

Executive Summary Report

Appraisal Date 1/1/2008 – 2008 Assessment Roll

Specialty Name: Warehouses

Sales - Improved Summary:

Number of Sales: 34

Range of Sale Dates: 1/01/2005 – 12/31/2007

Sales – Ratio Study Summary:

	Mean Assessed Value	Mean Sale Price	Ratio	COV
2007 Value	\$15,905,300	\$18,634,600	85.4%	14.64%
2008 Value	\$17,820,800	\$18,634,600	95.6%	9.65%
Change	+\$1,915,500		+10.2%	-4.99%
%Change	+12.04%		+11.94%	34.08%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -4.99% actually represent an improvement.

Sales used in Analysis: All improved sales that were verified as fair market transactions were included in the analysis.

The Ratio Study Summary indicates a weighted mean ratio that is within the IAAO recommended standards. All other performance measures are also within IAAO guidelines.

Population - Parcel Summary Data:

	Land	Imps	Total
2007 Value	\$1,007,336,400	\$2,007,314,700	\$3,014,651,100
2008 Value	\$1,233,323,500	\$2,062,640,200	\$3,295,963,700
Percent Change	+22.43%	+2.76%	+9.33%

Number of Parcels in the Population: 289

Conclusion and Recommendation:

Since the values recommended in this report improve uniformity, assessment level and equity, we recommend posting them for the 2008 Assessment Roll.

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

Highest and Best Use

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

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

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

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

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

Date of Value Estimate

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

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

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
13. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010. 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.*
14. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Scope of Work Performed:

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

CERTIFICATION:

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

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

Appraiser II
State General Certified
License #1100951

Analysis Process

Effective Date of Appraisal: January 1, 2008

Date of Appraisal Report: June 5, 2008

The following appraiser did the valuation for this specialty area:

Sheri Elford
Commercial Appraiser II
State General Certified
License #1100951

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 of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in our records and considered in the valuation of the specific parcel.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000.00 is assigned to the improvements.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

The following Departmental guidelines were considered and adhered to:

- Sales from 1-1-2005 to 12-31-2007 (at minimum) were considered in all analyses.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of three years of market information without time adjustments averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Area 500

This report contains data pertinent to the revalue of major warehouse facilities. Specialty Area 500 encompasses all distribution, transit and storage as well as light industrial facilities with building area greater than or equal to 100,000 net rentable square footage located in King County. It is divided into five neighborhoods. Significant concentrations, 71%, are located in the South End of the county. All warehouse specialty properties were revalued this year.

Boundaries:

The properties are located throughout King County.

Maps:

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

Area Description:

Larger warehouses in King County have been segmented into five regions. These regions are described by their geographic location. Many of the warehouses are designed for storage. Typically office space is between 3% and 12% of the total area. Distribution warehouses will have larger office/sales areas, approximately 15% to 20%, to

accommodate breakdown and transshipment. Transit warehouses are designed for loading, freight segregation and closed storage.

A brief description of the neighborhoods follows.

South King County: (Approximately 71% of the warehouse specialty population is located here)

Specialty Area 500-25 includes Tukwila, Sea Tac, Renton and the northern portion of the Kent Valley (north of South 190th Street). Distribution warehouses dominate this area. The Kent Valley was introduced to revisions for a new flood plain map from the Federal Emergency Management Agency (FEMA). Areas near the Green River, Renton, Kent and Auburn would be impacted as the flood plain could double. One possible outcome from the implementation would require new development to be lifted 4-13 ft. above the current elevation to meet the new standards.¹

The warehouses near Southcenter consist of many display sections for merchandise. Examples would be Macys Warehouse and United Furniture. In SeaTac, two new warehouses (total 244,800 square feet) are being built at Prologis Park. A significant sale occurred at 4001 Oaksdale Ave SW in Renton for a total of \$49,600,000 for 534,106 square feet of warehouse space (\$93 a square foot).

Specialty Area 500-35 includes Auburn, Pacific, Algona, and Enumclaw. There are a large number of industrial parks offering a variety of available space for the particular needs of individual tenants, as well as many stand alone industrial concerns that have been built to individual specifications. Property types include incubator space, major cold storage, and distribution facilities.

Two new projects occurred in Auburn. A 204,458 square foot distribution warehouse at Auburn Park 44 was completed in 2007. Auburn Park 277, at 4810 D St NW, is a 141,970 square foot warehouse that is currently under construction.

