

Commercial Revalue

2016 Assessment roll

**QUICK SERVICE
RESTAURANTS
AREA 413**

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

John Wilson, Assessor



King County

Department of Assessments

Accounting Division

500 Fourth Avenue, ADM-AS-0740
Seattle, WA 98104-2384

(206) 205-0444 FAX (206) 296-0106

Email: assessor.info@kingcounty.gov

<http://www.kingcounty.gov/assessor/>

John Wilson
Assessor

Dear Property Owners:

Property assessments are being completed by our team throughout the year and valuation notices are being mailed out as neighborhoods are completed. We value your property at fee simple, reflecting property at its highest and best use and following the requirements of state law (RCW 84.40.030) to appraise property at true and fair value.

We are continuing to work hard to implement your feedback and ensure we provide accurate and timely information to you. This has resulted in significant improvements to our website and online tools for your convenience. The following report summarizes the results of the assessments for this area along with a map located inside the report. It is meant to provide you with information about the process used and basis for property assessments in your area.

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

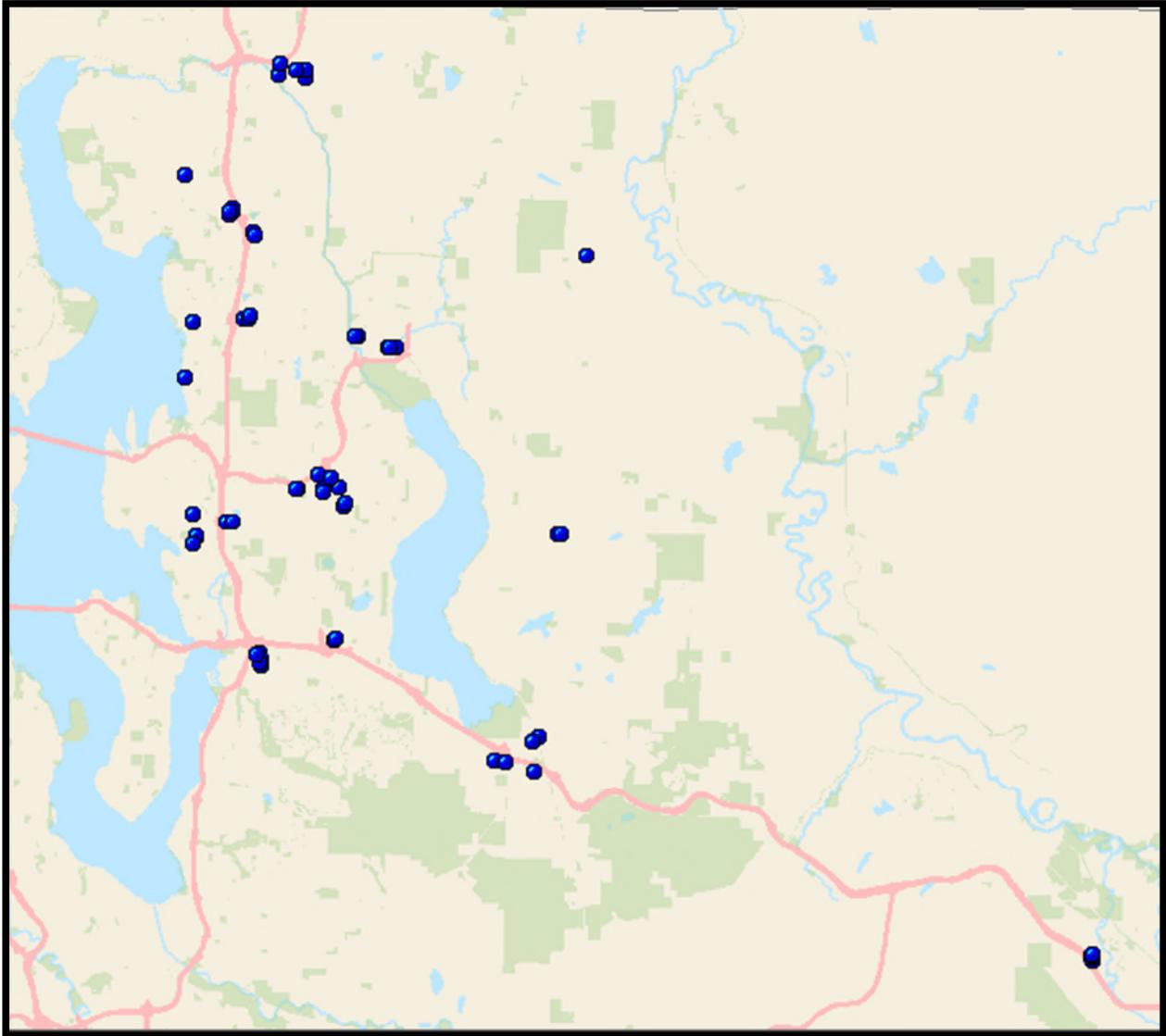
Our office is here to serve you. Please don't hesitate to contact us if you should have questions, comments or concerns about the property assessment process and how it relates to your property.

In Service,

John Wilson
King County Assessor

MAP
PHYSICAL INSPECTION AREA

413-30



Appraisal Date 1/01/2016 – 2017 Assessment Year
Specialty Name: Quick Service/Fast Casual & Casual Dining Restaurants

Sales - Improved Summary:

Number of Sales: 11
 Range of Sale Dates: 05/30/2013 –01/15/2016

Sales – Ratio Study Summary:

Sales---Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2015 Value	\$1,224,900	\$1,326,800	92.30%	7.34%
2016 Value	\$1,287,100	\$1,326,800	97.00%	8.95%
Abs.Change	\$62,200		4.70%	-1.61%
% Change	5.08%		5.09%	21.93%

*COD is a measure of uniformity, the lower the number the better the uniformity

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

Population - Parcel Summary Data:

	Land	Improvements	Total
2015 Value	\$308,569,700	\$128,421,600	\$436,991,300
2016 Value	\$328,808,800	\$132,607,900	\$461,416,700
Amount Change	+\$20,239,100	+\$4,186,300	+\$24,425,400
Percent Change	+6.56%	+3.26%	+5.59 %

Number of Parcels in the Population: 325

Conclusion and Recommendation:

With limited market sales data less consideration is given to the Sales Comparison Approach in the 2016 revalue. The Income Approach is used in the final reconciliation of approaches because it allows greater equalization and uniformity of values for the various stratifications of quick service restaurants in the different submarkets. In addition, sufficient market income data is available for the analysis.

Since the values recommended in this report improve uniformity and equity, we recommend posting them for the 2016 assessment year.

Identification of the Area

Name of Designation

- **Area 413: Quick Service Restaurants**

Area 413 Neighborhoods

- **413-10** Northwest King County
- **413-20** Southwest King County
- **413-30** Northeast King County
- **413-40** Southeast King County
- **413-50** 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 and the King County Assessor's website.

Area Overview

This report contains data pertinent to the revalue of Quick Service Restaurants (QSR) AKA Fast Food Restaurants, Fast Casual Restaurants, and Casual Dining Restaurants. Specialty Area 413 encompasses all QSR restaurants, Fast Casual Restaurants and Casual Dining Restaurants.

