.99	\$12.77	
South Seattle	49	36,199,365	137,442	4.0%	-92,055	0	\$22.00	\$10.48	\$11.74	\$12.93	
Queen Anne to SODO	99	5,330,978	6,720	6.9%	-23,205	0	\$21.04	\$11.94	\$11.08	\$11.88	
N of Ship Canal to 205th	73	2,682,071	14,453	1.0%	25,589	71,460	\$0.00	\$13.80	\$0.00	\$11.28	
SOUTH KING COUNTY	1,451	107,549,214	551,117	3.8%	2,429,426	1,110,160	\$9.54	\$9.84	\$11.80	\$8.27	
SeaTac	74	6,113,858	0	7.3%	665,090	457,211	\$0.00	\$0.00	\$9.00	\$7.90	
Tukwila	212	13,276,590	0	3.9%	336,546	0	\$9.00	\$13.20	\$15.28	\$9.11	
Renton	129	12,932,996	273,375	3.6%	44,871	0	\$14.00	\$7.80	\$10.35	\$13.20	
Kent	649	45,893,755	133,870	4.5%	1,075,523	225,899	\$0.00	\$11.88	\$10.21	\$7.21	
Auburn/Federal Way	387	29,332,015	143,872	1.9%	307,396	427,050	\$0.00	\$6.60	\$9.47	\$7.43	
NORTH PIERCE COUNTY	397	42,715,131	155,616	5.2%	1,859,586	1,348,295	\$15.75	\$6.01	\$11.48	\$7.59	
Sumner	132	16,397,291	75,000	3.7%	540,857	358,907	\$0.00	\$0.00	\$9.48	\$7.26	
Puyallup	120	10,718,071	58,476	1.9%	233,823	989,388	\$15.75	\$6.12	\$0.00	\$8.88	
Fife/Milton	145	15,599,769	22,140	9.0%	1,084,906	0	\$0.00	\$6.00	\$13.52	\$7.74	
KENT VALLEY TOTALS (So. King & No. Pierce)	1,848	150,264,345	706,733	4.2%	4,289,012	2,458,455	\$14.25	\$7.82	\$11.75	\$8.04	
IN-CITY AND KENT VALLEY	2,439	194,476,759	865,348	4.2%	4,199,341	2,529,915	\$15.75	\$9.19		\$9.12	

*Rental rates reflect asking \$psf/year HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

RENTAL RATE QUARTERLY COMPARISON

Market	Shell/Warehouse			Flex		
	Q4 2018 Overall	Q4 2017 Overall	Y-O-Y % Change	Q4 2018 Overall	Q4 2017 Overall	Y-O-Y % Change
Kent Valley (shell)	\$0.69	\$0.62	11.3%	\$1.25	\$1.26	-0.8%
Pierce County (shell)	\$0.67	\$0.61	9.8%	\$1.25	\$1.22	2.5%
Northend (warehouse)	\$0.68	\$0.63	7.9%	\$1.37	\$1.23	11.4%
Seattle Close-In (shell)	\$1.25	\$1.27	-1.6%	\$1.71	\$1.58	8.2%
Eastside (warehouse)	\$0.85	\$0.75	13.3%	\$1.50	\$1.46	2.7%

*Rates represent triple net (NNN) rents for available space

ECONOMIC DRIVERS

MARKET INDICATORS	QoQ		YoY		
	QoQ	YoY	QoQ	YoY	
VACANCY	↑	↑	CONSTRUCTION	↑	↑
RENTAL RATES	↑	↑	SALES VOLUME	↓	↑
NET ABSORPTION	↓	↑	SALE PRICE	↑	↑

Colliers International Industrial 4th Qtr 2018

JLL Research Report Industrial 4th Qtr 2018 / Industrial Statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Seattle/Puget Sound total										
Warehouse & Distribution	195,435,532	805,445	2,302,303	12%	4.1%	7.3%	\$0.75	2,166,582	5,242,993	5,628,310
Manufacturing	67,767,672	30,026	-162,447	-0.2%	2.4%	3.2%	\$0.72	61,985	182,985	0
Totals	263,203,204	835,471	2,139,856	0.8%	3.7%	6.3%	\$0.74	2,228,567	5,425,978	5,628,310
Eastside total										
Warehouse & Distribution	16,010,433	-21,862	64,158	0.4%	1.8%	5.3%	\$0.83	0	65,000	541,000
Manufacturing	5,346,984	111,606	-189,021	-3.5%	7.0%	8.9%	\$0.87	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	21,357,417	89,744	-124,863	-0.6%	3.1%	6.2%	\$0.85	0	65,000	541,000
Bellevue Ind										
Warehouse & Distribution	1,890,586	-34,440	-118,282	-6.3%	0.8%	5.2%	\$130	0	0	0
Manufacturing	627,501	1,855	-3,321	-0.5%	0.5%	1.0%	\$161	0	0	0
Totals	2,518,087	-32,585	-121,603	-4.8%	0.8%	4.1%	\$1.33	0	0	0
Bothell Ind										
Warehouse & Distribution	876,632	-26,388	-20,808	-2.4%	1.3%	1.3%	\$125	0	0	0
Manufacturing	739,836	0	34,415	4.7%	0.0%	0.0%	\$0.00	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	1,616,468	-26,388	13,607	0.8%	0.7%	0.7%	\$1.25	0	0	0
Issaquah Ind										
Warehouse & Distribution	1,647,730	0	12,865	0.8%	0.2%	0.2%	\$125	0	0	0
Manufacturing	370,656	0	17,626	4.8%	0.0%	0.0%	\$0.00	0	0	0
Totals	2,018,386	0	30,491	1.5%	0.2%	0.2%	\$1.25	0	0	0
Kirkland Ind										
Warehouse & Distribution	1,185,488	28,000	44,863	3.8%	0.8%	4.4%	\$100	0	0	0
Manufacturing	480,821	1,286	-1,784	-0.4%	1.2%	5.6%	\$104	0	0	0
Totals	1,666,309	29,286	43,079	2.6%	0.9%	4.8%	\$1.01	0	0	0
Redmond Ind										
Warehouse & Distribution	3,699,038	754	12,105	3.3%	1.4%	0.8%	\$0.80	0	65,000	0
Manufacturing	1,135,345	0	-182,119	-16.0%	19.3%	20.5%	\$0.66	0	0	0
Totals	4,834,383	754	-61,104	-1.3%	5.6%	5.4%	\$0.68	0	65,000	0
Woodinville Ind										
Warehouse & Distribution	4,993,794	3,054	62,359	1.2%	2.8%	11.0%	\$0.78	0	0	541,000
Manufacturing	1,755,794	108,465	-53,838	-3.1%	8.4%	11.9%	\$113	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	6,749,588	111,519	8,521	0.1%	4.2%	11.2%	\$0.84	0	0	541,000
Kent Valley										
Warehouse & Distribution	77,737,522	775,017	697,346	0.9%	4.5%	6.3%	\$0.63	458,938	1,422,561	1,198,368
Manufacturing	17,237,025	-14,342	10,661	0.1%	1.8%	2.4%	\$0.66	61,985	182,985	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	94,974,547	760,675	708,007	0.7%	4.0%	5.6%	\$0.64	520,923	1,555,546	1,198,368
Auburn Ind										
Warehouse & Distribution	17,449,441	240,556	223,985	1.3%	2.6%	3.9%	\$0.58	0	16,103	287,832
Manufacturing	3,583,580	61,985	132,985	3.7%	0.0%	1.3%	\$0.55	61,985	132,985	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	21,033,021	302,541	356,970	1.7%	2.2%	3.5%	\$0.58	61,985	149,088	287,832
Federal Way Ind										
Warehouse & Distribution	755,113	100,409	87,767	11.6%	3.3%	2.6%	\$0.79	0	0	0
Manufacturing	120,492	0	-42,225	-35.0%	35.0%	35.0%	\$0.00	0	0	0
Totals	875,605	100,409	45,542	5.2%	7.7%	7.0%	\$0.79	0	0	0
Kent Ind										
Warehouse & Distribution	41,326,124	218,277	395,394	1.0%	4.6%	6.4%	\$0.62	212,810	433,610	190,913
Manufacturing	6,823,468	-70,019	-106,636	-1.6%	3.0%	3.6%	\$0.67	0	0	0
Totals	48,149,592	148,258	288,758	0.6%	4.4%	6.0%	\$0.63	212,810	433,610	190,913
Renton Ind										
Warehouse & Distribution	6,924,205	25,962	-458,079	-6.6%	5.7%	6.7%	\$0.77	0	0	164,480
Manufacturing	4,701,507	0	18,035	0.4%	0.5%	0.9%	\$0.00	0	0	0
Totals	11,625,712	25,962	-440,044	-3.8%	3.6%	4.4%	\$0.77	0	0	164,480
SeaTac/Burien Ind										
Warehouse & Distribution	5,091,949	185,313	385,976	7.6%	12.0%	19.6%	\$0.77	246,128	972,848	457,211
Manufacturing	170,092	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	5,262,041	185,313	385,976	7.3%	11.6%	19.0%	\$0.77	246,128	972,848	457,211
Tukwila Ind										
Warehouse & Distribution	6,190,690	4,500	62,303	1.0%	1.5%	1.2%	\$113	0	0	97,932
Manufacturing	1,837,886	-6,308	8,502	0.5%	2.2%	1.8%	\$0.76	0	0	0
Totals	8,028,576	-1,808	70,805	0.9%	1.6%	1.3%	\$0.96	0	0	97,932