In 2007 there were two Auburn sales. The first occurred on 9/27/2007. It was a 109,584 square foot warehouse located at 2306 B Street NW (\$87 a square foot). The other occurred on 11/9/2007 at 2002 West Valley Highway. It totaled 167,023 square feet in 2 buildings. The sales price was \$12,550,000 (\$75 a square foot).

Specialty Area 500-45 includes the Kent Valley (south of South 190th Street). Distribution warehouses predominate, yet manufacturing concerns, food service and cold storage warehouses are found throughout this area. The Kent Valley continues to be the location for new warehouse construction due to the high demand.

¹ CBRE, 4th Quarter, page 1.

Segale Properties built a second Pacific Gateway Division I building in Kent this year. It is a 434,002 square foot distribution situated on 19.74 acres. The Scola Family also finished building a distribution warehouse with 135,300 square feet in Kent. It is on 7.29 acres.

There was only one 2007 market sale of larger warehouses in this neighborhood. It occurred at 6205 So 231st St in Kent. It was 115,004 square feet and sold for \$11,350,000 (\$99 a square foot).

Seattle/Close-In: (Approximately 18% of the warehouse specialty population is located here)

Specialty Area 500-60 is located primarily south of Safeco Field (Sodo district), and along both sides of the Duwamish Waterway and makes up the heart of Seattle's historic industrial area. This area contains a mixture of industrial processing facilities, distribution warehouses, and truck terminals. Demand has remained high with influence from the Port of Seattle, Safeco Field, and Qwest field. The close-in market remains the tightest with a 3-7% vacancy rate due to lack of available land.

The Sodo-Seattle district is rapidly being redeveloped. Several old buildings have been bought and bulldozed to make way for new projects. This is causing the Seattle industrial market to raise rents. On Dec 17, 2007 the City Council adopted legislation that limits office and certain retail uses in General Industrial (IG1 and IG2) zones. Within the IG1 zone, a maximum size of 10,000 square feet will be allowed for stand-alone offices or retail stores. Within the IG2 zone, office and other commercial uses will be limited to 25,000 square feet. These limits do not apply to office and retail uses that are accessory to an industrial use. They also adopted a companion resolution that calls for wide-range studies about how the city, through regulations and other initiatives, can help retain and attract new industry and keep Seattle's industrial population

The Washington State Liquor Board added a new 60,151 square foot building at 4401 East Marginal Way So. It was completed in 2007.

The large Associated Grocer, site which has several wholesale distribution centers, was put on the market in December 2006. The Sabey Corporation purchased the 55.27-acre site on 4/19/2007 for \$91,000,000 (\$90 a square foot). It is located at the south end of Boeing field and is one of the largest industrial sites within Seattle city limits. Associated Grocers will continue to lease its headquarters for up to 4 years while it relocates to a new site.

East King County: (Approximately 11% of the warehouse specialty population is located here)

Specialty Area 500-80 represents the vast geographical area of the Eastside. This area includes Bellevue, Preston, Snoqualmie, Kirkland, Redmond, Bothell, and Woodinville.

This area has benefited from population growth and high technology companies. Newer warehouses can be seen in this area. The eastside industrial market improved over 2007. Rents increased and vacancies dropped. The vacancy rates have declined from 9% to 8%.

There were two market sales involving larger warehouses. The Safeway property, east of I-405 in Bellevue, was sold on 5/1/2007 for \$68,000,000 or \$103 per square foot of warehouse space. The sale included 670,619 square feet of older warehouse space and 36 acres of prime Bellevue industrial land. The buyer intends to lease out the existing warehouses and then redevelop the property in phases over the span of a number of years. Another sale occurred on 8/1/2007 at 12521 128th Lane NW in Kirkland. It is a 171,684 sq ft warehouse built in 1996. It sold for \$18,700,000 at \$109 per square foot.

A new warehouse is coming to the eastside in Snoqualmie in the coming year. It will be located in the Snoqualmie Ridge area. The supply of industrial zoned land available for development is minimal on the eastside.

Puget Sound Warehouse Economic Conditions

Seattle is listed among the top 10 U.S. markets for investment in industrial properties, according to a Global Real Estate Forecast released by Grubb & Ellis Co., a commercial real estate firm based in California. The industrial market remains healthier than expected.² Large amounts of investment capital have kept the warehouse sales coming. Pension Funds, Real Estate Investment Trusts, and private investors have been the main buyers of large warehouses.

The close proximity to the ports, airports and railroads (global trade) increase demand for distribution and warehouse space. The falling dollar has made our exports more competitive. Another factor is when retail slows with the economy, warehouse and distribution space is needed to store inventory.