The QSR and casual dining restaurants in King County have been segmented into five neighborhood regions. These regions are described by their geographic location and restaurant style. Significant concentrations, approximately 52%, are located in the South End (Kent, Auburn, Federal Way, Renton, & Tukwila) of the county. All QSR, fast casual and casual dining restaurant specialty properties were revalued this year.

According to the National Restaurant Association (NRA), restaurants are divided into four basic types or classifications:

- Type I (quick service restaurants QSR); examples include McDonalds, Wendy's, Burger King, KFC, Taco Bell, Taco Time, Arby's, etc.
- Type II (fast casual); examples include Pizza Hut, Chipotle Mexican Grill, Five Guy Burgers, Panera Bread, etc.
- Type III (casual/family dining); examples include Denny's, IHOP, Applebee's, Red Robin, Olive Garden, Chili's, etc.
- Type IV (fine dining). Fine dining restaurants are not valued in this report as they are valued by the King County Assessor's area appraiser.

The QSR restaurants are further divided into segments such as: burgers, chicken, seafood, sandwich, snack, and pizza.

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

The majority of the restaurants are “stand alone” structures with both land and building included in the property description. Restaurants not included in Area 413 such as Subway and Starbucks, in most cases, are located in retail centers, where they lease the space as part of a larger complex and are not stand alone facilities. When either Subway or Starbucks are “stand alone” they are included in Area 413. When QSR, Fast Casual or Casual dining restaurants are located within neighborhood shopping centers and are not stand alone facilities the restaurants are valued by either the area appraiser or the shopping center specialty appraiser and are not included in Area 413.

Ownership of QSR facilities includes both corporate owned and franchise owned restaurants. The majority of the restaurants are operated by franchisees. Most of the restaurants are leased, with typical lease terms of twenty years with options for additional five year terms, with the exception of McDonalds. McDonalds has approximately 14,350* restaurants in the USA, of which approximately 12,836 (89%) are franchisee operated and the balance are corporate owned stores; however, McDonalds owns the land and buildings of all of their stores and charges rent for the franchisee owned stores. Burger King has 99.3% of their restaurants franchised. On the other end of the relationship spectrum, i.e. franchisor/franchisee is Subway with 27,205* outlets of which none are franchisee operated or owned.

The top five QSR and Fast Casual restaurant chains based upon sales per unit for 2014 are as follows*:

- Chick-fil A (\$3,064,000)
- McDonalds (\$2,500,000)
- Panera Bread (\$2,500,000)
- Krispy Kreme (\$2,480,000)
- Chipotle Mexican Grill (\$2,472,000)

*Source Technomic Inc.

Analysis Process

Effective Date of Appraisal: January 1, 2016

Date of Appraisal Report: May 26, 2015

Responsible Appraiser

The following appraiser did the valuation of this specialty:

- Russell O. Butler Appraiser II

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements and the property may be returned to the geo-appraiser.

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

Special Assumptions, Departures and Limiting Conditions

All three approaches to value were considered in this appraisal.

- Sales from 5/30/2013 thru 1/15/2016 were considered in all analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6 (USPAP compliant).

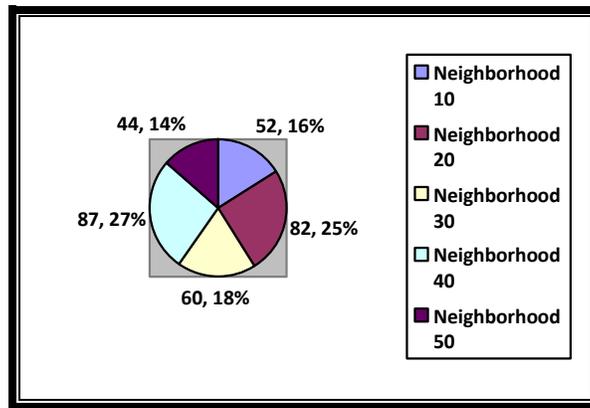
A brief description of the neighborhoods follows:

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

Neighborhood	# of Parcels	% of Total
10	52	16.00%
20	82	25.23%
30*	60	18.46%
40	87	26.77%
50	44	13.54%
Total	325	100.0%

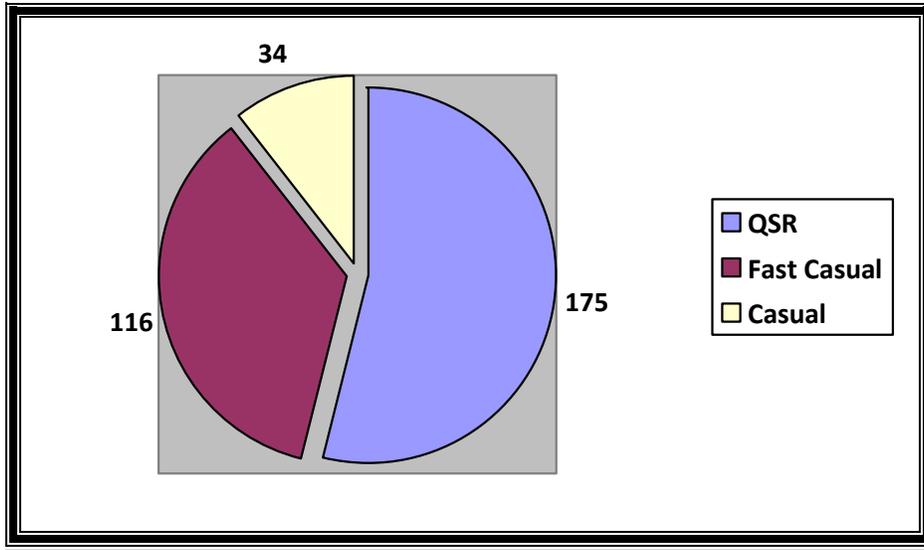
*Inspected Area for 2016

Parcel Distribution by Neighborhood for Area 413



The total restaurants for the 2016 valuation is 325, a net increase of 5 restaurants from the prior year; however, this number is somewhat misleading as a number of restaurants were transferred to the area appraiser, due to change of use and conversely restaurants were transferred from the area appraiser to Specialty Area 413, or were new construction, such as the Taco Bell, shown on the cover page of this report.

The pie chart shown below shows the distribution of the three types of restaurants found in Area 413 and includes most of the national chains with the addition of Dick’s and Taco Time, which are local QSRs also valued in Area 413.



Graph of King County Area 413 Distribution

Specialty Area 413-10 includes the Seattle area, Kenmore, Lake Forest Park and Shoreline. No sales have taken place in Area 413-10 in the past three years. Approximately 16% of the restaurants are located in this neighborhood.