JLL Research Report Industrial 4th Qtr 2018 / Industrial Statistics

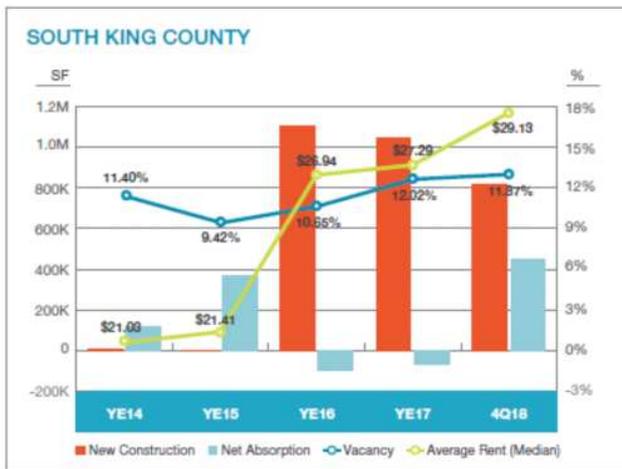
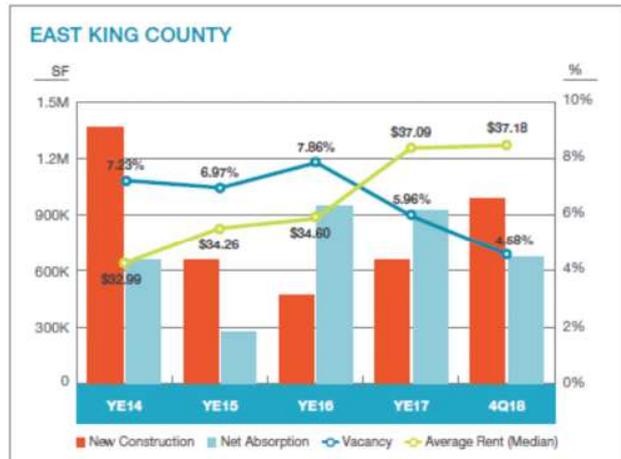
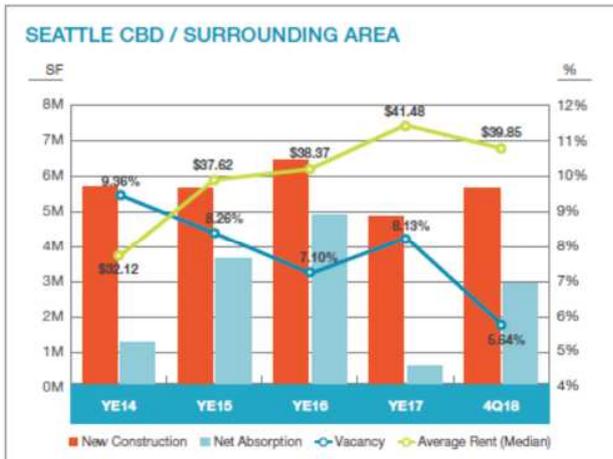
	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under construction (s.f.)
Seattle										
Warehouse & Distribution	29,166,663	-62,304	-387,017	-13%	3.9%	5.1%	\$106	589,615	589,615	0
Manufacturing	20,852,431	-58,091	-148,142	-0.7%	0.9%	18%	\$103	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	50,018,594	-120,395	-535,159	-1.1%	2.6%	3.7%	\$1.05	589,615	589,615	0
Downtown Seattle Ind										
Warehouse & Distribution	5,908,307	-36,381	-83,786	-14%	17%	3.4%	\$101	0	0	0
Manufacturing	2,652,732	8,566	-63,286	-7.1%	2.3%	7.5%	\$0.98	0	0	0
Special Purpose	0	0	0	0.0%	0.0%	0.0%	\$0.00	0	0	0
Totals	8,061,039	-27,815	-237,072	-2.9%	1.8%	4.5%	\$1.00	0	0	0
Gtown/Duwamish N Ind										
Warehouse & Distribution	9,657,284	-11,998	-203,352	-2.1%	7.5%	9.6%	\$130	589,615	589,615	0
Manufacturing	3,299,257	-34,094	50,493	15%	10%	2.6%	\$133	0	0	0
Totals	12,956,541	-45,292	-152,859	-1.2%	5.9%	7.8%	\$1.30	589,615	589,615	0
Gtown/Duwamish S Ind										
Warehouse & Distribution	4,568,197	9,803	-17,752	-0.4%	14%	14%	\$109	0	0	0
Manufacturing	10,799,909	-11,671	-8,557	-0.1%	0.3%	0.3%	\$0.90	0	0	0
Totals	15,368,106	-1,868	-26,309	-0.2%	0.6%	0.6%	\$1.04	0	0	0
North Seattle Ind										
Warehouse & Distribution	3,089,115	-19,328	-27,183	-0.9%	0.7%	0.7%	\$103	0	0	0
Manufacturing	1,037,732	0	-8,000	-0.8%	2.0%	0.0%	\$0.00	0	0	0
Totals	4,126,877	-19,328	-35,183	-0.9%	1.1%	0.6%	\$1.03	0	0	0
SoDo Ind										
Warehouse & Distribution	4,686,128	-5,200	-54,944	-12%	3.3%	4.5%	\$104	0	0	0
Manufacturing	2,622,406	0	-7,900	-0.3%	1.6%	2.8%	\$0.90	0	0	0
Totals	7,308,534	-5,200	-62,844	-0.9%	2.5%	3.9%	\$1.02	0	0	0
W Seattle Ind										
Warehouse & Distribution	1,257,102	0	0	0.0%	4.7%	4.0%	\$0.60	0	0	0
Manufacturing	940,395	-20,892	-20,892	-2.2%	2.7%	2.7%	\$115	0	0	0
Totals	2,197,497	-20,892	-20,892	-1.0%	3.8%	3.4%	\$0.78	0	0	0

Vacancy Rates:

Office: Market survey reports indicated office vacancy rates remain stable. Cushman & Wakefield office survey area market reports indicate the eastside office vacancy rate range from 0.3% to 8%; Seattle close-in vacancy rate is at 7.6%; and South King County average vacancy rate at 17.4%. Collier International office vacancy survey area market report is listed below:

COLLIER INTERNATIONAL OFFICE 4TH QTR 2018 - MARKET OVERVIEW								
	Stock	Total Inventory (SF)	Direct Vacant (SF)	Sublease Vacant (SF)	Total Vacant (SF)	Vacancy Rate Current Period (%)	Absorption Current Quarter (SF)	Absorption YTD (SF)
Seattle Office								
Class A	135	41,380,941	2,558,461	212,844	2,771,305	6.7%	346,589	2,135,908
Class B	288	19,458,587	1,422,707	159,827	1,582,534	8.1%	85,244	298,889
Class C	116	2,724,861	915,15	15,505	107,020	3.9%	(7,072)	(1,520)
Total	539	63,564,389	4,072,683	388,176	4,460,859	7.0%	424,761	2,433,277
Eastside Office								
Class A	121	21,250,087	868,612	118,954	987,566	4.6%	321,261	250,480
Class B	397	19,134,078	815,409	179,205	994,614	5.2%	96,166	290,517
Class C	63	1,150,419	46,160	0	46,160	4.0%	(4,923)	(12,184)
Total	581	41,534,584	1,730,181	298,159	2,028,340	4.9%	412,504	528,813
Northend Office								
Class A	13	1,461,153	85,010	0	85,010	5.8%	2,694	128,494
Class B	203	8,186,618	828,814	14,013	842,827	10.3%	(29,187)	18,171
Class C	55	976,902	89,165	0	89,165	9.1%	6,947	(12,423)
Total	271	10,624,673	1,002,989	14,013	1,017,002	9.6%	(19,546)	134,242
Pierce County Office								
Class A	6	1,037,175	33,239	4,300	37,539	3.6%	3,122	27,895
Class B	166	5,869,500	511,246	30,000	541,246	9.2%	70,130	89,767
Class C	89	1,918,682	132,415	0	132,415	6.9%	(3,074)	(38,041)
Total	261	8,825,357	676,900	34,300	711,200	8.1%	70,178	79,621
South King County Office								
Class A	74	6,891,654	1,239,563	24,892	1,264,455	18.3%	(122,068)	(12,921)
Class B	221	8,484,918	824,053	9,352	833,405	9.8%	132,353	251,327
Class C	74	1,669,032	400,741	8,298	409,039	24.5%	(2,008)	(14,679)
Total	369	17,045,604	2,464,357	42,542	2,506,899	14.7%	8,277	223,727
Puget Sound Region								
Class A	349	72,021,010	4,784,885	360,990	5,145,875	7.1%	551,598	2,529,856
Class B	1,275	61,133,701	4,402,229	392,397	4,794,626	7.8%	354,706	948,671
Class C	397	8,439,896	759,996	23,803	783,799	9.3%	(10,130)	(78,847)
MSA Total	2,021	141,594,607	9,947,110	777,190	10,724,300	7.6%	896,174	3,399,680