There were eight newly constructed warehouses over 100,000 square feet that were completed in 2007 and several more are currently under construction. They are located mainly in the south end of the County. The trend towards bigger warehouses is continuing. There is a demand for higher clearing heights for stacking goods and more loading in the new big-box distribution centers.

Two different building materials used to construct warehouses, tilt-wall concrete and prefabricated metal construction, have evolved from ugly and boxy to more polished. Stone and brick are used as exterior coverings. The tilt-wall is more durable, has built in noise reduction, and better fire protection. The advantage of the metal building is that it is more environmentally friendly. These metal buildings are 100 percent recyclable.

² Puget Sound Journal, February 1-7, 2008

Large demand and limited construction in King County, due to increasing land values, has produced a tight warehouse market. Over the last two years, land prices have risen as high as 60% and raw construction costs have risen 20%.³ High demands are commanding increasing rates as tenants are willing to pay a premium to keep their current address. Through 2007, we have seen rental rates continue to increase and landlord concessions go down.⁴ Most industrial rents are based on a triple net basis, meaning the tenant pays for such operating costs as real estate taxes, insurance, and building maintenance.

According to CB Richard Ellis, typical building values ranges are:

Seattle Close-in	\$75-\$150	per square foot
Kent Valley	\$60-\$120	per square foot
Eastside	\$80-\$130 ⁵	per square foot

There has been a drop in vacancy rates from 2006 to 2007.⁶ The overall vacancy rate is the lowest it has been since 2000.

Over the past 12 months, enthusiastic buyers pushed the median price up more than 20% to \$97 per square foot. Rapid price appreciation caused average cap rates to trend down to the low-to-mid 6 percent range for the year.⁷

Physical Inspection Identification:

The physically inspected neighborhoods were the Eastside area (500-80) and a portion of the Auburn area (500-35).

Preliminary Ratio Analysis

A Ratio Study was completed just prior to the application of the 2008 recommended values. This study benchmarks the current assessment level using 2007 posted values. The study was also repeated after application of the 2008 recommended values. The results are included in the validation section of this report, showing an improvement in the Coefficient of Variation (COV) from 14.64 % to 9.65 %.

³ NAI Puget Sound Properties, 3rd Quarter, page 1

⁴ NAI Puget Sound Properties, 3rd Quarter, page 1

⁵ CBRE, 4th Quarter 2007, pg. 5

⁶ CBRE, 4th Quarter 2007, pg. 1

⁷ Marcus & Millichap 2007 Annual Report, page 31

Scope of Data

Land Value

Land Sales, Analysis, Conclusions

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

Improved Parcel Total Values:

Sales Comparison Approach model description

Improved warehouse sales for Area 500 were verified by the specialty appraiser and entered into the Real Property Sales application. The sales used range in date from 01/01/2005 to 12/31/2007. Verification consisted of contact with Buyer, Seller or Broker if possible or information from the COMPS InfoSystem, Inc., real estate sales verification service. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, and the competitive position of the property were also gathered. Sales were then compared to similar properties for valuation.

Sales comparison calibration

Calibration of the coefficients utilized in the models applied via the sales comparison approach was established by an analysis of sales within each neighborhood. Individual prices were applied based on various characteristics deemed appropriate by each market. Specific variables and prices for each neighborhood are discussed in more detail above. There were 34 improved sales within the Warehouse Specialty dating from 1/1/2005 to 12/31/2007. The sales comparison approach was given considerable weight, but the income approach was used in the final reconciliation of value to provide equalization and uniformity of values.

Cost Approach model description

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. The Marshall & Swift cost calculations are automatically calibrated to the data in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older warehouse properties, and the rapidly accelerating land values and construction costs in the current market, this approach to value was given the least weight in the final reconciliation of values. Cost estimates were relied upon for valuing on going

new construction where comparable sales data and/or sufficient income and expense information is not available.

Cost calibration

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

Income Capitalization Approach model description

The income approach is considered the most reliable approach to valuation in area 500 where relevant income and expense data is available to ascertain market rates. During the sales verification process, an attempt is made to obtain income and expense data from the parties involved in the transactions through interviews or via mail. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are surveyed to collect similar data. Disclosure of this information is not required by law and therefore is often difficult to obtain. The return rate of mail surveys varies and the data can be incomplete. Telephone interviews are dependent upon obtaining a valid number for a knowledgeable party and the opportunity to contact them. Interviews with tenants in the field usually yield rental and expense information only. As a supplement, lease information is gathered from Costar and other websites. In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. The following table recaps the capitalization rates as reported by these publications.