Map Area 413-10



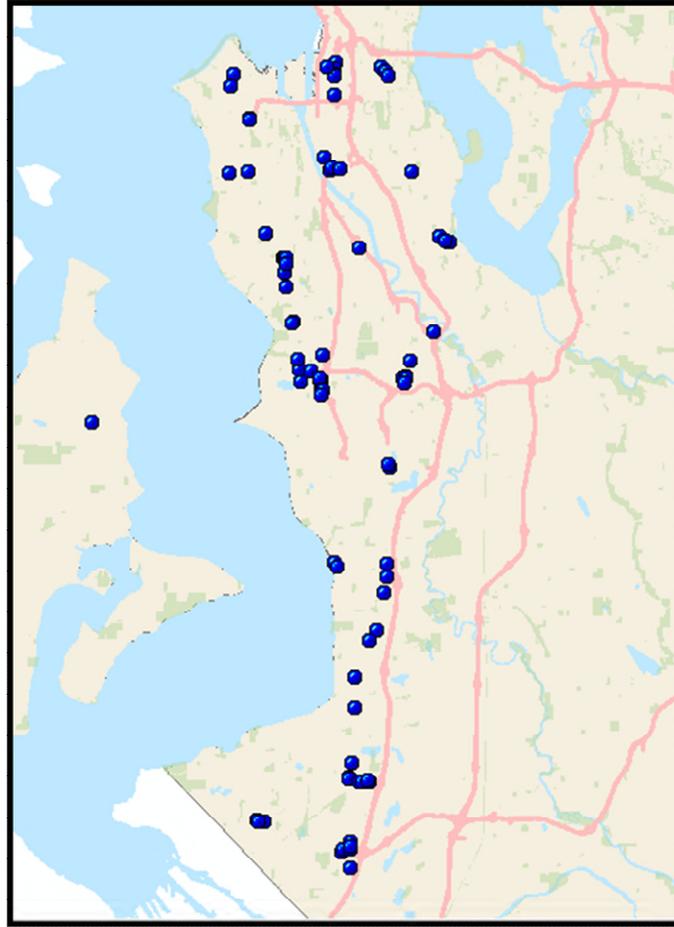
The following table shows that the major portion of the total property value for Neighborhood 10 lies in the land value, assessed by the Area Appraiser. Of the 52 QSR properties in this neighborhood 24 are valued as vacant land with \$1,000 attributed to the existing improvements. The land value has increased 12.34% or approximately 110.69% of the total increase of \$8,194,700, with the overall improvement allocated value decreasing, supporting an overall increase in total property value of 10.27% over the prior assessment year.

Year	Land Value	Imp. Value	Total Value
2015	\$73,501,400	\$6,292,800	\$79,794,200
2016	\$82,572,400	\$5,416,500	\$87,988,900
Difference	+\$9,071,000	-\$876,300	+\$8,194,700
% Change	+12.34%	-13.93%	+10.27%

Specialty Area 413-20 includes South Seattle, Burien, Tukwila, Des Moines, SeaTac, and Federal Way. Approximately 25.2% of the fast food specialty population is located

within 413-20 and it is the second largest submarket. Four sales have taken place in this neighborhood, over the past three years and are shown on the following graph.

Map Area 413-20



The following table indicates that the total property values for the restaurants located in Neighborhood 413-20 have increased just over 3% with a rise in land value of 4.75%. Along with 413-40 this neighborhood has experienced the highest sales activity over the past three years.

Year	Land Value	Imp. Value	Total Value
2015	\$67,953,100	\$29,137,800	\$97,090,900
2016	\$71,184,000	\$29,108,200	\$100,292,200
Difference	+ \$3,230,900	-\$29,600	+\$3,201,300
% Change	+ 4.75%	-0.10%	+ 3.30%

Improved Quick Service Sales in Area 413-20

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	250060-0701	\$485,000	04/16/2014	2,796 SF	\$229.64	Churches Chicken
2	536720-1395	\$1,400,000	11/03/2014	3,794 SF	\$369.00	Arby's
3	082104-9229	\$700,000	09/03/2015	2,040 SF	\$343.14	Churches Chicken
4	712930-4550	\$1,050,000	01/15/2016	2,270 SF	\$462.56	Kentucky Fried Chicken

Sale Comments:

Sale No. 1: was originally developed as a Kentucky Fried Chicken restaurant built in 1972, sold in 2014 and was converted to a Churches Chicken subsequent to the purchase.

Sale No. 2: was constructed in 1967 and in addition to the main floor level with 3,794 square feet there is an unfinished basement level with 1,544 square feet.

Sale No. 3: like Sale No. 1, this property was originally constructed as a KFC in 1969 and converted to Churches Chicken after the purchase in 2015.

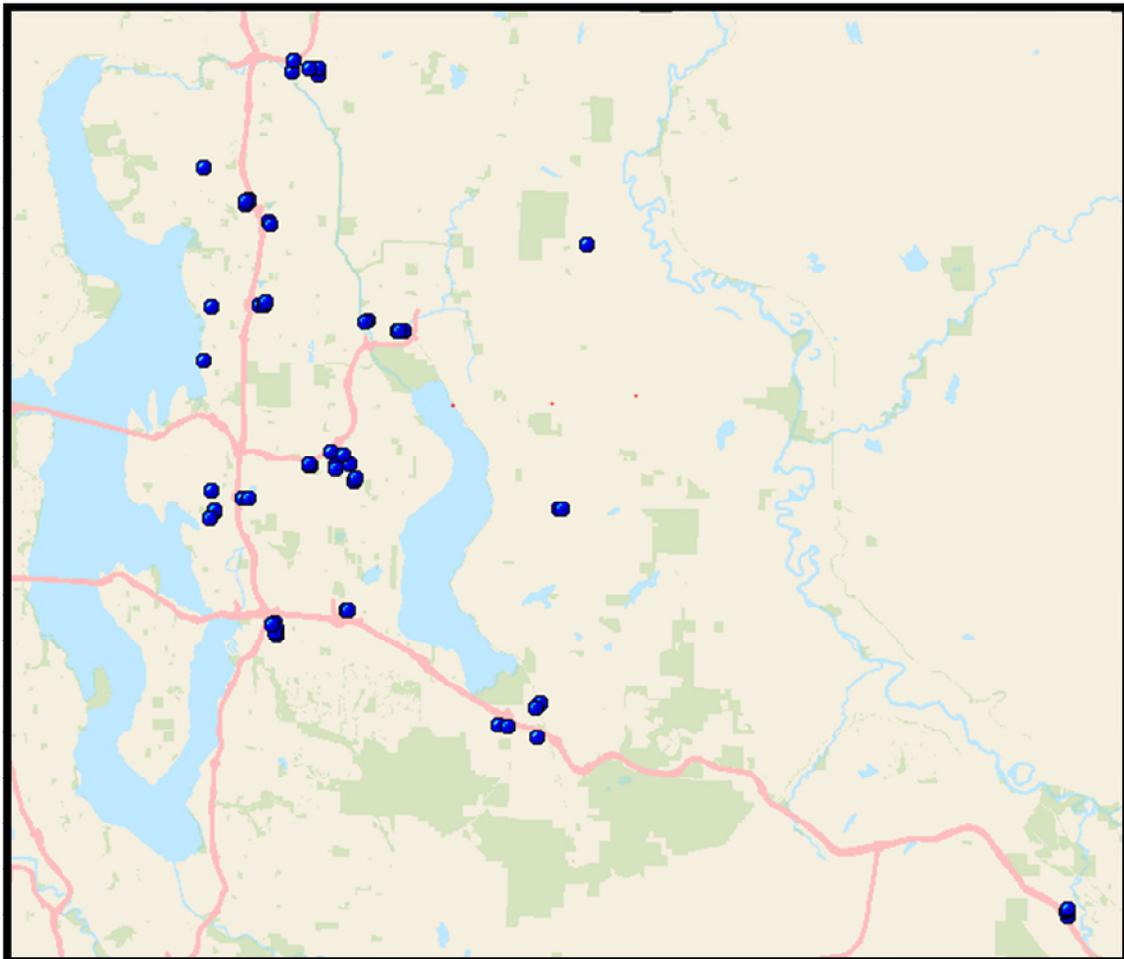
Sale No. 4: this property is a mixed use QSR with a KFC and a Taco Bell. The property was upgraded in 2014 prior to the 2016 sale.

