



King County

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Lloyd Hara
Assessor

As we start preparations for the 2012 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

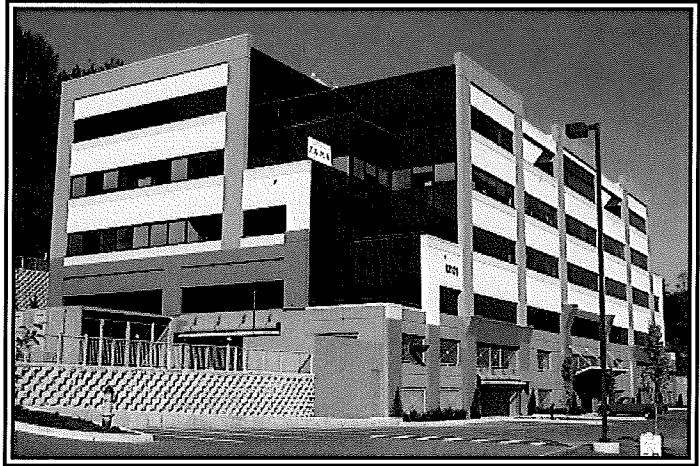
Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties;
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP;
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Time adjust sales to January 1, 2012 in conformance with generally accepted appraisal practices.
- Prepare written reports in compliance with USPAP Standard 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Lloyd Hara
King County Assessor

2012 ANNUAL REVALUE REPORT

KING COUNTY DEPARTMENT OF ASSESSMENTS HIGH-TECH/FLEX PROPERTIES



Executive Summary Report

Appraisal Date 1/1/12 - 2013 Assessment Roll

Specialty Name: High-Tech/Flex Properties

Sales – Improved Analysis Summary

- Number of Sales: 11
- Range of Sales Dates: 6/3/2009 - 1/31/2012

Of the eleven valid improved sales, five occurred after the previous assessment date of 1/1/2011. No ratio study was included within this report due to the small number and locations of sales relative to the overall size and dispersal of the specialty population.

Land values were provided by the appraiser for each geographical area and adjustments were made to total values.

While the Sales Comparison Approach was given some weight, the Income Approach was used in final reconciliation of value, as it allows greater equalization and uniformity of values among the various stratifications within the high-tech/flex classification, and because market income data as of the valuation date is reasonably available. Current market income parameters, including slightly higher capitalization rates in some areas, suggest a slight decline in the overall high-tech/flex market as of 01/01/2012 as compared to 01/01/2011 values. Industry data for high-tech/flex properties was used to make overall downward adjustments of approximately 0.14%.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2011 Value	\$1,018,528,400	\$1,890,091,400	\$2,908,619,800
2012 Value	\$993,314,400	\$1,911,151,300	\$2,904,465,700
Percent Change	-2.54%	+1.01%	-0.14%

- Number of Parcels in the population: 225

Conclusion and Recommendation:

Assessed values for the 2012 revalue have decreased on average of 0.14%.

The values recommended in this report improve uniformity and equity; therefore it is recommended they should be posted for the 2012 Assessment Year.

Analysis Process

Specialty and Responsible Appraiser

- Specialty Area – 510 - High-Tech/Flex Properties
- The following Appraiser did the valuation for this specialty assessment:

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.

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

- **Name or Designation:** High-Tech/Flex Properties
- **Boundaries:** The properties are located throughout King County but are predominantly situated between Redmond and Bothell/North Creek.

Maps:

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

Property 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. The corporate offices of Microsoft, Nintendo, Safeco, and Eddie Bauer are included. The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% 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.

Area Description:

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).

Within the High-Tech/Flex specialty assignment (Area 510), there are seven neighborhoods (Neighborhoods 10 through 70) totaling 225 parcels that have been established for valuation purposes. Of the 225 parcels, approximately 203 parcels are improved and 22 parcels are vacant.

The 22 vacant parcels are typically viewed as contributing economic units to contiguous improved parcels.

- Neighborhood 510-10:** Neighborhood 510-10 is defined as those High-Tech/Flex buildings located within the Bothell (North Creek) and Woodinville neighborhoods. Within geographic area 510-10, there are 23 parcels that are part of the High-Tech/Flex specialty.
- 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 48 parcels that are part of the High-Tech/Flex specialty.
- 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 46 parcels that are part of the High-Tech/Flex specialty.
- Neighborhood 510-40:** Neighborhood 510-40 is defined as those High-Tech/Flex buildings located within Kirkland (Totem Lake) neighborhood. Within geographic area 510-40, there are 16 parcels that are part of the High-Tech/Flex specialty.
- 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 72 parcels that are part of the High-Tech/Flex specialty.
- Neighborhood 510-60:** Neighborhood 510-60 is defined as those High-Tech/Flex buildings located within the Issaquah neighborhood. Within geographic area 510-60, there are 7 parcels that are part of the High-Tech/Flex specialty.
- 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. Within geographic area 520-70, there are 13 parcels that are part of the High-Tech/Flex specialty.