The table demonstrates ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market of industrial properties to develop the income model. The published warehouse capitalization rates indicate that the rates from the Seattle/King County are generally lower than the national rates.

Source	Date	Location	Industrial	Remarks
Colliers Private Capital News	Summer 2007	Puget Sound	6.52%	Transaction size \$1-15M
Boulder Net Lease Funds	2Q 2007	State	7.71%	

LLC				
Real Capital Analytics	January 2008	National	6.46%	Weighted Average
Korpacz: PWC	4Q 2007	National	6.48%-7.60%	
Puget Sound Business Journal	December 2007	Seattle	6.3%	From Real Capital Analytics, Inc.
IRR Viewpoint for 2008	January 2008	Seattle	6.25%-7.49%	Institutional Grade Properties
Emerging Trends in Real Estate	October 2007	National	6.25%-6.71%	Rates as of July 2007
Grubb & Ellis Forecast 2008	1Q 2008	Seattle	6.50%	Transactions greater than \$5 million- from Real Capital Analytics

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

Income approach calibration

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

PROPERTY TYPE	OVERALL RENT RANGE	TYPICAL RENT RANGE	VACANCY	EXPENSE RATE *	OAR RANGE
Storage Cold storage Garage Service Showroom Industrial Distribution	\$3.36 to \$9.00	\$3.36 to \$8.25	5% to 8%	12%	6.50% to 8.00%
Warehouse Office Mezzanine Office Showroom Store	\$7.20 to \$19.00	\$7.20 to \$17.00	5% to 8%	12%	6.50% to 8.00%

* Warehouses are typically leased on triple net basis.

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

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

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

Application of the total value model, described above, results in improved equity between individual properties. This is shown by the improvement in the C.O.V. from 14.64% to 9.65%. In addition, the resulting assessment level improved from 85.4% to 95.6%. This

falls within IAAO performance guidelines. These figures are presented in the 2007 and 2008 Ratio Analysis charts included in this report.

The total assessed value for the 2007 assessment year for Area 500 was \$3,014,651,100. The total recommended assessed value for the 2008 assessment year is \$3,295,963,700. Application of these recommended values for the 2008 assessment year results in a total change from the 2007 assessments of + 9.33%.

Area 500 -000
Warehouses>100,000 sq ft
2007 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
000460-0044	5,705,200	9,500,000	9/27/2007	0.6005	0.3203
012204-9016	12,234,800	13,500,000	1/1/2006	0.9063	0.0146
012204-9045	47,417,500	57,400,000	9/15/2005	0.8261	0.0948
012204-9055	4,874,000	5,050,000	3/17/2005	0.9651	0.0443
022330-0010	8,760,500	9,737,115	3/15/2006	0.8997	0.0212
030151-0050	13,535,400	14,482,384	4/5/2005	0.9346	0.0137
072205-9093	3,999,400	3,875,000	9/19/2005	1.0321	0.1112
109910-0102	39,828,700	68,000,000	5/1/2007	0.5857	0.3352
112204-9080	30,285,200	33,000,000	1/12/2005	0.9177	0.0032
122104-9017	53,946,000	53,900,000	11/16/2005	1.0009	0.0800
122104-9035	8,493,300	12,550,000	11/9/2007	0.6768	0.2441
122204-9012	9,202,100	9,025,000	8/1/2005	1.0196	0.0987
122204-9109	6,347,400	6,874,000	9/1/2005	0.9234	0.0025
122204-9113	5,207,600	5,000,000	2/1/2005	1.0415	0.1206
125370-0350	22,414,100	22,000,000	9/1/2005	1.0188	0.0979
125381-0010	7,234,000	8,200,000	6/28/2006	0.8822	0.0387
132204-9062	8,582,200	8,650,000	3/11/2005	0.9922	0.0713
132204-9218	6,280,900	6,000,000	1/25/2005	1.0468	0.1259
221295-0080	22,117,000	25,000,000	2/24/2005	0.8847	0.0362
232973-0020	12,520,100	12,410,000	8/23/2005	1.0089	0.0880
242104-9019	11,656,600	12,081,909	4/5/2005	0.9648	0.0439
252104-9049	18,792,000	19,100,000	6/29/2006	0.9839	0.0630
252304-9064	9,221,300	9,013,752	4/18/2005	1.0230	0.1021
352304-9110	9,193,600	12,311,000	3/23/2006	0.7468	0.1741
357320-0005	8,118,400	8,900,000	6/27/2006	0.9122	0.0087
362304-9032	37,567,800	49,600,000	1/16/2007	0.7574	0.1635
395890-0851	8,030,900	9,800,000	3/26/2007	0.8195	0.1014
617290-0005	26,636,100	33,450,000	3/31/2006	0.7963	0.1246
788880-0400	8,715,000	9,000,000	1/12/2005	0.9683	0.0474
788890-0130	7,211,400	7,443,000	12/14/2005	0.9689	0.0480
866335-0100	13,969,100	18,700,000	8/1/2007	0.7470	0.1739
880200-0010	39,673,800	43,200,000	8/22/2005	0.9184	0.0025
883660-0140	5,627,100	5,474,597	1/14/2005	1.0279	0.1070
887980-0200	7,380,000	11,350,000	12/21/2007	0.6502	0.2707