Specialty Area 413-30 includes the East side of King County: Redmond, Kirkland, Woodinville, Bellevue, Sammamish and Issaquah. Area 413, Neighborhood 30 was the inspection neighborhood for Assessment Year 2016 and all Quick Service Restaurants

and Fast Casual Dining Restaurants in this neighborhood were physically inspected; see Addenda for the Tax Parcels inspected.

Approximately 18.4% of the restaurants are located within this neighborhood. Although, there have been no improved sales of either QSR, Fast Casual or Casual Dining restaurants during the past three years, five QSR restaurants have been constructed, remodeled or are being developed. The McDonalds located at 1401 156th Ave NE, Bellevue was razed to make way for a new McDonalds constructed on the same footprint. The Denny's located at 785 116th Ave NE, Bellevue was razed and the first Chick-Fil-A restaurant in the State of Washington was constructed at this location. Wendy's located on 116th Ave NE, Kirkland, was razed and a new Wendy's was completed in July of 2015. The Taco Bell located in Kirkland was razed and a new restaurant constructed on same footprint, opening in March of 2016. The Arby's restaurant on NE 24th St, Redmond is being remodeled with completion planned for June 2016.

Map Area 413-30



The year to year comparison for Area 413-30 supports a land value increase of 2.87% and a total property value increase of 3.84%. New construction values for the above

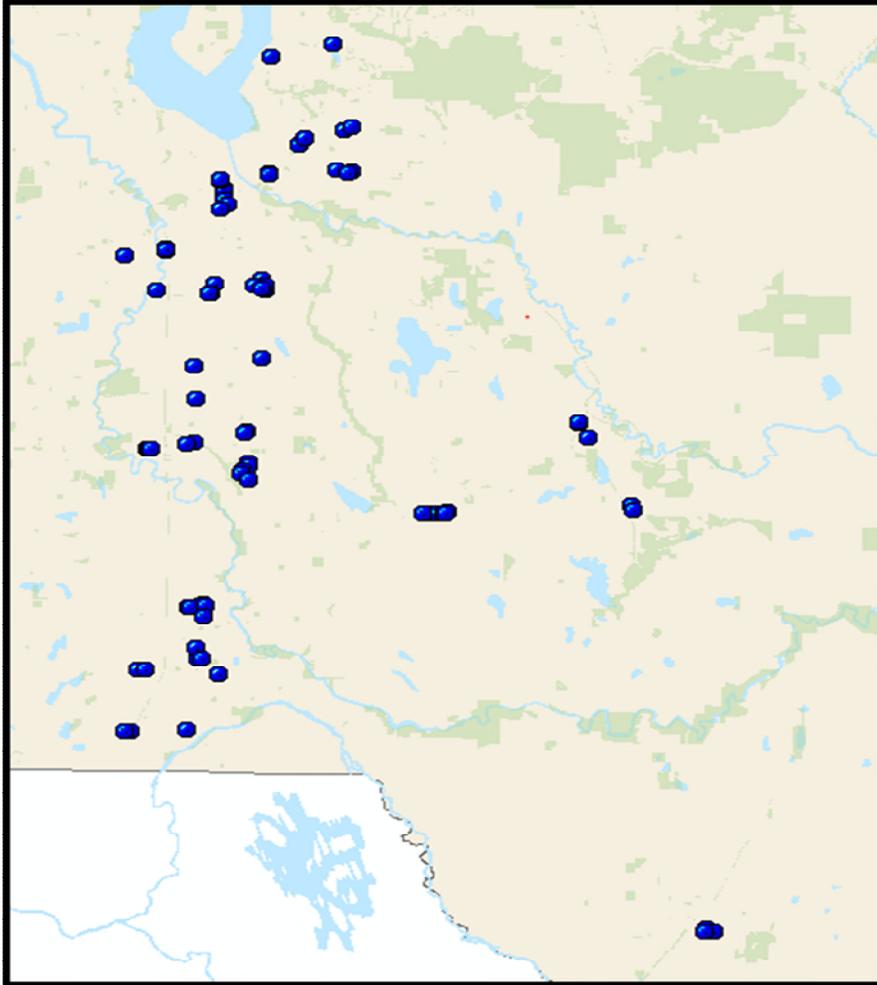
properties were assessed in prior years, except for Wendy's, Taco Bell, and Arby's which are included in the 2016 assessment.

Year	Land Value	Imp. Value	Total Value
2015	\$74,801,500	\$14,595,800	\$89,397,300
2016	\$76,951,500	\$15,876,800	\$92,828,300
Difference	+\$2,150,000	+ \$1,281,000	+\$3,431,000
% Change	+ 2.87%	+ 8.78%	+ 3.84%

Specialty Area 413-40 includes rural King County. The areas are Auburn, Newcastle, Renton, Kent, Covington, Enumclaw, Maple Valley, and North Bend. There are 88 parcels in this neighborhood representing approximately 26.7%, the largest in Area 413.

Five improved sales have taken place in Area 413-40 over the past three years. See the graph of sales following:

Map Area 413-40



Improved Quick Service Sales in Area 413-40

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	516970-0092	\$1,200,000	06/11/2013	2,796 SF	\$429.18	Starbucks

2	312305-9167	\$1,192,000	05/07/2014	2,889 SF	\$412.60	Former Wendy's (vacant)
3	322305-9087	\$1,825,000	08/04/2014	2,993 SF	\$609.76	Arby's
4	292305-9125	\$3,287,500	03/03/2015	4,365 SF	\$753.15	McDonalds
5	322305-9119	\$1,350,000	06/15/2015	4,133 SF	\$326.64	Former McDonalds (vacant)

Sale Comments:

Sale No. 1: Former Burger King restaurant, located in Renton, WA, converted to Starbucks in 2009.

Sale No. 2: This property was a former Wendy's restaurant, vacant at time of sale and converted to a Starbucks subsequent to the purchase.

Sale No. 3: This Arby's restaurant sale was listed for \$1,895,000 with five years remaining on the lease.

Sale No. 4: New McDonald's restaurant was completed in 2015 sold for listed price.