Improved Parcel Total Values

Historic Economic Conditions:

During the five years preceding 2009, the Puget Sound real estate market place was very active. The Eastside Market Area (Bellevue, Kirkland, Mercer Island, Redmond, Woodinville, and Issaquah), especially, experienced rapidly appreciating property values unprecedented in recent memory. This growth was spurred by new high-tech “dot-com.” startup companies, and increased economic activity within software, service, finance, and aerospace industries. Following the “Great Recession” and associated financial crisis in the fall of 2008, the economic picture took a dramatic reversal, as residential and commercial property owners at all levels struggled to meet cash flow requirements. In spite of the impacts to the local economy and real estate values, the Puget Sound Region in general, and the Seattle Metro area in particular, have maintained a relatively favorable position compared to the rest of the country. As the region continues to move from recession to cautionary recovery, the area has benefitted from its relatively strong economic position, and has shown continued improvement in investor interest, be it in economic or real property terms.

Current Economic Conditions – Office/High-Tech:

The Eastside Market also reflects a slow but stabilizing economic recovery typical of this region. Similarly, the office and high-tech markets once impacted with rising vacancy and declining overall values now show signs of stabilization. Distressed office and high-tech buildings continue to revert back to lien holders with subsequent short sales, and commercial land values in some neighborhoods continue to drop from previous values creating downturn pressure within the commercial market. Credit availability has improved only slightly as lending institutions stabilize and improve their financial position and real estate portfolios. But local and national investment interest continues to increase, as evidenced by general construction and sales activity. Sales are slightly more frequent, and support investor sentiment in anticipation of positive future benefit.

2011 YEAR END			
	OFFICE	HIGH-TECH	INDUSTRIAL
RENTAL RATE	STABLE	STABLE	STABLE
VACANCY	STABLE to SLIGHT DECREASE ²	STABLE	STABLE
CAPITALIZATION RATE	STABLE to SLIGHT DECREASE ²	STABLE to SLIGHT INCREASE ²	STABLE
IMPROVED PROPERTY VALUES	SLIGHT DECREASE	STABLE to SLIGHT DECREASE ²	STABLE
LAND VALUES	STABLE to SLIGHT DECREASE ²	STABLE to SLIGHT DECREASE ²	STABLE to SLIGHT DECREASE ²

Lease Rates

Office: During 2011, surveyed area market reports indicate the eastside market area (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah) experienced slight stabilization in overall rent rates and slight decreases in overall vacancy rates. To retain tenants, landlords remain flexible in offering leasing concessions. Surveyed market reports indicate that Eastside “Class A” office space (full service) had reported asking rents ranging from \$22.00/sf to \$40.00/sf, while reported “Class B” asking rents (full service) ranged from \$18.00/sf to \$30.00/sf. Bellevue CBD had reported “Class A” asking rents ranging from \$27.00/sf to \$40.00/sf, while the “Class B” office asking rates were reported between \$24.00/sf to \$30.00/sf.

Property Type (Class)	2011 4 th Qtr. Asking Rents Total Eastside	2011 4 th Qtr. Asking Rents (Bellevue CBD)
Class A	\$22.00 to \$40.00	\$27.00 to \$40.00
Class B	\$18.00 to \$30.00	\$24.00 to \$30.00

Industrial/Flex: For Year 2011, typical flex-tech asking lease rates experienced slight decreases from the previous year. Surveyed market reports indicate typical industrial/warehouse rents ranged from \$6.84/sf to \$7.92/sf, and flex-tech space (blended - office + industrial space) ranged from \$13.20/sf to \$16.20/sf.