Area 500 -000
Warehouses>100,000 sq ft
2007 Assessment Year

Quadrant/Crew: North Crew	Lien Date: 1/1/2007	Date: 6/2/2008	Sales Dates: 1/1/05 - 12/31/07
Area 500-WAREHOUSES	Appr ID: SELF	Prop Type: Improvement	Trend used?: Y / N N
SAMPLE STATISTICS			
Sample size (n)	34		
Mean Assessed Value	15,905,300		
Mean Sales Price	18,634,600		
Standard Deviation AV	13,454,554		
Standard Deviation SP	16,953,901		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.896		
Median Ratio	0.921		
Weighted Mean Ratio	0.854		
UNIFORMITY			
Lowest ratio	0.5857		
Highest ratio:	1.0468		
Coefficient of Dispersion	10.84%		
Standard Deviation	0.1311		
Coefficient of Variation	14.64%		
Price-related Differential	1.05		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.882		
Upper limit	0.984		
95% Confidence: Mean			
Lower limit	0.851		
Upper limit	0.940		
SAMPLE SIZE EVALUATION			
N (population size)	258		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1311		
Recommended minimum:	25		
Actual sample size:	34		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	12		
# ratios above mean:	22		
z:	1.543487266		
Conclusion:	Normal*		

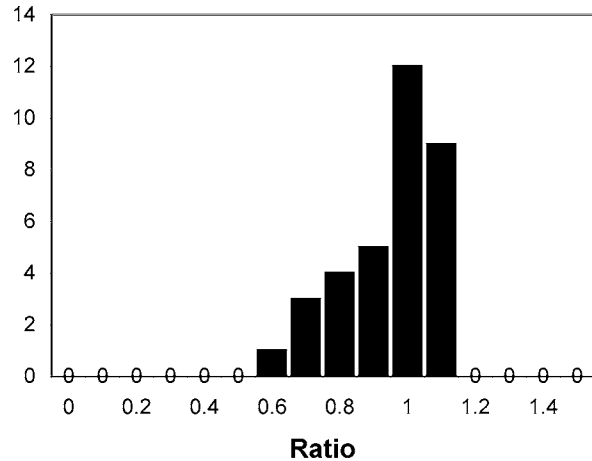
Ratio Frequency

Ratio Range	Frequency
0.5 - 0.6	1
0.6 - 0.7	3
0.7 - 0.8	4
0.8 - 0.9	5
0.9 - 1.0	12
1.0 - 1.1	9
1.1 - 1.2	0
1.2 - 1.3	0
1.3 - 1.4	0

These figures reflect measurements before posting new values.

*i.e., no evidence of non-normality

Ratio Frequency



These figures reflect measurements before posting new values.