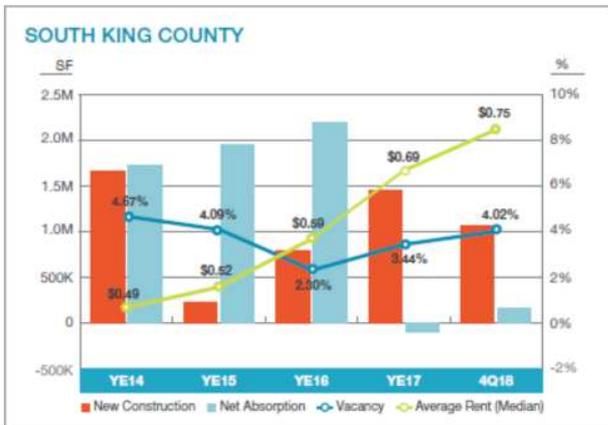
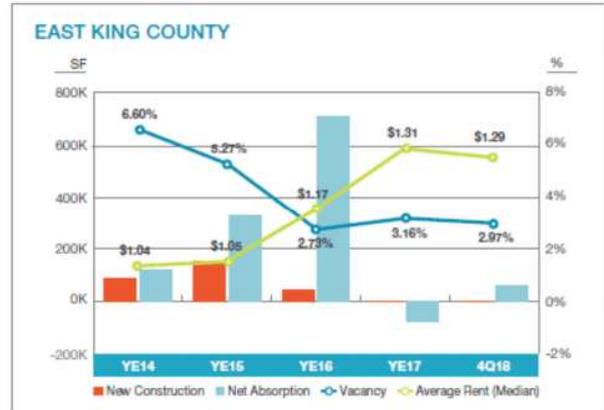
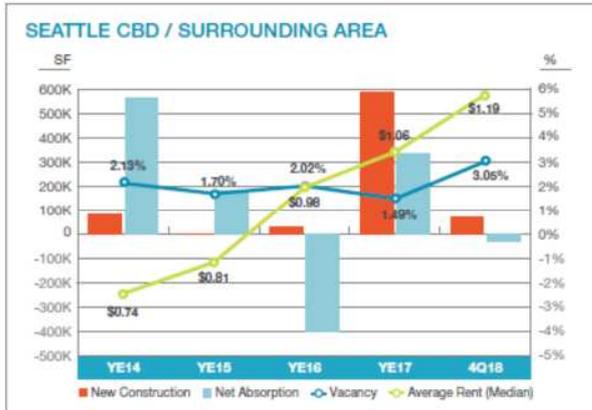
Kidder Mathews 4th Quarter 2018 Office market report indicated the vacancy rates for Seattle is at 5.64%, Eastside market at 4.58%, and South King County at 11.87%. See graphs below:



Industrial/Flex: Market survey reports indicated the industrial/flex vacancy rates remain stable. Economic market surveys indicate the manufacturing vacancy rates range from 1.3% to 8.3%, warehouse vacancy rates range from 1.1% to 5.2%, and the industrial flex vacancy rates range from 1.8% to 6.4%. The overall total average vacancy is at 4.1%. CBRE market report indicated the overall warehouse/business park/manufacture of 3.8% and industrial flex of 6.8%. JLL market report indicated the warehouse/distribution vacancy ranges from 0.2% to 12% and the manufacturing vacancy range from 0.2% to 8.4%. Collier International indicated the warehouse/distribution vacancy rates range from Economic market surveys are shown below:

COLLIER INTERNATIONAL INDUSTRIAL 4TH QTR 2018 / MARKET OVERVIEW								
	Stock	Total Inventory (SF)	Direct Vacant (SF)	Sublease Vacant (SF)	Total Vacant (SF)	Vacancy Rate Current Period (%)	Absorption Current Quarter (SF)	Absorption YTD (SF)
SEATTLE CLOSE-IN								
Manufacturing	299	11,281,845	160,424	0	160,424	1.4%	28,741	53,487
Warehouse	662	24,036,360	1,043,648	69,575	1,113,223	4.6%	(35,084)	(206,689)
Flex	90	5,280,829	87,274	9,983	97,257	1.8%	(15,449)	(29,813)
Total	1,051	40,599,034	1,291,346	79,558	1,370,904	3.4%	(21,792)	(183,015)
EASTSIDE INDUSTRIAL								
Manufacturing	55	2,767,037	225,450	2,849	228,299	8.3%	2,597	(198,957)
Warehouse	207	7,173,239	75,644	0	75,644	1.1%	(4,514)	52,335
Flex	240	7,370,562	321,635	38,473	360,108	4.9%	5,975	103,877
Total	502	17,310,838	622,729	41,322	664,051	3.8%	4,058	(42,745)
NORTHEND INDUSTRIAL								
Manufacturing	198	15,553,027	471,594	70,281	541,875	3.5%	1,467	4,929
Warehouse	565	20,574,351	499,444	20,911	520,355	2.5%	68,608	163,976
Flex	179	7,353,397	438,295	30,286	468,581	6.4%	51,191	241,073
Total	942	43,480,775	1,409,333	121,478	1,530,811	3.5%	121,266	409,978
KENT VALLEY INDUSTRIAL								
Manufacturing	228	20,322,733	219,537	50,000	269,537	1.3%	(82,638)	189,356
Warehouse	1,015	72,465,316	3,287,431	432,231	3,719,662	5.1%	201,967	550,715
Flex	122	4,716,380	211,280	10,429	221,709	4.7%	49,284	231,546
Total	1,365	97,504,429	3,718,248	492,660	4,210,908	4.3%	168,613	971,617
PIERCE COUNTY INDUSTRIAL								
Manufacturing	202	11,322,314	275,239	100,000	375,239	3.3%	(74,079)	107,064
Warehouse	704	52,876,516	2,486,049	249,024	2,735,073	5.2%	290,870	2,708,441
Flex	40	1,183,642	55,006	6,338	61,344	5.2%	(12,965)	6,270
Total	946	65,382,472	2,816,294	355,362	3,171,656	4.9%	203,826	2,821,775
SEATTLE REGION INDUSTRIAL								
Manufacturing	982	61,246,956	1,352,244	223,130	1,575,374	2.6%	(123,912)	155,879
Warehouse	3,153	177,125,782	7,392,216	771,741	8,163,957	4.6%	521,847	3,268,778
Flex	671	25,904,810	1,113,490	95,509	1,208,999	4.7%	78,036	552,653
MSA Total	4,806	264,277,548	9,857,950	1,090,380	10,948,330	4.1%	475,971	3,977,610

Kidder Mathews 4th Quarter 2018 market reports indicated the Seattle Close-In vacancy from 2% to 3%. The Eastside vacancy rate dropped from 3.2% to 3%. South King County vacancy is at 4.02%. See graphs below:



Capitalization Rates:

The following tables demonstrate ranges of capitalization rates and trends that are compiled with information collected on both a broad national and regional scale. This information is reconciled with data specific to the real estate market in area 510 in developing the income model. The range of capitalization rates within the income model reflects the variety of properties within this specialty. The capitalization rates presented in the following tables aggregate many variables such as quality, condition, location, and leasing class. The range of capitalization rates typically reflect building age, quality and competitiveness within a given market, with lower rates applied to those buildings having superior quality, condition, and leasing class, and higher rates applied to those buildings of inferior quality, condition, or leasing class. Higher cap rates might also be applied to those buildings or properties with higher than the normal sub-market vacancy, substantial sub-lease vacancy, or physical and/or functional deficiencies requiring additional capital investment.