Property Type (Class)	2011 4 th Qtr. Asking Rents (Bellevue CBD)
Industrial/Warehouse	\$6.84 – \$7.92
Flex-Tech (Blended)	\$13.20 – \$16.20

Vacancy Rates:

Office: During 2011, surveyed area market reports indicate stabilization in overall direct office vacancy rates on the Eastside (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah). Economic market surveys indicate that the overall Eastside Office Market area had direct vacancy rates ranging from 12.71% to 14.82%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield (Suburban)	Office Space.Com	CBRE	Average of Research Stats
Overall Direct	4 th Qtr. 2011	12.71%	13.80%	14.82%	14.61%	13.98%

Industrial/Flex: Economic market surveys indicate that the overall Eastside Industrial Market area had direct vacancy rates ranging from 8.90% to 17.00%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield	Office Space.Com	CBRE	Average of Research Stats
Overall Total	4 th Qtr. 2011	8.90%	17.00%	14.28%	13.00%	13.30%

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

SEATTLE / PACIFIC NW CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	Seattle	7.14%	7.27%	7.58%	
		Pacific Region	6.32%	7.03%	7.14%	
PWC – Korpaz	4Q 2011	Pacific NW	7.57%	-	-	Range = 5.5% to 12.00%
CBRE – Capital Markets Cap. Rate survey.	Aug.-11					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2011 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	5.00% - 5.50%	-	-	CBD - Class A
			6.00% - 7.00%	-	-	CBD - Class A – Value Added
			6.50% - 7.00%	-	-	CBD - Class B
			7.00% - 8.00%	-	-	CBD - Class B – Value Added
			5.50% - 6.25%	-	-	Suburban - Class A
			6.00% - 7.60%	-	-	Suburban - Class A – Value Added
			6.50% - 7.50%	-	-	Suburban - Class B
			7.00% - 8.00%	-	-	Suburban - Class B – Value Added

			-	6.25% - 7.00%	-	Class A
			-	6.75% - 7.25%	-	Class A - Value Added
			-	6.50% - 7.25%	-	Class B
			-	7.75% - 8.25%	-	Class B - Value Added
			-	-	5.75% - 6.50%	Class A (Neigh./Comm. w/Grocery)
			-	-	7.00% - 7.50%	Class B (Neigh./Comm. w/Grocery)
	Mar.-12					
		Seattle	5.50% - 5.75%	-	-	CBD - Class A
			6.00% - 7.00%	-	-	CBD - Class A – Value Added
			6.50% - 7.00%	-	-	CBD - Class B
			7.00% - 8.00%	-	-	CBD - Class B – Value Added
			5.50% - 6.25%	-	-	Suburban - Class A
			6.00% - 8.00%	-	-	Suburban - Class A – Value Added
			6.50% - 7.50%	-	-	Suburban - Class B
			7.00% - 8.00%	-	-	Suburban - Class B – Value Added
			-	5.25% - 5.50%	-	Class A
			-	6.00% - 6.50%	-	Class A - Value Added
			-	6.00% - 6.50%	-	Class B
			-	6.50% - 7.00%	-	Class B - Value Added
			-	-	5.00% - 6.25%	Class A (Neigh./Comm.)
			-	-	5.00% - 6.25%	Class A (Neigh./Comm.) – Value Added
			-	-	6.25% - 7.25%	Class B (Neigh./Comm.)
			-	-	6.25% - 7.25%	Class B (Neigh./Comm.) – Value Added
Real Capital Analytics	4Q 2011	Seattle	7.60%	7.20%	7.20%	
	Yr. End 2011	Seattle	6.80%	7.30%	7.40%	
	Yr. End 2011	Seattle	6.00%	-	-	“Institutional Grade Properties”
			6.50%	-	-	CBD Office
			-	8.25% - 8.75%	-	Suburban Office
			-	7.00%	-	Manuf./Bulk/R&D
			-	-	-	Office/Warehouse
			-	-	6.50% - 7.50%	Reg./Comm. Mall
			-	-	7.50%	Neigh. Strip Ctrs.
IRR Viewpoint for 2012	4th Qtr 2011	Seattle	6.60%	-	8.50%	
Reis Quarterly Reports	Q4 2011	Seattle - Puget Sound	6.36%	-	-	CBD Office
			7.94%	-	-	Suburban Office
Colliers International Office Highlights	Fall 2011	Pacific Region	-	-	7.00%	Shopping Centers (All Types)
Terranomics Chainlinks Retail Advisors						