Area 500 -000
Warehouses>100,000 sq ft
2008 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
000460-0044	7,869,500	9,500,000	9/27/2007	0.8284	0.1646
012204-9016	12,344,100	13,500,000	1/1/2006	0.9144	0.0786
012204-9045	51,205,300	57,400,000	9/15/2005	0.8921	0.1009
012204-9055	5,143,700	5,050,000	3/17/2005	1.0186	0.0256
022330-0010	9,085,000	9,737,115	3/15/2006	0.9330	0.0599
030151-0050	14,863,200	14,482,384	4/5/2005	1.0263	0.0333
072205-9093	4,189,000	3,875,000	9/19/2005	1.0810	0.0881
109910-0102	62,744,800	68,000,000	5/1/2007	0.9227	0.0702
112204-9080	33,906,300	33,000,000	1/12/2005	1.0275	0.0345
122104-9017	55,897,200	53,900,000	11/16/2005	1.0371	0.0441
122104-9035	10,460,400	12,550,000	11/9/2007	0.8335	0.1595
122204-9012	9,602,500	9,025,000	8/1/2005	1.0640	0.0710
122204-9109	6,645,700	6,874,000	9/1/2005	0.9668	0.0262
122204-9113	5,414,300	5,000,000	2/1/2005	1.0829	0.0899
125370-0350	22,013,900	22,000,000	9/1/2005	1.0006	0.0077
125381-0010	7,630,700	8,200,000	6/28/2006	0.9306	0.0624
132204-9062	8,936,200	8,650,000	3/11/2005	1.0331	0.0401
132204-9218	6,596,700	6,000,000	1/25/2005	1.0995	0.1065
221295-0080	23,091,500	25,000,000	2/24/2005	0.9237	0.0693
232973-0020	13,425,000	12,410,000	8/23/2005	1.0818	0.0888
242104-9019	13,082,400	12,081,909	4/5/2005	1.0828	0.0898
252104-9049	18,819,100	19,100,000	6/29/2006	0.9853	0.0077
252304-9064	9,676,300	9,013,752	4/18/2005	1.0735	0.0805
352304-9110	10,387,400	12,311,000	3/23/2006	0.8437	0.1492
357320-0005	8,941,900	8,900,000	6/27/2006	1.0047	0.0117
362304-9032	43,067,300	49,600,000	1/16/2007	0.8683	0.1247
395890-0851	8,892,600	9,800,000	3/26/2007	0.9074	0.0856
617290-0005	30,569,600	33,450,000	3/31/2006	0.9139	0.0791
788880-0400	9,442,100	9,000,000	1/12/2005	1.0491	0.0562
788890-0130	8,545,000	7,443,000	12/14/2005	1.1481	0.1551
866335-0100	16,280,600	18,700,000	8/1/2007	0.8706	0.1223
880200-0010	42,538,200	43,200,000	8/22/2005	0.9847	0.0083
883660-0140	5,916,000	5,474,597	1/14/2005	1.0806	0.0877
887980-0200	8,683,300	11,350,000	12/21/2007	0.7650	0.2279

Area 500 -000
Warehouses>100,000 sq ft
2008 Assessment Year

Quadrant/Crew: North Crew	Lien Date: 1/1/2008	Date: 6/2/2008	Sales Dates: 1/1/05 - 12/31/07																
Area 500-WAREHOUSES	Appr ID: SELF	Prop Type: Improvement	Trend used?: Y / N N																
SAMPLE STATISTICS		<div>Ratio Frequency</div> <table border="1"><caption>Histogram Data</caption><thead><tr><th>Ratio</th><th>Frequency</th></tr></thead><tbody><tr><td>0.8</td><td>1</td></tr><tr><td>0.9</td><td>6</td></tr><tr><td>1.0</td><td>10</td></tr><tr><td>1.1</td><td>16</td></tr><tr><td>1.2</td><td>1</td></tr><tr><td>1.3</td><td>0</td></tr><tr><td>1.4</td><td>0</td></tr></tbody></table> <div>These figures reflect measurements <u>after</u> posting new values.</div>		Ratio	Frequency	0.8	1	0.9	6	1.0	10	1.1	16	1.2	1	1.3	0	1.4	0
Ratio	Frequency																		
0.8	1																		
0.9	6																		
1.0	10																		
1.1	16																		
1.2	1																		
1.3	0																		
1.4	0																		
Sample size (n)	34																		
Mean Assessed Value	17,820,800																		
Mean Sales Price	18,634,600																		
Standard Deviation AV	15,834,477																		
Standard Deviation SP	16,953,901																		
ASSESSMENT LEVEL																			
Arithmetic mean ratio	0.979																		
Median Ratio	0.993																		
Weighted Mean Ratio	0.956																		
UNIFORMITY																			
Lowest ratio	0.7650																		
Highest ratio:	1.1481																		
Coefficient of Dispersion	8.02%																		
Standard Deviation	0.0945																		
Coefficient of Variation	9.65%																		
Price-related Differential	1.02																		
RELIABILITY																			
95% Confidence: Median																			
Lower limit	0.923																		
Upper limit	1.037																		
95% Confidence: Mean																			
Lower limit	0.947																		
Upper limit	1.010																		
SAMPLE SIZE EVALUATION																			
N (population size)	258																		
B (acceptable error - in decimal)	0.05																		
S (estimated from this sample)	0.0945																		
Recommended minimum:	14																		
Actual sample size:	34																		
Conclusion:	OK																		
NORMALITY																			
Binomial Test																			
# ratios below mean:	15																		
# ratios above mean:	19																		
z:	0.514495755																		
Conclusion:	Normal*																		
*i.e., no evidence of non-normality																			