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Office	Industrial	Retail	Remarks
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2018					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2018 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	4.25% - 4.75%	-	-	CBD – Class AA
			4.75% - 5.25%	-	-	CBD – Class A
			6.00% - 7.25%	-	-	CBD – Class A – Value Added
			5.50% - 6.50%	-	-	CBD – Class B
			6.75% - 7.75%	-	-	CBD – Class B – Value Added
			6.75% - 8.50%	-	-	CBD – Class C
			7.75% - 9.25%	-	-	CBD – Class C – Value Added
			5.25% - 5.75%	-	-	Suburban – Class AA
			6.00% - 6.50%	-	-	Suburban – Class A
			6.50% - 7.50%	-	-	Suburban – Class A – Value Added
			7.00% - 7.50%	-	-	Suburban – Class B
			7.50% - 8.50%	-	-	Suburban – Class B – Value Added
			7.50% - 8.25%	-	-	Suburban – Class C
			8.00% - 9.00%	-	-	Suburban – Class C – Value Added
			-	3.75% - 4.25%	-	Class A
			-	4.50% - 5.00%	-	Class A – Value Added
			-	4.25% - 4.75%	-	Class B
			-	5.00% - 6.00%	-	Class B – Value Added
			-	5.75% - 6.50%	-	Class C
			-	6.50% - 7.50%	-	Class C – Value Added
			-	-	4.50% - 6.00%	Class A (Neigh./Comm)
			-	-	5.50% - 7.25%	Class B (Neigh./Comm)
			-	-	7.50% - 9.25%	Class B (Neigh./Comm.) – Value-Add
			-	-	7.50% - 8.75%	Class C (Neigh./Comm)
			-	-	8.00% - 11.00%	Class C (Neigh./Comm.) – Value-Add
			-	-	5.50% - 6.00%	Class A (Power Centers)
			-	-	6.25% - 8.00%	Class B (Power Centers)

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Office	Industrial	Retail	Remarks
			-	-	7.25% - 9.00%	Class B (Power Centers) – Value-Add
			-	-	7.50% - 9.50%	Class C (Power Centers)
			-	-	7.75% - 10.25%	Class C (Power Centers) – Value-Add
			-	-	4.50% - 5.50%	High Street Retail (Urban Core)
IRR: Viewpoint for 2018	Year-end 2018	Seattle	5.00%	-	-	<u>Institutional Grade Properties</u> CBD Office – Class A
			6.00%	-	-	CBD Office – Class B
			5.75%	-	-	Suburban Office – Class A
			6.50%	-	-	Suburban Office – Class B
			-	6.75%	-	Flex Industrial
			-	4.50%	-	Industrial
			-	-	5.00%	Regional Mall
			-	-	6.00%	Community Retail
			-	-	6.25%	Neighborhood Retail
5CoStar	Year-End 2018	Seattle Puget Sound	6.11%	-	-	Building Size < 50,000 SF
			6.43%	-	-	Building Size 50,000 SF – 249,000 SF
			5.31%	-	-	Building Size 250,000 SF – 499,000 SF
			5.63%	-	-	Building Size >500,000 SF
			-	6.51%	-	Building Size < 25,000 SF
			-	6.11%	-	Building Size 25,000 SF – 99,000 SF
			-	4.89%	-	Building Size 100,000 SF – 249,000 SF
			-	4.33%	-	Building Size >250,000 SF
			-	-	5.97%	Building Size < 25,000 SF
			-	-	6.43%	Building Size 25,000 SF – 99,000 SF
			-	-	6.30%	Building Size 100,000 SF – 249,000 SF
			-	-	N/A	Building Size > 250,000 SF

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2018					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	6.00%	-	-	Office CBD – 1 st Tier Properties
			6.30%	-	-	Suburban Office – 1 st Tier Properties
			-	5.40%	-	Warehouse – 1 st Tier Properties
			-	6.30%	-	R&D – 1 st Tier Properties
			-	6.30%	-	Flex – 1 st Tier Properties
			-	-	6.30%	Regional Mall – 1 st Tier Properties
			-	-	6.20%	Power Center – 1 st Tier Properties
			-	-	6.10%	Neigh/Comm. Ctrs. – 1 st Tier Properties
		West	5.00% - 7.80%	-	-	Office CBD – 1 st Tier Properties
		Region	5.30% - 8.30%	-	-	Office CBD – 2 nd Tier Properties
			5.80% - 8.80%	-	-	Office CBD – 3 rd Tier Properties
			5.00% - 8.30%	-	-	Suburban Office – 1 st Tier Properties
			5.50% - 8.80%	-	-	Suburban Office – 2 nd Tier Properties
			5.30% - 9.30%	-	-	Suburban Office – 3 rd Tier Properties
			-	4.50% - 8.00%	-	Warehouse – 1 st Tier Properties
			-	5.00% - 8.50%	-	Warehouse – 2 nd Tier Properties
			-	5.30% - 8.50%	-	Warehouse – 3 rd Tier Properties
			-	4.50% - 7.50%	-	R&D – 1 st Tier Properties
			-	5.50% - 8.00%	-	R&D – 2 nd Tier Properties
			-	5.30% - 8.50%	-	R&D – 3 rd Tier Properties
			-	4.50% - 7.50%	-	Flex – 1 st Tier Properties
			-	6.00% - 8.00%	-	Flex – 2 nd Tier Properties
			-	5.30% - 8.50%	-	Flex – 3 rd Tier Properties
			-	-	5.80% - 9.00%	Regional Mall – 1 st Tier Properties
			-	-	6.50% - 8.00%	Regional Mall – 2 nd Tier Properties
			-	-	7.50% - 8.30%	Regional Mall – 3 rd Tier Properties
			-	-	5.80% - 9.30%	Power Center – 1 st Tier Properties

SEATTLE / REGIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
			-	-	6.30% - 7.50%	Power Center – 2 nd Tier Properties
			-	-	6.50% - 8.30%	Power Center – 3 rd Tier Properties
			-	-	5.50% - 7.50%	Neigh/Comm. Ctr. – 1 st Tier Properties
			-	-	6.30% - 8.00%	Neigh/Comm. Ctr. – 2 nd Tier Properties
			-	-	7.00% - 9.00%	Neigh/Comm. Ctr. – 3 rd Tier Properties
IRR: Viewpoint for 2018	Year-end 2018	West Region	5.81%	-	-	<u>Institutional Grade Properties</u> CBD Office – Class A
			6.45%	-	-	CBD Office – Class B
			6.23%	-	-	Suburban Office – Class A
			6.84%	-	-	Suburban Office – Class B
			-	6.52%	-	Flex Industrial
			-	5.82%	-	Industrial
			-	-	6.09%	Regional Mall
			-	-	6.28%	Community Retail
			-	-	6.10%	Neighborhood Retail
PWC / Korpaz Real Estate Investment Survey	4Q 2018	Seattle	4.00% - 8.00%	-	-	CBD Office
		Pacific NW Region	4.00% - 8.00%	-	-	Office
			-	3.75% - 5.50%	-	Warehouse
ACLI	4Q 2018	Seattle – Bellevue - Everett MSA	5.82%	4.52%	6.61%	All Classes
		Pacific Region	6.01%	5.10%	5.67%	All Classes

SEATTLE / REGIONAL CAP RATES					
Source	Date	Location	Multifamily	Hospitality	Remarks
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2018	Seattle	4.25% - 4.75%	-	Infill – Class A
			4.50% - 5.00%	-	Infill – Class A – Value Added
			4.75% - 5.00%	-	Infill – Class B