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	National	6.53% 7.84% 7.16% - 7.74% 6.33%	7.65% 8.92% 7.62% - 8.15% 7.52%	7.00% 8.14% 7.39% - 7.68% 6.66%	Overall Sq.Ft. = <50k Sq.Ft. = 50k-200k Sq.Ft. = 200K+
Korpaz (PWC)	4Q 2011	National	6.84% 7.43% - - -	- - 7.48% - 8.71% - -	- - - 7.23% - 7.35% 7.16%	CBD Office Sub. Office Flex/R&D/Whse Regional Mall /Power Center Neigh. Strip Ctrs
Real Capital Analytics	4Q 2011	National	7.20%	7.60%	7.50%	
	Yr End 2011	National	7.30%	7.80%	7.50%	
IRR Viewpoint for 2012	Yr End 2011	National	7.98% 8.13% - - - -	- - 8.46% 8.22% - -	- - - - 7.56% - 7.83% 7.96%	CBD Office - (Range 5.25% - 12.75%) Sub. Office - (Range 6.50% - 10.00%) R&D - (Range 6.75% - 9.50%) Off./Whse. - (Range 6.75% - 10.00%) Reg./Comm. Mall - (Range 5.75% - 9.50%) Neigh. Strip Ctrs. - (Range 5.75% - 9.25%)
Emerging Trends in Real Estate 2011	August 2011	National	6.32% (CBD) 7.77% (Suburban)	7.02% - 7.59% (Office/Whse./R&D)	6.66% - 7.43% (Reg. Mall/Power Ctr.) 7.12% (Neigh./Comm. Ctr.)	
RERC-CCIM Investment Trends Quarterly	4Q 2011	National W. Region	6.40% 5.70% - 6.60% 7.00%	7.40% 6.70% - 7.40% 7.10%	7.70% 6.70% - 7.10% 7.40%	RERC Realized Cap Rates NCREIF Implied Cap Rates
Marcus & Millichap (Net Lease Single-Tenant Retail Report)	1 st Half 2011	National	N/A	N/A	7.30% 7.70% 8.90%	Drug Store Quick Service Rest. Casual Dining
Calkin Site Service (Net Lease Single-Tenant Retail Report)	Yr End 2011	National	N/A	N/A	7.69% 7.40% 7.50% 7.50%	Overall (Average) Drug Store Quick Service Rest. Big Box

Physical Inspection Area:

WAC 458-07-015 4 (a) requires a complete re-inspection of the specialty over a six year period. In as much as all seven neighborhoods had previously been inspected the over immediate four years, no inspection was performed for this valuation year.

Ratio Analysis

No ratio studies were included within this report due to the location and small number of sales relative to the size of the area population. Of the eleven valid improved sales from 6/3/2009 to 1/31/2012, four sales occurred in 2011, six were clustered within the same development, and two were sold under triple net investment conditions. The resulting sample size, appraisal level and distribution was considered unreliable for valuation purposes.

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

The model for sales comparison was based on five data sources from the Assessor's records; occupancy codes, age, quality, size, and location.

Because of the limited number of sales within this specialty, the Sales Approach was used in support of Income Approach valuation ranges. All "Sales Used" were verified, if possible, by a call or written inquiry with either the purchaser or seller, inquires within the field, various publications, or by calling associated real estate broker/agents. Characteristic/building data was also verified, if possible, as of the time of sale. Since 2009, there were eleven improved sales within the High-Tech Specialty assignment. Of those sales, six were concentrated within the Kirkland 405 Corporate Center with a wide indicated range of \$85.13 to \$211.12 per square foot of building area. Two additional sales involved triple net investment structures (REITS), with an indicated range of \$240.93 to \$376.74 per square foot of building area. In addition to a real property component, the REIT purchases reflect a credit premium associated with national corporations, long term leases, and structured cash flows atypical to the High Tech/Flex market of the Seattle Metro area. From a mass appraisal perspective, the wide range of sales data is considered a reflection of market perspective within the recovery cycle.

Sales Comparison Calibration

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 are also 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 are implied based on various characteristics deemed appropriate within each sub-market. Specific variables and prices for each neighborhood are discussed in more detail above and 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 was 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 the parties involved directly in the transactions through. 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.

Income Approach Calibration

The models were calibrated after setting the base rents 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, Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market. Within the income valuation models, as reflected by the market, the assessor used a triple net lease structure to estimate the assessed value.

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).

AREA 510-10 – Bothell / Woodinville

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.20 to \$12.70	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$8.40	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$12.70 for the Industrial Engineering Space, and \$5.40 to \$8.40 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

AREA 510-20 – Redmond Close-In / Marymoor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.50 to \$17.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.45 to \$13.00	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$13.50 to \$17.00 for the office space, \$9.45 to \$13.00 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

AREA 510-30 – Willows Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.20 to \$13.00	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$13.00 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

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	\$10.50 to \$17.50	15%	7.50%	7.75% to 9.25%
Industrial Engineering Space	\$8.25 to \$13.50	15%	7.50%	7.75% to 9.25%
Storage Whse. / Mezz. Stor.	\$6.00 to \$9.50	15%	7.50%	7.75% to 9.25%

The rental rates per square foot range from \$10.50 to \$17.50 for the office space, \$8.25 to \$13.50 for the Industrial Engineering Space, and \$6.00 to \$9.50 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.75% to 9.25%.