Improvement Sales for Area 500 with Sales Used

07/08/2008

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
500	035	000460	0044	109,585	2314377	\$9,500,000	09/27/07	\$86.69	INTEGRIS METALS INDUSTRIAL/M	M1	1	Y	
500	045	012204	9016	228,044	2179821	\$13,500,000	01/01/06	\$59.20	EAST VALLEY DISTRIBUTION CEN	M2	1	Y	
500	045	012204	9045	960,302	2154667	\$57,400,000	09/15/05	\$59.77	VALLEY INDUSTRIAL PARK (BUILD	M2	2	Y	
500	045	012204	9055	113,760	2108920	\$5,050,000	03/17/05	\$44.39	STERNOFF BUILDING	M2	1	Y	
500	025	022330	0010	162,450	2192696	\$9,737,115	03/15/06	\$59.94	ANDOVER DISTRIBUTION CENTER	TUC	1	Y	
500	035	030151	0050	263,155	2113926	\$14,482,384	04/05/05	\$55.03	PACIFIC GULF DISTRIBUTION CEN	M1	1	Y	
500	045	072205	9093	101,400	2155659	\$3,875,000	09/19/05	\$38.21	WILSONART	M2	1	Y	
500	080	109910	0102	660,220	2281789	\$68,000,000	05/01/07	\$103.00	DISTRIBUTION CENTER	LI	1	Y	
500	045	112204	9080	532,659	2095764	\$33,000,000	01/12/05	\$61.95	ALDARRA CORPORATE PARK I	M1-C	7	Y	
500	035	122104	9017	951,328	2169746	\$53,900,000	11/16/05	\$56.66	UPS SUPPLY CHAIN SOLUTIONS	M2	2	Y	
500	035	122104	9035	167,023	2320356	\$12,550,000	11/09/07	\$75.14	WHITE RIVER PARK	M1	1	Y	
500	045	122204	9012	180,010	2143736	\$9,025,000	08/01/05	\$50.14	WAREHOUSE	M1	1	Y	
500	045	122204	9109	106,910	2152171	\$6,874,000	09/01/05	\$64.30	BENAROYA AT SOUTH 216TH	M3	1	Y	
500	045	122204	9113	124,972	2099740	\$5,000,000	02/01/05	\$40.01	NORTHROP DISTRIBUTION CENTE	M1	1	Y	
500	045	125370	0350	365,040	2151965	\$22,000,000	09/01/05	\$60.27	ASSOCIATED GROCERS	M2	1	Y	
500	025	125381	0010	118,176	2220280	\$8,200,000	06/28/06	\$69.39	RELIABLE DISTRIBUTERS	IL	1	Y	
500	045	132204	9062	178,400	2107106	\$8,650,000	03/11/05	\$48.49	234 DISTRIBUTION CENTER	M1	1	Y	
500	045	132204	9218	106,480	2099931	\$6,000,000	01/25/05	\$56.35	INTERGRIS METAL BUILDING	M3	1	Y	
500	080	221295	0080	198,094	2104953	\$25,000,000	02/24/05	\$126.20	GENIE INDUSTRIES BUILDING #3)	MP	4	Y	
500	035	232973	0020	207,816	2154175	\$12,410,000	08/23/05	\$59.72	EMERALD CORPORATE PARK - BL	M1	1	Y	
500	035	242104	9019	206,001	2113925	\$12,081,909	04/05/05	\$58.65	DYNACRAFT	M1	1	Y	
500	035	252104	9049	287,889	2220121	\$19,100,000	06/29/06	\$66.35	KG WAREHOUSE.	M1	4	Y	
500	025	252304	9064	181,725	2116488	\$9,013,752	04/18/05	\$49.60	ALLPAK CONTAINER CORP	IH	1	Y	
500	025	352304	9110	188,640	2194429	\$12,311,000	03/23/06	\$65.26	WAREHOUSE	TUC	2	Y	
500	060	357320	0005	104,786	2218083	\$8,900,000	06/27/06	\$84.94	BARTELL DRUGS	IG1 U/8	1	Y	
500	025	362304	9032	534,106	2261220	\$49,600,000	01/16/07	\$92.87	OAKESDALE BUSINESS CAMPUS	IM	3	Y	
500	060	395890	0851	100,780	2274000	\$9,800,000	03/26/07	\$97.24	WAREHOUSE/DISTRIBUTION	IG1 U/8	1	Y	
500	060	617290	0005	353,714	2196518	\$33,450,000	03/31/06	\$94.57	SEATTLE LIGHTING / MSR	IG1 U/8	3	Y	
500	025	788880	0400	180,832	2095762	\$9,000,000	01/12/05	\$49.77	ALDARRA DISTRIBUTION FACILITY	M2	1	Y	
500	025	788890	0130	130,640	2175302	\$7,443,000	12/14/05	\$56.97	SOUND FLOOR COVERINGS	C/LI	1	Y	
500	080	866335	0100	171,684	2302286	\$18,700,000	08/01/07	\$108.92	TOTEM LAKE COMMERCE CENTE	LIT	1	Y	
500	080	880200	0010	429,413	2149325	\$43,200,000	08/22/05	\$100.60	UNDERWOOD JOHNSON 188 (GEN	MP	3	Y	
500	025	883660	0140	103,000	2096230	\$5,474,597	01/14/05	\$53.15	WEST VALLEY DISTRIBUTION CEN	M1	2	Y	
500	045	887980	0200	115,004	2325900	\$11,350,000	12/21/07	\$98.69	VAN DOREN BLDG. E	M1	1	Y	