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Multifamily	Hospitality	Remarks
			5.00% - 5.50%	-	Infill – Class B – Value Added
			5.50% - 6.00%	-	Infill – Class C
			5.50% - 6.25%	-	Infill – Class C – Value Added
			4.75% - 5.00%	-	Suburban – Class A
			4.75% - 5.25%	-	Suburban – Class A – Value Added
			5.00% - 5.25%	-	Suburban – Class B
			5.00% - 5.50%	-	Suburban – Class B – Value Added
			5.50% - 6.00%	-	Suburban – Class C
			5.50% - 6.25%	-	Suburban – Class C – Value Added
			-	6.00% - 6.50%	CBD – Luxury
			-	6.25% - 6.75%	CBD – Full-Service
			-	6.75% - 7.25%	CBD – Select-Service
			-	8.25% - 9.00%	CBD – Economy
			-	6.75% - 7.75%	Suburban – Luxury
			-	7.75% - 8.50%	Suburban – Full-Service
			-	7.75% - 8.50%	Suburban – Select-Service
			-	9.25% - 10.25%	Suburban – Economy
RERC: Real Estate Report	4Q 2018	Seattle	5.70%	-	Apartments – All Classes
Valuation Rates & Metrics		West Region	-	7.50%	Hotels – All Classes
			4.00% - 6.50%	-	Apartments – 1 st Tier Properties
			4.50% - 7.00%	-	Apartments – 2 nd Tier Properties
			4.50% - 7.50%	-	Apartments – 3 rd Tier Properties
			-	6.00% - 8.50%	Hotels – 1 st Tier Properties
			-	7.00% - 8.50%	Hotels – 2 nd Tier Properties
			-	7.50% - 10.00%	Hotels – 3 rd Tier Properties
IRR: Viewpoint for 2019	Year-end 2018	Seattle	4.25%		Urban Class A
			4.50%		Urban Class B
			4.75%		Suburban Class A
			5.25%		Suburban Class B
IRR: Viewpoint for 2019	Year-end 2018	West Region	4.52%	-	Urban Class A
			5.12%	-	Urban Class B

SEATTLE / REGIONAL CAP RATES					
Source	Date	Location	Multifamily	Hospitality	Remarks
			4.71%	-	Suburban Class A
			5.34%		Suburban Class B
IRR: Viewpoint for 2019	Year-end 2018	National		8.1%	Full Service
				8.8%	Limited Service
PWC / Korpaz Real Estate Investor Survey	4Q 2018	Pacific Region	3.50% - 6.00%	-	Apartments
ACLI	4Q 2018	Seattle-Bellevue Everett	4.35%		All Classes
		Pacific	4.48%	6.16%	All Classes

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Income Vs. Price Realities	4Q 2018					1 st Tier properties are defined as new or newer quality const. in prime to good location
		National	4.00% - 6.50%	-	-	Office CBD – 1 st Tier Properties
			5.40% - 7.50%	-	-	Suburban Office – 1 st Tier Properties
			-	4.50% - 7.30%	-	Warehouse – 1 st Tier Properties
			-	5.50% - 9.00%	-	R&D – 1 st Tier Properties
			-	6.50% - 8.00%	-	Flex – 1 st Tier Properties
			-	-	5.00% - 8.00%	Regional Mall – 1 st Tier Properties
			-	-	5.50% - 8.50%	Power Center – 1 st Tier Properties
			-	-	5.00% - 6.50%	Neigh/Comm. Ctrs. – 1 st Tier Properties
IRR: Viewpoint 2019 Commercial Real Estate Trends report	Yr. End 2018	National	6.68%	-	-	<u>Institutional Grade Properties</u> CBD Office – Class A
			7.51%	-	-	CBD Office – Class B
			7.01%	-	-	Suburban Office – Class A
			7.81%	-	-	Suburban Office – Class B

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
			-	6.68%	-	Industrial
			-	7.50%	-	Flex Industrial
			-	-	6.80%	Regional Mall
			-	-	6.88%	Community Retail
			-	-	7.04%	Neighborhood Retail
ACLI	4Q 2018	National	5.07%	5.93%	6.11%	Overall
			6.43%	6.97%	6.53%	Sq.Ft. - <50k
			6.03%	6.60%	6.13%	Sq.Ft. - 50k – 100k
			6.00%	6.23%	6.20%	Sq.Ft. – 100,001 – 200k
			4.75%	5.84%	5.94%	Sq.Ft. – 200k+
PWC / Korpaz Real Estate Investor Survey	4Q 2018	National	3.00% - 7.50%	-	-	CBD Office
			5.00% - 10.00%	-	-	Suburban Office
			5.00% - 9.50%	-	-	Secondary Office
			4.50% - 10.00%	-	-	Medical Office
			-	-	-	Flex/R&D
			-	1.00% - 6.50%	-	Warehouse
			-	-	4.00% - 9.00%	Regional Mall
			-	-	5.25% - 9.00%	Power Center
			-	-	4.00% - 9.50%	Neigh. Strip Centers
PWC / Korpaz Real Estate Investor Survey	4Q 2018	National	3.00% - 7.50%	-	-	U.S. CBD Office
			5.00% - 10.00%	-	-	U.S. Suburban Office
			4.50% - 10.00%	-	-	Medical Office
			-	1.00% - 6.50%	-	U.S. Warehouse
			-	-	-	U.S. Flex/R&D
			-	-	4.00% - 9.50%	U.S. Strip Shop Centers
			-	-	5.25% - 9.00%	U.S. Power Centers
			-	-	4.00% - 9.00%	U.S. Regional Malls
			-	-	5.00% - 8.50%	Net Lease
The Boulder Group: Net Lease Market Report	4Q 2018	National	7.02%	7.07%	6.25%	Overall (Average)
			5.10%			Bank

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
		West	5.50%			Medical Office

NATIONAL CAP RATES					
Source	Date	Location	Restaurant	Retail	
The Boulder Group: Net Lease Market Report	4Q 2018	West		7.02%	Junior Big Box (20K-40K SF)
				7.15%	Mid Box (40K-80K SF)
				6.70%	Large Format (over 80K SF)
				6.29%	Median
				6.21%	Drug Store
				5.30%	Auto Parts Stores
				5.48%	Casual Dining
				4.32%	Quick Service Restaurants

Preliminary Ratio Analysis

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

The two major aspects of appraisal accuracy; appraisal level and appraisal uniformity are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

Appraisal (Assessment) Level: Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic mean and median ratios in which the weights are proportional to the sales prices. The weighted mean is the sum of the assessed values divided by the sum of the sales prices. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to

each parcel. The weighted mean is an important statistic in its own right and also used in computing the price related differential (PRD), a measure of uniformity between high- and low-value properties.

The IAAO performance standards state that the weighted mean ratio should be between 0.90 and 1.10. The preliminary ratio study for Area 510 shows a weighted mean ratio of 0.817 which is below the IAAO guidelines, indicating that the current 2018 assessment level, as measured using recent sales, is in the unacceptable range.

Appraisal (Assessment) Uniformity: Measures of dispersion or variability relate to the uniformity of the ratios. The most generally useful measure of uniformity is the Coefficient of Dispersion (COD). The COD measures the average percentage deviation of the ratios from the median ratio.

The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing property in smaller, rural jurisdictions and between 5.0 and 15.0 for larger, urban market jurisdictions. The preliminary ratio study for Area 510 shows a COD of 19.24%, which is at the IAAO guideline's top of the range, indicating that the current level of assessment uniformity, as measured using recent sales, is within the acceptable range. However, a lower COD indicates more of uniformity to the assessment level.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressivity in the data where assessment level decreases with increases in sales price. The preliminary ratio study for Area 510 shows a PRD of 1.00 that is within the IAAO guidelines.

A Ratio Study was completed just prior to the application of the 2019 recommended values. This study benchmarks the current assessment level using 2018 posted values. The Coefficient of Dispersion of 19.24% for Area 510 is at the upper end of the range of the recommended IAAO standards, however, improvements to lower the COD reflects more of uniformity to the assessment level. The study showed the 2018 assessment level needed to be adjusted for uniformity.

RECOMMENDED IAAO STANDARDS ON RATIO STUDIES	
Appraisal Level	.90 to 1.10
Coefficient of Dispersion (COD)	5.0 to 20.0
Coefficient of Variation (COV)	5.0 to 20.0
Price Related Differential (PRD)	.98 to 1.03

Although some of the results of the preliminary ratio study fall within the IAAO standards, these results are based on a limited sales sample which is heavily weighted with numbers of portfolio sales, sales involving REITs, sales leaseback and parcels with credit tenants. This property type is not representative of the entire High Tech specialty population and for most other property types the sales sample is insufficient to draw direct conclusions from the ratio study. All of the recent sales are used for guidance, and as a test for the income model.

Scope of Data

Land Value Data:

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

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales considered were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides on the Assessor's website

Improved Parcel Total Values

Sales Comparison Approach Model Description

All sales were verified with all knowledgeable parties and inspections, when possible. The model for the sales comparison approach was based on characteristics from the Assessor's records including location, effective age, building quality and net rentable area. Sales with characteristics most similar to the subject properties were considered.

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. These sales statistics also helped form the income approach to value by setting parameters for the income rates, vacancies, expenses and capitalization rates. When necessary, sales of similar specialty improved properties were also considered.