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 \$17.00	15%	7.50%	8.00% to 9.25%
Industrial Engineering Space	\$9.25 to \$13.00	15%	7.50%	8.00% to 9.25%
Storage Whse. / Mezz. Stor.	\$5.50 to \$9.00	15%	7.50%	8.00% to 9.25%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.25 to \$13.00 for the Industrial Engineering Space, and \$5.50 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 8.00% to 9.25%.

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	\$14.00 to \$18.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.70 to \$13.50	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$14.00 to \$18.00 for the office space, \$9.70 to \$13.50 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

AREA 510-70 – South King County

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Whse. Office	\$12.00 to \$15.50	15%	7.50%	7.75% to 9.25%
Mezz. Office	\$8.10 to \$11.35	15%	7.50%	7.75% to 9.25%
Industrial Engineering Space	\$8.10 to \$11.35	15%	7.50%	7.75% to 9.25%
Storage Whse. / Mezz. Stor.	\$4.20 to \$7.20	15%	7.50%	7.75% to 9.25%

The rental rates per square foot range from \$12.00 to \$15.50 for the office space, \$8.10 to \$11.35 for the mezz. office space, \$8.10 to \$11.35 for the Industrial Engineering Space, and \$4.20 to \$7.20 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.75% to 9.25%.

Reconciliation:

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

The income approach to value was considered to be a reliable indicator of value in most instances. In some instances the market rental 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 range and continued dynamic change of market conditions as they relate to valuation of parcels which comprise 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 in the valuation area.

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

The total assessed value for the 2011 assessment year for Specialty Area 510 was \$2,908,619,800. The total recommended assessed value for the 2012 assessment year is \$2,904,465,700.

Application of these recommended values for the 2012 assessment year resulted in an average total change from the 2011 assessments of **-0.14%**.

	2011 Total Assessed Value	2012 Total Assessed Value	Total Assessed Value Decrease	Total % Change in Assessed Value
Total Assessed Values	\$2,908,619,800	\$2,904,465,700	-\$4,154,100	-0.14%

This total assessed value decrease is due in part to slight changes in the local commercial real estate markets. From a High Tech/Flex perspective, the 2012 assessment year reflects movement to a market stabilization, with a slight increase in sales frequency, to include higher quality 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:

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.
6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.
8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.
11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

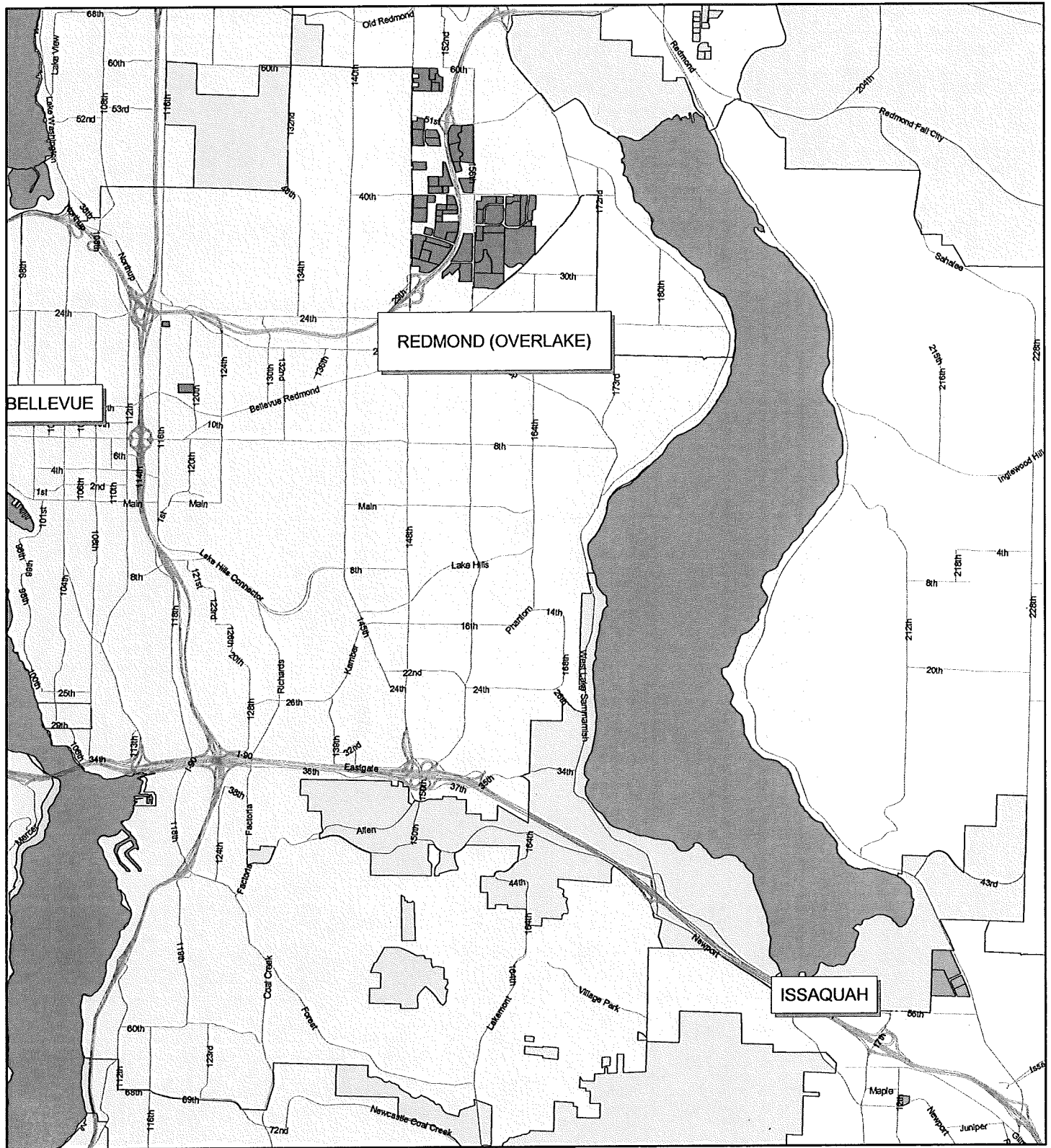
Scope of Work Performed:

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

CERTIFICATION:

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

- *The statements of fact contained in this report are true and correct*
 - *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and 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.*
-



Specialty Area 510

High-Tech/Flex

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File Name: SRR c:\gls\510-HighTech.apr



June 28, 2007

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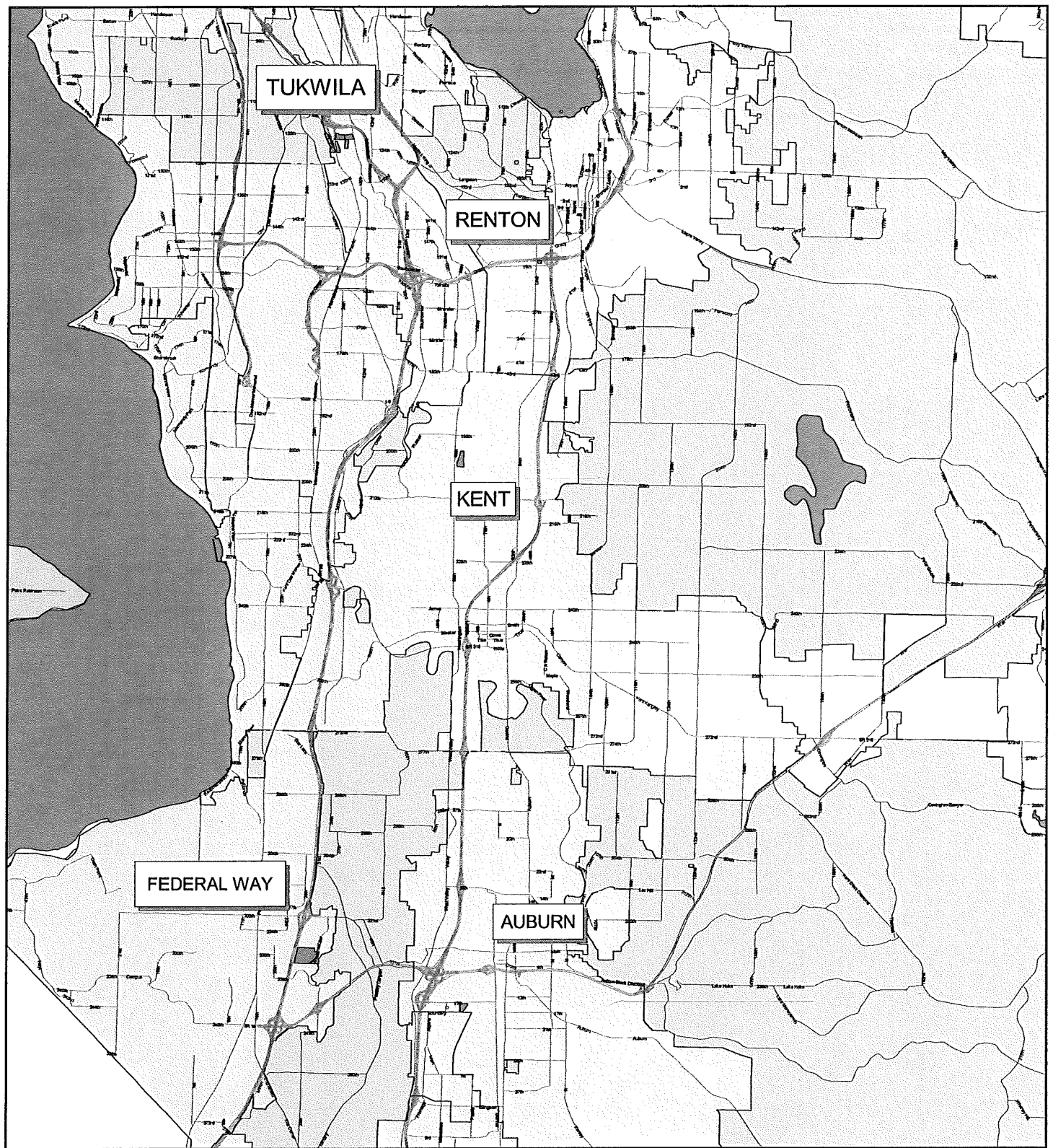