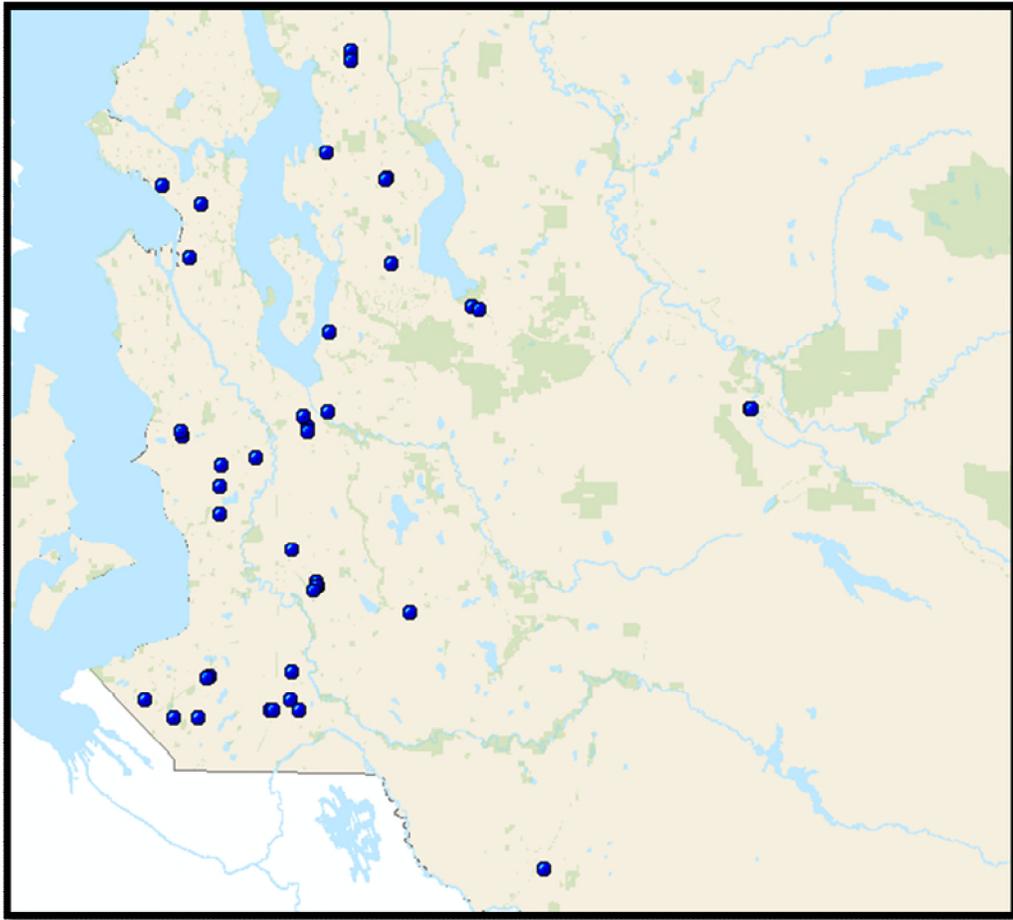
Sale No. 5: This vacated McDonald's restaurant with Sale No. 4 replaced the former restaurant in the same market area. This former McDonald's sold with a restricted competition clause in place which does allow an Asian style restaurant.

The year to year comparison for Area 413-40 supports a land value increase of 5.42% and a total property value increase of 5.84%, shown on the following table. In addition to the five sales shown prior; three quick service restaurants have been rebuilt or remodeled over the past year. The Taco Bell restaurant located in Auburn was razed and a new restaurant, on the same footprint, was constructed and subsequently completed in March of 2016. (See photos on Cover Page of this report) The Arby's restaurant, also located in Auburn, is being remodeled with completion scheduled for May of 2016. Additionally, the Burger King restaurant located in Kent has been updated within the past year.

Year	Land Value	Imp. Value	Total Value
2015	\$48,161,100	\$53,411,700	\$101,572,800
2016	\$50,772,100	\$56,736,800	\$107,508,900
Difference	+\$2,611,000	+\$3,325,100	+\$5,936,100
% Change	+ 5.42%	+ 6.23%	+ 5.84%

Specialty Area 413-50 includes casual dining restaurants countywide. This neighborhood has approximately 13.5% of the specialty population. It includes Denny's, IHOP, Black Angus, Shari's, Applebee's, Pizza Hut and Red Robin as well as other local and national chain restaurants. There have been two market sales in Neighborhood 50.

Map Area 413-50



Improved Quick Service Sales in Area 413-50

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	202406-9096	\$1,505,000	05/30/2013	4,944 SF	\$304.41	IHOP Restaurant
2	873217-0050	\$600,000	12/10/2014	3,840 SF	\$156.25	Godfather's Pizza

Sale Comments:

Sale No. 1: The IHOP restaurant is located in Issaquah, WA and was the up-leg of a 1031 Exchange.

Sale No. 2: Godfather' Pizza was listed for sale at \$679,000, closing at \$600,000 due to the condition of the improvements.

In addition to the two casual dining restaurant sales shown above, the Red Robin restaurant located in Kent is listed for sale with an asking price of \$4.4M or approximately \$585/SF. The Red Robin located in Auburn is also listed for sale with asking price of \$6.25M or approximately \$866/SF. The Kent Red Robin was constructed in 1993 while the Auburn restaurant was completed in 2003.

The land value for 413-50 has increased by 7.19% and the total property value has also risen by 5.25%. The increase in total value was caused primarily by the transfer of a number of casual dining restaurants from the area appraisers to Specialty Area 413-50.

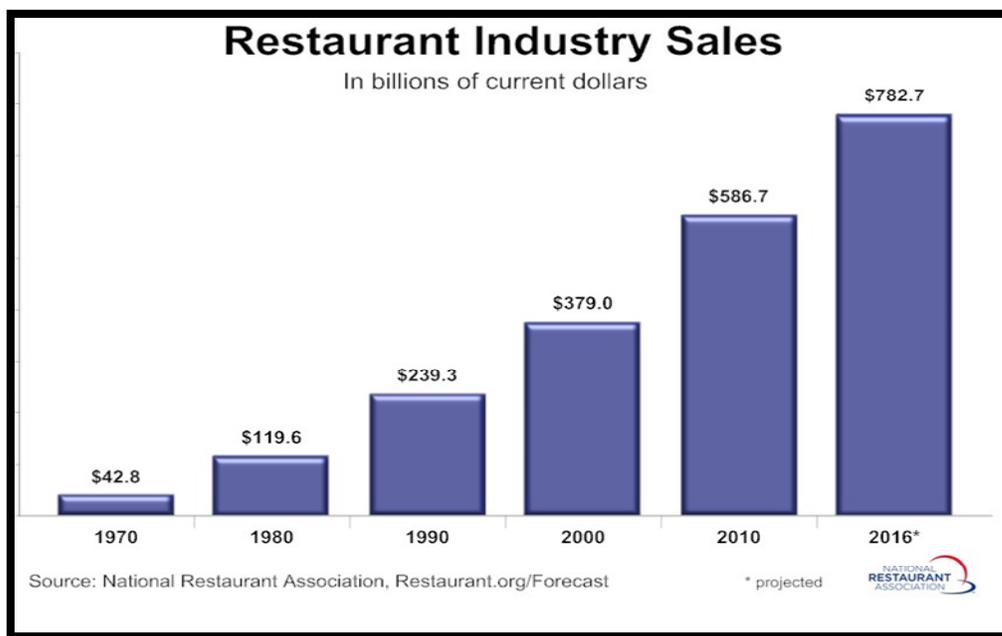
Year	Land Value	Imp. Value	Total Value
2015	\$44,152,600	\$25,013,500	\$69,166,100
2016	\$47,328,800	\$25,469,600	\$72,798,400
Difference	+\$3,176,200	+ \$456,100	+ \$3,632,300
% Change	+ 7.19%	+ 1.82%	+ 5.25%

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

The restaurant industry will reach landmark numbers in 2016 – over \$782.7B in sales, according to the National Restaurant Association, with over one million locations and 14 million employees. See the sales growth graph below.

Washington State has 14,913 restaurant locations, up from last year's 14,332; \$13.1B in sales, which is an increase from prior year's sales figure of \$11.6B and employs 295,500, an increase of approximately 8,700 employees from the prior year and represents 10% of employment in Washington State.