The improved sales used range in date from 1/01/2016 to 4/25/2019. There were 33 improved sales in Area 510 that were considered fair market transactions, used in the overall analysis, and included in the ratio study. Sale parcels that were segregated/killed, or where the improvements

changed after the sale were not included in the ratio study. The portfolio sales within this specialty (reflected not only in Sales Used, but also Sales Not Used), sales of investment properties occupied by Credit Rated tenants, and sales of acquisitions by Real Estate Investment Trusts were not applied in the ratio study.

The thirty-three (33) improved sales within the High-Tech Specialty assignment considered arms-length transaction and acceptable in support of general market value indications. Of those sales, four (4) transactions were concentrated within the North Creek area of the Bothell/Woodinville neighborhood (510-10), with an indicated range of \$175.32 to \$319.80 per square foot of building area. Two (2) of these sales was subsequently segregated and changed the physical property characteristics for purposes of ratio analysis, and the highest value reflected a sale involving a credit tenant. The second concentration of eight sales involving 34 improved parcels occurred in the Close-In Redmond neighborhood (510-20), with an indicated range of \$161.48 to \$279.23 per square foot, one (1) of which was a multi-parcel transfer of 16 contiguous parcels, and two (2) sales with the highest values reflected sales with credit tenants. The second largest concentration of ten (10) sales occurred involving 24 individual parcels in the Willows Corridor neighborhood (510-30), with an indicated range of \$183.41 to \$324.16 per square foot. Three (3) sales occurred in the Kirkland Totem Lake neighborhood (510-40) with an indicated range of \$150.24 to \$281.51 per square foot. One (1) sale occurred within the Bellevue Overlake (510-50) neighborhood that sold for \$252.88 per square foot. Both of the 510-50 sales were within immediate proximity to the Microsoft Campus and were influenced by the credit ratings of tenants. Three (3) sales occurred within the Issaquah neighborhood (510-60) with an indicated value of \$260.72 to \$311.71 per square foot. Two (2) of these sales were considered to be influenced by credit tenants and one was considered as triple net lease sale. Two (2) sales occurred in Seattle and South King County neighborhoods (510-70) that sold for \$306.03 and \$114.21 per square foot.

In terms of sale frequency, six (6) transactions containing a total of 56 parcels were associated with portfolio transfers, credit tenancy, or segregation activity. Portfolio "Sales Used" reflect arms-length transactions of contiguously located parcels with similar building types (Tech Flex/Warehouse), and which may or may not reflect REIT acquisition (public or private).

The "Sales Used" were considered to support income model valuation, reflect benchmarks for continued market recovery and of national interest in high quality properties and tenants within the Tech Flex market of King County and the greater Puget Sound, area in the appraiser's opinion.

Sales Comparison Calibration

Since there was no sales comparison model developed, no sales comparison calibration was performed. Calibration of coefficients utilized for the model applied within the Sales Comparison approach is typically established via analysis of sales within each neighborhood. Sales from supporting geographic neighborhoods may also be considered in revalue, as they relate to basic property types and/or use categories (single purpose office buildings, and warehouses, for example). Neighborhoods are treated independent of one another as dictated by the market, and individual prices determined as "Used or "Not Used" based on various characteristics appropriate within each sub-market. Specific variables and prices for each neighborhood are discussed in more detail above with sales listed under "Sales Used" within this report.

Cost Approach Model Description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based upon annual studies completed by the Marshall Valuation Service. Costs were adjusted to both Western Region and Seattle areas. Marshall & Swift cost calculations are automatically calibrated to data within the Real Property Application of the Assessor's office. The Cost Approach is typically applied in newer high-tech buildings where market indicators support a cost approach for value (new construction, for example).

Cost Calibration

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

Income Capitalization Approach Model Description

The income approach was considered the most reliable approach for the valuation and equalization of High-Tech/Flex properties, as reasonable income, expense, and capitalization rate data is considered available for application of model methodology. During the sales verification process, attempts are made to obtain income and expense data from parties directly involved with the transaction. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are also surveyed to collect similar data. Whereas disclosure of this information is not required by law, it is often difficult to obtain, and often incomplete or inaccurate. As a supplement, lease information is gathered from Costar or other similar websites. In order to calibrate a credible income model, it was also necessary to consider data from recognized published sources to assist in developing capitalization and lease rates. These publications tend to report data considered relevant for institutional-grade CBD and suburban real estate.

The specialty properties are located throughout King County with a concentration falling between Redmond and Bothell, generally referred to as the Technology Corridor. A map showing the respective parcel locations is included within this report.

The income tables within this specialty summary report are included to demonstrate typical income parameters (Rents, Vacancy, Expenses, and Capitalization Rates) in structuring the High-Tech / Flex Income Model. The model is based on the building size parameters specific to the specialty and is also dependent on effective year built, quality, and location. Vacancy rate, expense rate and capitalization rate ranges have been interpolated from market data. The model is additionally meant to reflect general market characteristics, in that the value allocation method is based upon a net lease rent structure as applied to Class B building types typical throughout the specialty.

Income Approach Calibration

The models were calibrated after setting base rents and by using adjustments based on size, effective year built, construction class and quality as recorded in the Assessor's records. Properties were then valued based on the income tables included within this report. Additional factors which may enter into the calculation are excess land, existence of economic units, or other unique features associated to the specific property. Individual property valuation information is available within Assessor records.

Income: Income parameters were derived from the market place through the listed fair market sales as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, along with several other corporate real estate websites), and opinions expressed by real estate professionals active in the market. Within the income valuation model, as reflected by the market, the assessor applied a triple net lease structure assumption for value allocation.

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.

Capitalization Rates: Capitalization rates were determined by personal analysis of the sales in the area on sold properties where income information was available, and local and national published market surveys, such as CoStar, The American Council of Insurance Adjustors, Colliers International, Integra Realty Resources among others (tables included above show Seattle/Pacific Northwest & National cap rate sources considered by the assessor).

The following tables outline general income parameters applied within the income model for the Tech Flex parcel population.

AREA 510 – Bothell / Willows

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$22.00	12%	7.50%	6.25% to 8.00%
Industrial Engineering Space	\$10.00 to \$17.00	12%	7.50%	6.25% to 8.00%
Storage Whse. / Mezz. Stor.	\$5.50 to \$11.00	12%	7.50%	6.25% to 8.00%

AREA 510-20 – Redmond & Marymoor Park

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$12.00 to \$19.00	10%	7.50%	6.25% to 8.00%
Industrial Engineering Space	\$8.00 to \$16.00	10%	7.50%	6.25% to 8.00%
Storage Whse. / Mezz. Stor.	\$5.00 to \$12.00	10%	7.50%	6.25% to 8.00%

AREA 510-30 – Redmond

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$12.00 to \$22.00	10%	7.50%	6.50% to 8.00%
Industrial Engineering Space	\$10.00 to \$18.00	10%	7.50%	6.50% to 8.00%
Storage Whse. / Mezz. Stor.	\$5.00 to \$12.00	10%	7.50%	6.50% to 8.00%

AREA 510-40 – Kirkland / Totem Lake

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$20.00	10%	7.50%	6.25% to 8.00%
Industrial Engineering Space	\$9.50 to \$16.00	10%	7.50%	6.25% to 8.00%
Storage Whse. / Mezz. Stor.	\$6.00 to \$12.00	10%	7.50%	6.25% to 8.00%

AREA 510-50 – Overlake / Bellevue

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$21.00	5%	7.50%	6.50% to 8.00%
Industrial Engineering Space / Lt. Mfg.	\$10.00 - \$19.00	5%	7.50%	6.50% to 8.00%
Storage Whse. / Mezz. Stor.	\$5.50 to \$11.00	5%	7.50%	6.50% to 8.00%

AREA 510-60 – Issaquah / I-90 Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$21.00	10%	7.50%	7.00% to 8.50%
Industrial Engineering Space	\$9.00 to \$16.00	10%	7.50%	7.00% to 8.50%
Storage Whse. / Mezz. Stor.	\$5.00 to \$10	10%	7.50%	7.00% to 8.50%

AREA 510-70 – South King County

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Office Building	\$14.50 to \$20.00	10%	7.50%	7.00% to 8.50%
Mezz. Office/Warehouse Office	\$9.00 to \$15.00	10%	7.50%	7.00% to 8.50%
Industrial Engineering Space	\$9.00 to \$14.00	5%	7.50%	7.00% to 8.50%
Storage Whse. / Mezz. Stor.	\$4.00 to \$8.50	5%	7.50%	7.00% to 8.50%

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, or sales approach is considered a reliable indicator of value when comparable sales are available and reflective of the population, however the income approach was applied to most parcels in order to better equalize property valuation levels for the 2019 Assessment Year. The market approach was considered as a benchmark guideline in support of income modeling. Where possible, market rents, expenses, and cap rates were ascertained from sales, along with data from surveys and publications, and applied to the income model.