King County

Department of Assessments

Legend

- HighTech.shp
- 10
- 20
- 30
- 40
- 50
- 60
- 70
- Main streets
- Freeways
- Water
- King County

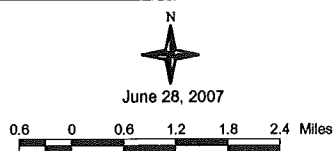


Specialty Area 510

High-Tech/Flex

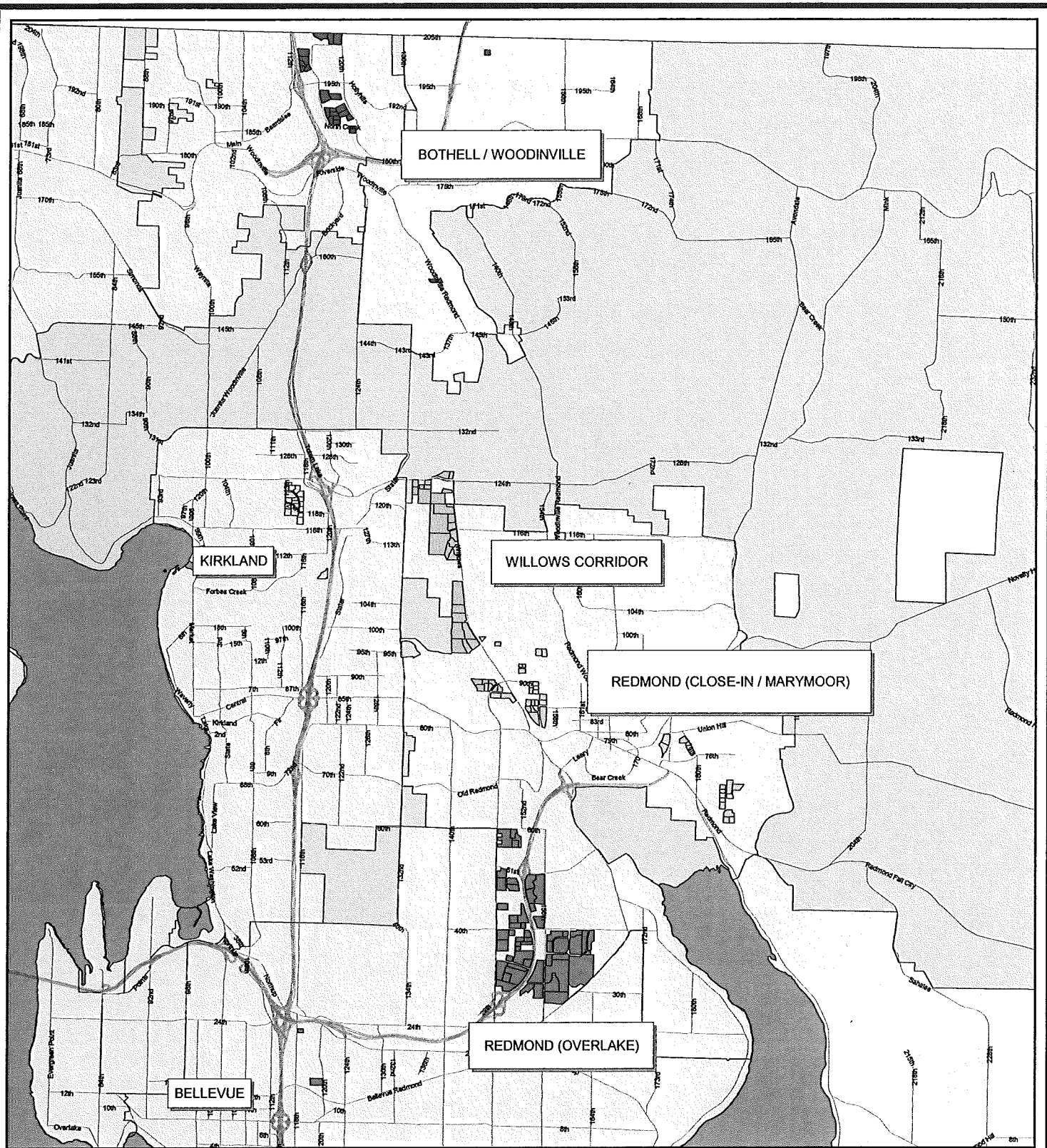
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Department of Assessments