QSR same store sales (SSS) growth has been positive for five consecutive years, up 3.4 percent in 2014, while fast casual has been positive for only three consecutive quarters according to the 2015 Chain Restaurant Industry Review.



The QSR, fast casual and casual dining industry has seen an increase in total sales during 2014 over 2013 in spite of the slower than predicted economy recovery. Again the restaurant market exceeded the \$600B sales figure for the fifth year in a row and was projected to top \$782.7B in 2016, up over 10% from the prior year, according to National Restaurant Association's 2016 Restaurant Industry Forecast. With respect to the top twelve QSRs, (shown following), added a total of 521 restaurants with Dunkin Donuts leading the way with 405. The 521 total additional QSR restaurants for 2015 is down from 627 restaurants added in 2014. McDonalds added an additional 72 units over the same time period.

Subway added 778 units from 2014 to 2015, followed by Starbucks with 650 units. Fast casual dining restaurant additions during the same time period leaders included Chipotle Mexican Grill with 183 units, Panera Bread with 103, Jimmy John's with 307 and Panda Express with a total additional units of 101.

QSR restaurants that reduced the number of outlets included KFC -108 (2014) down 121 for 2015, Burger King -60 (2014) down 13 for 2015, Wendy's -46 (2014) minus 41 for 2015, Dairy Queen -21 (2014) less 18 for 2015 and Arby's down 43 for 2015.

Although not approaching the number of QSR restaurants in total outlets, the fastest growing segment of the restaurant industry is the fast casual sector with Panera Bread, Chipotle Mexican Grill and Jimmy John's leading the way. Conversely, the QSR segment has been static over the same time period.

Trends for the restaurant industry in 2016, according to National Restaurant Association (NRA), will include the following: *

- Real Food – food free from additives, antibiotics and artificial components. Panera Bread and Papa John's have all announced that they removed additives from their products. Pizza Hut has announced that they will reduce artificial ingredients in their product along with Taco Bell, both owned by YUM Brands.
- Chef-driven fast casuals - national known chefs are entering the fast casual industry. The chef-driven fast casual movement has grown so strong that it came in at No. 2 on the NRA's "What's Hot" culinary forecast for the coming year.
- Micro cuisines- for a long time, quick service focused on national trends like burger and chicken. Then there was the focus on regional flavors and even some ethnic foods. But in 2016, expect to see more hyper regional items on the menu.
- Vegetables as the star – nearly every one of the 2016 forecasts mention vegetables in some form, either as part of a dish or as the logical beneficiary of the evolving move toward healthier eating and cleaner ingredients. Vegetables also help fight off the higher cost of many meals.
- Digital advances – the digital advances continue to arrive fast and furious, and consumers, especially the Millennials and their younger brethren, Generation Z, increasingly expect all of their contacts, including restaurants, to be more technology friendly. Examples: include both McDonalds and Wendy's adding touch screen kiosks to their restaurants for speedy service and lower costs.

**2016 Restaurant Industry Forecast National Restaurant Association*

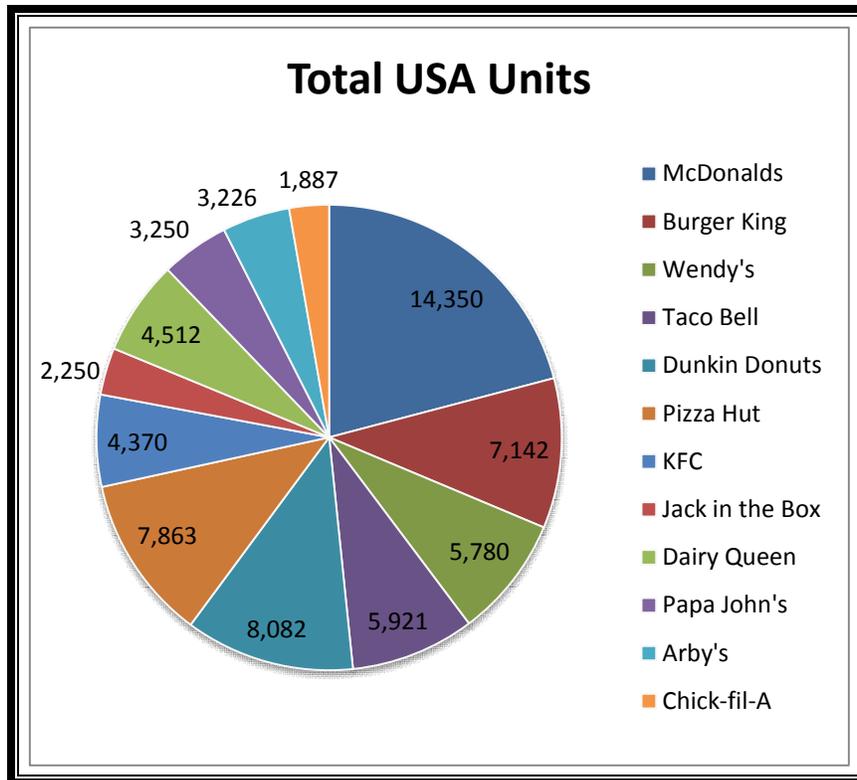
GE Capital Finance along with the National Restaurant Association rank the Top 100 restaurants in the USA each year based upon gross revenue, same store sales, number of

company owned restaurants, number of franchises, and total units, following are the major restaurants in Type I (QSR) and Type II (Fast Casual) restaurants. Data for Type III (Casual Dining Restaurants) were not available. Emphasis is placed on restaurants that have locations in King County. The following results are based upon 2015 findings.

National Top Twelve QSR Restaurants for 2015						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
McDonalds	\$35.45B	14,350	\$2.5M	72	1,514	12,836
Burger King	\$8.64B	7,142	\$1.21M	-13	52	7,090
Wendy's	\$8.51B	5,780	\$1.59M	-41	885	4,895
Taco Bell	\$8.2B	5,921	\$1.44M	152	926	4,995
Dunkin Donuts	\$7.18B	8,082	\$911K	405	35	8,047
Chick-fil-A	\$5.78B	1,887	\$3.06M	112	50	1,837
Pizza Hut	\$5.5B	7,863	\$843K	17	526	7,337
KFC	\$4.2B	4,370	\$960K	-121	206	4,164
Sonic Drive-In	\$4.1B	3,517	\$1.15M	-0-	389	3,128
Dairy Queen	\$3.21B	4,512	\$1.27M	-18	2	4,510
Arby's	\$3.2B	3,226	\$983K	-43	940	2,286
Jack in the Box	\$3.18B	2,250	\$1.4M	-1	431	1,819

National Top Six Fast Casual Restaurants for 2015						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
Panera Bread	\$4.5B	1,880	\$2.5M	103	925	955
Chipotle	\$4.05B	1,755	\$2.47M	183	1,755	-0-
Panda Express	\$2.25B	1,708	\$1.34M	101	1,633	75
Jimmy John's	\$1.75B	2,109	\$898K	307	38	2,071
Zaxby's	\$1.25B	660	\$2.03M	63	114	546
Five Guys	\$1.21B	1,163	\$1.08M	45	378	785

Starbucks with \$12.69B and Subway with \$11.9B in sales are not listed as QSR restaurants as explained previously in this report. Subway surpasses McDonalds in total stores with 27,205 in the USA, while McDonalds has 14,350. Starbucks is third with 12,107. McDonalds still leads in total gross sales with \$35.45B in 2015.