The income approach to value was given the most weight, as it was considered to be a more reliable indicator for valuation and equalization within the Tech Flex Specialty. In some instances market rents applied to a few properties varied from the model, but fell within an acceptable range of variation from the established guideline. Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. Implicit within this valuation model, is the recognition of a wide valuation range, with associated change of market conditions as they relate to valuation of individual parcels within the High Tech/Flex specialty.

MODEL VALIDATION

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel was reviewed and value allocated based on general and specific data as they relate to the market, and neighborhood of each parcel. The Appraiser determines which available value methodology estimate is appropriate, and may adjust for particular characteristics or conditions as they occur within the valuation area.

For the 2019 assessment valuation model, the income approach is used to value the majority of the income producing properties that are not obsolesced (where land value is greater than the value produced by the income method), as there are an insufficient number and variety of sales to value

the different sectors by the market approach. The income approach also insures greater uniformity and equalization of values. With improving market fundamentals, values by the income method are generally increasing although they sometimes are below the value of the sales. This may be that some of these properties are portfolio investment sales, owner user sales, and properties resold within the last three years. In the case of interim use properties, they might be purchased for investment value or future income rather than current income.

The standard statistical measures of valuation performance are presented in the Executive Summary and the 2018 and 2019 Ratio Analysis charts included in this report. Comparison of the 2018 and 2019 Ratio Study Analysis indicates that the weighted mean statistical measure of assessment level improved from 81.7% to 91.2%. The Coefficient of Dispersion (COD) changed from 19.24% to 12.66%; the Coefficient of Variation (COV) changed from 23.89% to 16.23%. The Price-related Differential (PRD) changed from 1.00 to 1.00. These values are within the IAAO (International Association of Assessing Officers) appraisal guidelines for measures of valuation uniformity and equity. The ratio study presented in this report indicates substantial improvement in uniformity. However with a sample size of only 24 improved sales the weight given to the ratio study should be tempered.

AREA 510 RATIO STUDY

<i>RATIO STUDIES (Before and After)</i>	<i>1/1/2018</i>	<i>1/1/2019</i>
Arithmetic Mean Ratio	0.816	0.913
Median Ratio	0.790	0.905
Weighted Mean Ratio	0.817	0.912
Coefficient of Dispersion (COD)	19.24%	12.66%
Standard Deviation (SD)	0.1950	0.1483
Coefficient of Variation (COV)	23.89%	16.23%
Price Related Differential (PRD)	1.00	1.00

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

The total assessed value for the 2018 assessment year for Specialty Area 510 was \$4,169,941,700. The total recommended assessed value for the 2019 assessment year is \$4,719,034,800.

Application of these recommended values for the 2019 assessment year would result in an upward adjustment from the 2018 assessment level of +13.17%.

CHANGE IN TOTAL ASSESSED VALUE

Change In Total Assessed Value			
2018 Total Value	2019 Total Value	\$ Change	% Change
\$4,169,941,700	\$4,719,034,800	\$549,093,100	+13.17%

The assessed value increase is due in part to improvement of the local commercial real estate market within the region. From a High Tech/Flex perspective, the 2019 assessment year reflects continued market improvement, supported by sales of investment grade properties.

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:

- 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.
- 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.
- 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.
- Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
- 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.

- The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.
- 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.
- 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.
- 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.
- 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.
- An attempt to segregate personal property from the real estate in this appraisal has been made.
- 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.
- 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.
- 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.
- Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations

and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification, and identifying new construction and recording the corresponding data.*

Spencer Chen

5/20/2019

Commercial Appraiser II

Date

Area 510 High-Tech

Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

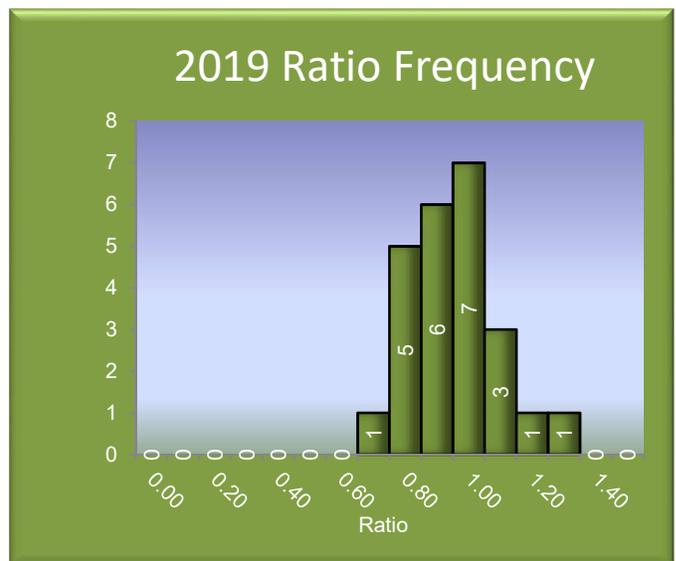
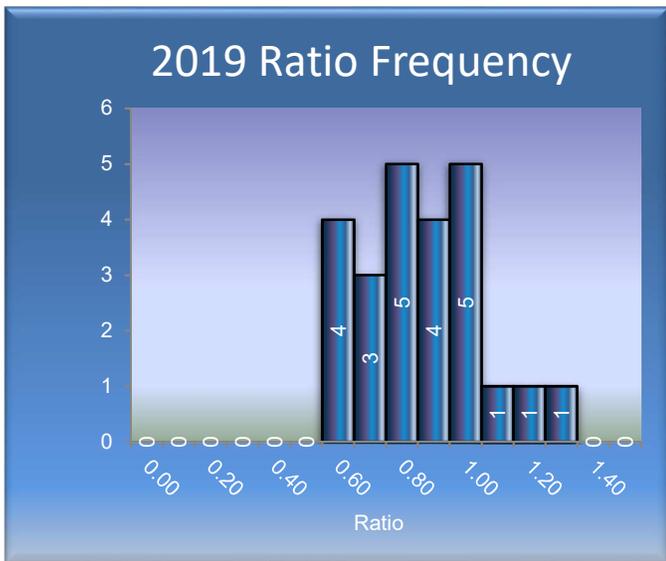
Pre-revalue ratio analysis compares sales from 2016 through 2018 in relation to the previous assessed value as of 1/1/2018.

PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	24
Mean Assessed Value	35,995,800
Mean Adj. Sales Price	44,056,100
Standard Deviation AV	39,241,612
Standard Deviation SP	48,167,287
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.816
Median Ratio	0.790
Weighted Mean Ratio	0.817
UNIFORMITY	
Lowest ratio	0.5163
Highest ratio:	1.2864
Coefficient of Dispersion	19.24%
Standard Deviation	0.1950
Coefficient of Variation	23.89%
Price Related Differential (PRD)	1.00

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2016 through 2018 and reflects the assessment level after the property has been revalued to 1/1/2019.

POST REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	24
Mean Assessed Value	40,179,900
Mean Sales Price	44,056,100
Standard Deviation AV	43,559,217
Standard Deviation SP	48,167,287
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.913
Median Ratio	0.905
Weighted Mean Ratio	0.912
UNIFORMITY	
Lowest ratio	0.6801
Highest ratio:	1.2734
Coefficient of Dispersion	12.66%
Standard Deviation	0.1483
Coefficient of Variation	16.23%
Price Related Differential (PRD)	1.00