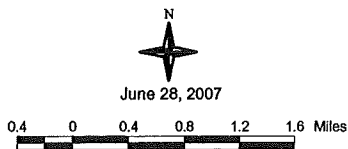


Specialty Area 510

High-Tech/Flex

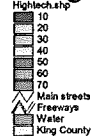
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Department of Assessments

Legend



Improvement Sales for Area 510 with Sales Used

05/30/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	020	032505	9259	135,548	2449895	\$15,700,000	07/09/10	\$115.83	REDMOND WEST ON WILLOWS, BLGG 1	MP	1	Y	
510	030	928690	0010	144,910	2503513	\$17,400,000	07/29/11	\$120.07	WEST WILLOWS TECH CENTER	MP	5	Y	
510	030	928690	0110	166,024	2528278	\$40,000,000	01/31/12	\$240.93	WEST WILLOWS - SEAMED	MP	3	Y	
510	040	389060	0060	34,230	2393226	\$7,226,750	06/03/09	\$211.12	KIRKLAND 405 CORP CTR BLDG E	TL 10A	1	Y	
510	040	389060	0070	33,728	2502942	\$4,000,000	07/29/11	\$118.60	KIRKLAND 405 CORP CTR BLDG F	TL 10A	1	Y	
510	040	389060	0080	31,031	2458654	\$2,800,000	09/16/10	\$90.23	KIRKLAND 405 CORP CTR BLDG G	TL 10A	1	Y	
510	040	389060	0090	17,636	2423574	\$3,000,000	12/29/09	\$170.11	KIRKLAND 405 CORP CTR BLDG H	TL 10A	1	Y	
510	040	389060	0120	39,724	2450402	\$5,320,000	07/15/10	\$133.92	KIRKLAND 405 CORP CTR BLDG K	TL 10A	2	Y	
510	040	389060	0170	50,511	2475542	\$4,300,000	01/14/11	\$85.13	KIRKLAND 405 CORP CTR BLDG W	TL 10A	1	Y	
510	050	644830	0050	122,100	2464446	\$46,000,000	10/28/10	\$376.74	MICROSOFT BLDG 110	OBAT	1	Y	
510	060	212406	9132	133,960	2509358	\$19,947,000	09/13/11	\$148.90	SIEMENS MEDICAL SYSTEMS	PO	1	Y	

Improvement Sales for Area 510 with Sales not Used

05/30/2012

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	697920	0320	95,543	2522881	\$7,400,000	12/16/11	\$77.45	NORTH CREEK CORP CTR BLDG A, B,	R-AC, O	1	44	Tenant
510	030	272605	9002	88,300	2490752	\$5,188,000	05/11/11	\$58.75	SAMMAMISH RIDGE TECH CENTER	IPSO	4	61	Financial institution resale
510	030	272605	9106	131,159	2484004	\$10,250,000	03/25/11	\$78.15	WILLOWS 124 BLDG A	I	2	61	Financial institution resale
510	040	389060	0130	17,746	2396445	\$2,695,000	06/23/09	\$151.87	KIRKLAND 405 CORP CTR BLDG L	TL 10A	1	44	Tenant