The QSR distribution ratio shown in above graph is highly similar to the number of QSR outlets found in King County.

Physical Inspection Identification:

The physically inspected neighborhood was the King County Assessor's neighborhood 413-30 for assessment year 2015 as required by WAC 458-07-015 4 (a). Neighborhood 30 includes all QSR and fast casual dining restaurant such as McDonalds, KFC/Taco Bell, Dairy Queen, Taco Time, Arby's, and Starbucks. An exterior observation of the properties was made to verify the accuracy and completeness of property characteristic data that affect value.

Preliminary Ratio Analysis

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

The two major aspects of appraisal accuracy; appraisal level and appraisal uniformity are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which

properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

Appraisal (Assessment) Level: Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic mean and median ratios in which the weights are proportional to the sales prices. The weighted mean is the sum of the assessed values divided by the sum of the sales price. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to each parcel. The weighted mean is an important statistic in its own right and is also used in computing the price related differential (PRD), a measure of uniformity between high and low value properties.

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

A preliminary ratio study was done prior to the application of the 2016 recommended values. The ratio between the assessed value of a property and its sale price gives the Assessor a guideline for valuing other similar properties. There were eleven (11) improved sales in the Area 413 included in the ratio study. The average assessed value was \$1,224,900 and the average sale price was \$1,326,800. The ratio between the assessed value and sales price was 92.3%. The Price Related Differential remained the same and the Coefficient of Variation went from 8.95% to 12.16%. The closer the ratio is to 1.00 indicates that the assessments reflect market conditions.

Below:

Area 413 Year End 2015 Ratios	
Statistic	Value
Appraisal Level	0.923
Coefficient of Dispersion (COD)	7.34%
Price Related Differential (PRD)	1.04

Below:

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

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

Below:

The ratios after the revalue are shown below so the reader may appreciate the improvement in the ratios after properties in Area 413 were revalued. The average assessed value changed from \$1,224,900 (prior) to \$1,287,100 (after) resulting in the following ratios. The conclusion of the report will have further discussion on the ratios.

Area 413 2016 Ratios	
Statistic	Value
Appraisal Level	0.97
Coefficient of Dispersion (COD)	8.95%
Price Related Differential (PRD)	1.04

Scope of Data

Land Value

Land Sales, Analysis, Conclusions

The geographic appraiser in the area in which the specialty fast food or institutional restaurant property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion. Graph of Area 413 Land Values for 2015 and 2016 shown following.

Land Assessed Values Area 413				
Neighborhood	Value 2015	Value 2016	\$ Change	% Change
10	\$73,501,400	\$82,572,400	\$9,071,000	12.34%
20	\$67,953,100	\$71,184,000	\$3,230,900	4.75%
30	\$74,082,000	\$76,232,000	\$2,150,000	2.90%
40	\$48,880,600	\$51,491,600	\$2,611,000	5.34%
50	\$44,152,600	\$47,328,800	\$3,176,200	7.19%
Totals	\$308,569,700	\$328,808,800	\$20,239,100	6.56%

Improved Parcel Total Value Data:

Sale information is obtained from excise tax affidavits and reviewed initially by the Accounting Division Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales are verified, if possible, by contacting either the purchaser or seller, or contacting the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. If necessary a site inspection is made. Sales are listed in the "Sales Used" and Sales Not Used" sections of this report.

Improved Parcel Total Values:

Sales Comparison Approach model description

Improved sales for Area 413 were verified by the specialty appraiser and entered into the Real Property Sales application. The sales used range in date from 5/30/2013 to 1/15/2016 and are shown in the following chart. Verification consisted of contact with Buyer, Seller or Broker if possible, information from the COMPS InfoSystem, Inc., real estate sales verification service and/or CoStar. At the time of sale, information on vacancy and market absorption rates, current and anticipated rents, capitalization rates and the competitive position of the property were also gathered when available. The data was used in the income approach. Because of the limited number of comparable sales, the sales comparison approach was not used exclusively.

There were a total of eleven closed market sales in this specialty from 2013 thru 2015 and including one sale in January of 2016. There are fewer distressed or forced sales in the quick service restaurant and casual dining restaurant sector than in the commercial real estate market. Sales are shown in the following table.

Nbdh	Major	Minor	E Tax #	Sale Date	Sale Price	Size NRA	Land to Building Ratio	Price Per NRA
20	250060	0701	2665183	04/16/2014	\$485,000	2,112 sf	14.62:1	\$229.64
20	536720	1395	2699194	11/03/2014	\$1,400,000	3,794 sf	6.83:1	\$369.00
20	082104	9229	2754528	09/03/2015	\$700,000	2,040 sf	7.15:1	\$343.14
20	712930	4550	2776155	01/15/2016	\$1,050,000	2,270 sf	12.34:1	\$462.56
40	312305	9167	2666953	05/07/2014	\$1,192,000	2,889 sf	9.58:1	\$412.60
40	322305	9087	2683630	08/04/2014	\$1,825,000	2,993 sf	12.68:1	\$609.76
40	516970	0092	2611357	06/11/2013	\$1,200,000	2,796 sf	10.50:1	\$429.18
40	292305	9125	2719909	03/03/2015	\$3,287,500	4,365 sf	11.16:1	\$753.15
40	322305	9119	2737395	06/15/2015	\$1,350,000	4,133 sf	9.16:1	\$326.64
50	202406	9096	2610398	05/30/2013	\$1,505,000	4,944 sf	9.34:1	\$304.41
50	873217	0050	2705224	12/10/2014	\$600,000	3,840 sf	2.69:1	\$156.25

Sales comparison calibration

Calibration of the coefficients utilized in the models applied via the sales comparison approach was established by an analysis of sales within each neighborhood, if possible. Individual prices were applied based on various characteristics deemed appropriate by each market. Specific variables and prices for each neighborhood are discussed in more detail above. The sales comparison approach was given some weight, but the income approach was used in the final reconciliation of value to provide greater equalization and uniformity of values.

Cost Approach model description

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. The Marshall & Swift cost calculations are automatically calibrated to the data in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older properties, this approach to value was given the least weight in the final reconciliation of values. Cost estimates were relied upon for valuing on going new construction where comparable sales data and/or sufficient income and expense information is not available.

Cost calibration

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

Income Capitalization Approach model description

The income approach is considered the most reliable approach to valuation in area 413 where relevant income and expense data is available to ascertain market rates. During the sales verification process, an attempt is made to obtain income and expense data from the parties involved in the transactions through interviews or via mail. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are surveyed to collect similar data. Disclosure of this information is not required by law and therefore is often difficult to obtain. The return rate of mail surveys varies and the data can be incomplete. Telephone interviews are dependent upon obtaining a valid number for a knowledgeable party and the opportunity to contact them. Due to the highly competitive nature of this specialty, information of a confidential nature is very difficult to obtain. As a supplement, lease information is gathered from Costar and other websites.

The valuation model includes the following steps:

1. The program multiplies the property's net rentable area by the market rent to derive potential gross income (PGI).
2. The program subtracts allowances for vacancy and operating expenses to derive net operating income (NOI).
3. The program capitalizes NOI (divides it by the overall rate) to produce the value estimate.