Improvement Sales for Area 510 with Sales Used

05/16/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	392700	0040	54,353	2984994	\$17,382,059	04/25/19	\$319.80	NORTH CREEK TECH CTR BLDG #	R-AC, OP, CB, LI	1	Y	
510	010	392700	0050	97,216	2871126	\$26,750,000	06/16/17	\$275.16	NORTH CREEK CENTER	R-AC, OP, CB, LI	1	Y	
510	010	697920	0250	101,531	2834760	\$17,800,000	11/18/16	\$175.32	QUADRANT PARKSIDE CTR BLDGS	R-AC, OP, CB, LI	2	29	Seg/merge after sale; not in ratio
510	010	697920	0250	50,739	2834765	\$5,500,000	11/18/16	\$108.40	QUADRANT PARKSIDE CTR BLDGS	R-AC, OP, CB, LI	1	29	Seg/merge after sale; not in ratio
510	010	697930	0010	205,707	2902637	\$36,500,000	11/22/17	\$177.44	NORTH CREEK PKWY CTR BLDG 1	R-AC, OP, CB, LI	6	Y	
510	020	062310	0010	167,156	2899052	\$38,538,000	11/02/17	\$230.55	BEAR CK BUS PK-BLDG "B"	BP	2	Y	
510	020	072506	9131	173,909	2893037	\$39,245,400	09/26/17	\$225.67	GENIE BUILDING	BP	3	Y	
510	020	553040	0010	549,694	2942604	\$153,490,000	07/18/18	\$279.23	MILLENNIUM CORPORATE PARK	EBP	4	Y	
510	020	659980	0010	767,486	2795195	\$128,000,000	05/10/16	\$166.78	WESTPARK BLDG # 1 & 2	MP	16	Y	
510	020	719895	0030	281,508	2930016	\$52,120,800	05/10/18	\$185.15	REDMOND EAST BUSINESS CAMP	MP	5	Y	
510	020	719895	0090	30,902	2957081	\$5,800,000	10/04/18	\$187.69	REDMOND EAST BUSINESS CAMP	MP	1	Y	
510	020	719895	0160	32,508	2883210	\$6,009,000	08/15/17	\$184.85	REDMOND EAST BUSINESS CAMP	MP	1	Y	
510	020	720100	0010	126,328	2798464	\$20,400,000	05/26/16	\$161.48	REDMOND HEIGHTS TECH CENTE	BP	2	Y	
510	030	697950	0020	62,856	2841823	\$11,885,815	12/28/16	\$189.10	Quadrant Willows Corporate Ctr - Bld	BP	1	26	Imp changed after sale; not in ratio
510	030	697950	0030	69,072	2783004	\$13,547,500	03/03/16	\$196.14	Quadrant Willows Corporate Ctr - Bld	BP	1	26	Imp changed after sale; not in ratio
510	030	697950	0040	53,000	2841830	\$10,436,685	12/28/16	\$196.92	Quadrant Willows Corporate Ctr - Bld	BP	1	26	Imp changed after sale; not in ratio
510	030	697950	0050	59,007	2783005	\$12,097,500	03/03/16	\$205.02	Quadrant Willows Corporate Ctr - Bld	BP	1	26	Imp changed after sale; not in ratio
510	030	697950	0060	86,600	2888407	\$16,774,780	09/07/17	\$193.70	SIXTY ACRES CORPORATE - Bldg F	BP	2	Y	
510	030	928690	0010	162,267	2879221	\$32,985,551	07/25/17	\$203.28	WEST WILLOWS TECH CENTER - E	MP	5	Y	
510	030	942810	0010	419,541	2945839	\$135,996,730	08/02/18	\$324.16	Willow Creek Corp. Center - Building	BP	7	Y	
510	030	943005	0010	410,265	2852539	\$75,245,000	03/09/17	\$183.41	WILLOWS COMMERCE PARK - BLD	BP	4	Y	
510	030	943005	0040	79,072	2967913	\$19,000,000	12/27/18	\$240.29	WILLOWS COMMERCE PARK - BLD	BP	1	Y	
510	030	943050	0010	41,697	2928611	\$8,200,000	05/04/18	\$196.66	WILLOWS RUN BUILDING	MP	1	Y	
510	040	332605	9243	51,584	2782263	\$7,750,000	02/26/16	\$150.24	Pathway Medical Tech	TL 10E	1	Y	
510	040	389060	0080	31,031	2796244	\$4,850,000	05/10/16	\$156.30	KIRKLAND 405 CORP CTR BLDG G	TL 10A	1	26	Imp changed after sale; not in ratio
510	040	389060	0190	52,040	2883977	\$14,650,000	08/14/17	\$281.51	KIRKLAND 405 CORP CTR BLDG T	TL 10A	1	Y	
510	050	142505	9020	146,255	2810718	\$36,985,000	07/20/16	\$252.88	REDMOND WOODS	OBAT	1	Y	
510	060	212406	9003	93,036	2967676	\$29,000,000	12/20/18	\$311.71	Sammamish Park Place - Bldg A	MU	1	69	Net Lease Sale; not in ratio
510	060	212406	9067	586,844	2868179	\$153,000,000	06/01/17	\$260.72	Sammamish Park Place	MU	1	Y	
510	060	362930	0020	52,686	2955236	\$15,700,000	10/01/18	\$297.99	GE HEALTHCARE (REDSTONE BU	UC	1	Y	
510	070	172280	0285	40,029	2929990	\$12,250,000	05/14/18	\$306.03	HATHAWAY BLDG	IG2 U/85	3	Y	
510	070	334040	3805	40,059	2979479	\$4,575,000	03/26/19	\$114.21	Sprint Communications	IM	1	Y	

Improvement Sales for Area 510 with Sales not Used

05/16/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	020	659980	0010	769,630	2964540	\$169,358,988	11/30/18	\$220.05	WESTPARK BLDG # 1 & 2	MP	16	59	Bulk portfolio sale
510	030	342605	9037	72,287	2908594	\$20,000,000	12/28/17	\$276.67	INTERPOINT BLDG	BP	2	64	Sales/leaseback
510	040	389060	0110	19,283	2783286	\$10,400,000	03/03/16	\$539.34	KIRKLAND 405 CORP CTR BLDG J	TL 10A	1	64	Sales/leaseback
510	050	249990	0020	663,156	2937050	\$249,985,000	06/20/18	\$376.96	LAGUNA NORTH EXCHANGE LLC	OBAT	4	59	Bulk portfolio sale
510	050	249990	0020	435,120	2834124	\$109,990,808	11/10/16	\$252.78	LAGUNA NORTH EXCHANGE LLC	OBAT	3	59	Bulk portfolio sale
510	050	644820	0010	228,036	2834118	\$93,999,905	11/13/16	\$412.22	Daytona Bldg. + Daycare Center	OBAT	1	59	Bulk portfolio sale
510	060	212406	9003	93,036	2832145	\$12,880,000	11/01/16	\$138.44	Sammamish Park Place - Bldg A	MU	1	63	Sale price updated by sales id group
510	060	212406	9131	102,585	2832146	\$12,756,000	11/01/16	\$124.35	Sammamish Park Place - Bldg B	MU	1	63	Sale price updated by sales id group
510	060	212406	9131	195,621	2794191	\$21,000,000	05/02/16	\$107.35	Sammamish Park Place - Bldg B	MU	2	61	Financial institution resale
510	070	162104	9013	751,920	2779463	\$70,500,000	02/04/16	\$93.76	WEYERHAEUSER TECH CTR	CP-1	16	64	Sales/leaseback

Major	Minor	AddrLine
032605	9110	20205 144TH AVE NE
152605	9075	15511 WOODINVILLE-REDMOND RD
392700	0020	19801 NORTH CREEK PKWY
392700	0030	19803 NORTH CREEK PKWY
392700	0040	19807 NORTH CREEK PKWY
392700	0043	19805 NORTH CREEK PKWY N
392700	0050	20001 NORTH CREEK PKWY
392700	0060	20020 NORTH CREEK PKWY
392700	0090	11720 NORTH CREEK PKWY N
392700	0100	11810 NORTH CREEK PKWY N
392700	0120	11812 NORTH CREEK PKWY N
697920	0100	11911 NORTH CREEK PKWY
697920	0230	19201 120TH AVE NE
697920	0240	19017 120TH AVE NE
697920	0241	18939 120TH AVE NE
697920	0250	18943 120TH AVE NE
697920	0260	18715 120TH AVE NE
697920	0320	19204 NORTH CREEK PKWY
697930	0010	18912 NORTH CREEK PKWY
697930	0020	18916 NORTH CREEK PKWY
697930	0030	18804 NORTH CREEK PKWY
697930	0040	18702 NORTH CREEK PKWY
697930	0050	18706 NORTH CREEK PKWY
697930	0060	11804 NORTH CREEK PKWY

Major	Minor	AddrLine
332605	9243	10801 120TH AVE NE
389060	0030	11335 NE 122ND WAY
389060	0040	12020 113TH AVE NE
389060	0050	12025 115TH AVE NE
389060	0060	12015 115TH AVE NE
389060	0070	12112 115TH AVE NE
389060	0080	12040 115TH AVE NE
389060	0090	12112 115TH AVE NE
389060	0100	11430 115TH AVE NE
389060	0110	11814 115TH AVE NE
389060	0120	11429 NE 120TH ST
389060	0130	11511 NE 118TH ST
389060	0140	11533 NE 118TH ST
389060	0160	11311 NE 120TH ST
389060	0170	11321 NE 120TH ST
389060	0190	12220 113TH AVE NE
389310	0921	10809 120TH AVE NE