Improvement Sales for Area 500 with Sales not Used

07/08/2008

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
500	025	125381	0270	171,710	2261284	\$7,271,100	01/11/07	\$42.35	SPRINGBROOK WAREHOUSE	IL	1	11	Corporate affiliates
500	025	352304	9093	299,280	2290163	\$26,000,000	06/01/07	\$86.88	SOUTHCENTER WEST BUSINESS	TUC	4	15	No market exposure
500	035	132104	9019	286,450	2137006	\$5,000	05/25/05	\$0.02	AUBURN 18 DISTRIBUTION CENTE	M1	1	24	Easement or right-of-way
500	035	232973	0010	108,636	2167038	\$11,500,000	11/03/05	\$105.86	FED-EX Distribution Center	M1	1	2	1031 trade
500	045	122204	9005	238,357	2128233	\$7,800,000	06/03/05	\$32.72	JOHNS MANVILLE	M3	3	36	Plottage
500	045	122204	9013	307,758	2109816	\$15,196,539	03/17/05	\$49.38	O'DONNELL BUSINESS PARK	M1	1	11	Corporate affiliates
500	045	122204	9060	115,920	2290160	\$20,000,000	06/01/07	\$172.53	MILLCREEK DISTRIBUTION CENTE	M3	2	15	No market exposure
500	045	261100	0020	132,125	2290166	\$12,000,000	06/01/07	\$90.82	VALLEY FREEWAY BUSINESS CEN	M2	1	15	No market exposure
500	060	182404	9060	176,031	2113923	\$11,836,281	04/05/05	\$67.24	CITY COMMERCE PARK	IG1 U/8	1	N	
500	060	357320	0130	280,800	2110928	\$5,000,000	03/28/05	\$17.81	GOVERNMENT WHSE	IG1 U/8	1	57	Selling or buying costs affecting sa
500	060	766620	3440	107,813	2278362	\$13,500,000	04/11/07	\$125.22	MACMILLAN-PIPER	IG1 U/8	1	2	1031 trade
500	060	766670	3967	101,196	2248560	\$5,500,000	11/02/06	\$54.35	PUGET SOUND -terminal 7 B	IG1 U/8	1	15	No market exposure
500	080	221295	0080	198,094	2109658	\$3,153,150	03/15/05	\$15.92	GENIE INDUSTRIES BUILDING #3	MP	2	11	Corporate affiliates
500	080	221295	0080	198,094	2113321	\$198,788	03/31/05	\$1.00	GENIE INDUSTRIES BUILDING #3	MP	3	11	Corporate affiliates
500	080	221295	0080	198,094	2108602	\$2,661,450	03/15/05	\$6.58	GENIE INDUSTRIES BUILDING #3	MP	4	11	Corporate affiliates
500	080	221295	0080	198,094	2113324	\$1,304,277	03/31/05	\$13.44	GENIE INDUSTRIES BUILDING #3	MP	3	11	Corporate affiliates
500	080	866335	0100	164,954	2120714	\$11,625,000	04/30/05	\$70.47	TOTEM LAKE COMMERCE CENTE	LI	1	22	Partial interest (1/3, 1/2, etc.)