In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. The following table recaps the capitalization rates as reported by these publications.

National/Regional CAP Rates for QSR/Fast Casual and Casual Dining Restaurants					
Restaurant Type	2015	2016	% Change	Change Basis Points*	Remarks
QSR	6.10%	5.8%	-4.92%	-(30)	Restaurant Research-Marcus & Millichap (QSR 2015Q2)
QSR	6.38%	6.15%	-3.61%	-(23)	Calkain Research Cap Rate Reports, End 2015*.
QSR	6.25%	5.90%	-5.60%	-(35)	The Boulder Group, Single Tenant Net Lease, 2Q 2015 (National Rate)
QSR	5.90%	5.98%	+1.36%	+(8)	Net Lease Advisor, Average CAP rates 2015 (Q1)
Fast Casual	6.80%	6.25%	-8.09%	-(55)	Net Lease Advisor, Average Cap rates 2016 (Q1)
All Restaurant Types	6.80%	6.30%	-7.35%	-(50)	Restaurant Research-Marcus & Millichap (3Q 2015)
QSR	5.80%	5.42%	-6.55%	-(38)	Summer 2014 Cassidy/Turley Single Tenant Net Lease Investment Overview
Restaurant	6.20%	6.20%	-0-%	-0-	PcC RE Investor Retail Survey 2015 (4 th Q)

The above table demonstrates ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled with data specific to the real estate market of QSR properties to develop the income model. The overall quick service restaurant and fast casual restaurant capitalization rates have declined approximately 30 basis points over the past year and for all restaurant classifications the drop is approximately the same, 30 basis points. Nationally, Marcus & Millichap, Retail Research and Net-Leased Outlook reported that average cap rates were in the low-6 percent range in the last year, though first year returns vary depending on tenant. Calkain Company Research found that QSR cap rates averaged 6.21% for leases with 10 years left and 7.65% with leases with less than 10 years remaining, while casual dining restaurants had averaged cap rates of 6.46% to 7.32%. The factors in the capitalization rates were whether the restaurant was corporate owned or a franchisee owned store; corporate owned restaurants commanded lower cap rates, in some cases as much as 50 basis points, per Calkain Company Research.

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

2016 Year End Metrics			
	QSR	Fast Casual	Casual Dining
Vacancy Rate	↔ (slight decrease)	↔ (stable)	↔ (stable)
Rental Rate	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Capitalization Rate	↘ (slight decrease)	↘ (slight decrease)	↘ (slight decrease)
Improved Property Values	↗ (slight increase)	↗ (slight increase)	↗ (slight increase)
Land Values	↑ (increase)	↗ (slight increase)	↗ (slight increase)

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

Income approach calibration

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

PROPERTY TYPE	TYPICAL RENT RANGE	VACANCY	EXPENSE RATE	CAP RANGE
Quick Service Restaurant/Fast Casual	\$22.00 to \$40.00	3% to 7%	8%	6.00% to 8.00%
Casual Dining	\$22.00 to \$30.00	3% to 7%	8%	6.75% to 8.00%
Metrics* *Change from Prior Year	Slight Increase	Stable to Slight Decrease	Stable	Slight Decrease

Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. Under no circumstances were business enterprise or personal property values included in the Assessor's appraisals. Every effort was made, through the use of market rent, to eliminate any possibility of value estimates that included anything but the value of the real estate. The market sales approach is considered the most reliable indicator of value when comparable sales were available, however, the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, and along with data from surveys and publications these parameters were applied to the income model. An administrative review of the selected values was made by Ruth Peterson, Senior Appraiser for quality purposes.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

The income approach to value was considered on all of the Quick Service/Fast Casual Restaurants and the Casual Dining Restaurants and is the most reliable approach for these specialty properties.

The total assessed value for the 2015 assessment year for Area 413 was \$436,991,300. The total recommended assessed value for the 2016 assessment year is \$461,416,700.

Both land and improvement values increased over prior year. Land values increased by a 6.56% while improvement values rose by 3.26%. The application of these recommended values for the 2016 assessment year results in a total change from the 2015 assessments of a modest plus 5.59% increase.

	Land	Improvements	Total
2015 Value	\$308,569,700	\$128,421,600	\$436,991,300
2016 Value	\$328,808,800	\$132,607,900	\$461,416,700
Amount Change	+\$20,239,100	+\$4,186,300	+\$24,425,400
Percent Change	+6.56%	+3.26%	+5.59 %

The QSR and Fast Casual Dining restaurant market has seen an increase in new construction; including two McDonald restaurants and the first Chick-fil-A in King County. The QSR, Fast Casual and Casual dining market has also experienced an upward trend in total sales over the past year, eight sales were utilized for the 2015 valuation while eleven are included in the 2016 report. Lowering of the CAP rate has trended the total property values upward, supporting the Assessors increase in total property values of 5.59%.

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

Highest and Best Use

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

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

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

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

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

Date of Value Estimate

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

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building

permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

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

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

- 1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
- 2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
- 3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*

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

Scope of Work Performed:

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

CERTIFICATION:

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.*

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

Russell O. Butler, Commercial Appraiser II

Area 413 - quick service restaurant
2016 Assessment Year

<i>Parcel Number</i>	<i>Assessed Value</i>	<i>Sale Price</i>	<i>Sale Date</i>	<i>Ratio</i>	<i>Diff: Median</i>
202406-9096	1,419,100	1,505,000	5/30/2013	0.9429	0.0121
516970-0092	1,146,000	1,200,000	6/11/2013	0.9550	0.0000
250060-0701	526,100	485,000	4/16/2014	1.0847	0.1297
312305-9167	1,252,200	1,192,000	5/7/2014	1.0505	0.0955
322305-9087	1,637,700	1,825,000	8/4/2014	0.8974	0.0576
536720-1395	1,238,000	1,400,000	11/3/2014	0.8843	0.0707
873217-0050	600,000	600,000	12/10/2014	1.0000	0.0450
292305-9125	2,656,300	3,287,500	3/3/2015	0.8080	0.1470
322305-9119	1,204,000	1,350,000	6/15/2015	0.8919	0.0631
082104-9229	737,800	700,000	9/3/2015	1.0540	0.0990
712930-4550	1,056,400	1,050,000	1/15/2016	1.0061	0.0511

Area 413 - quick service restaurant
2016 Assessment Year

Quadrant/Crew: North Crew	Appr date : 1/1/2015	Date: 6/7/2016	Sales Dates: 5/30/2013 - 01/15/2016								
Area 413	Appr ID: RBUT	Prop Type: Improvement	Trend used?: Y / N N								
SAMPLE STATISTICS											
<i>Sample size (n)</i>	11	<p style="text-align: center;">Ratio Frequency</p> <table border="1"> <caption>Ratio Frequency Data</caption> <thead> <tr> <th>Ratio</th> <th>Frequency</th> </tr> </thead> <tbody> <tr> <td>0.9</td> <td>4</td> </tr> <tr> <td>1.0</td> <td>3</td> </tr> <tr> <td>1.1</td> <td>4</td> </tr> </tbody> </table>		Ratio	Frequency	0.9	4	1.0	3	1.1	4
Ratio	Frequency										
0.9	4										
1.0	3										
1.1	4										
<i>Mean Assessed Value</i>	1,224,900										
<i>Mean Sales Price</i>	1,326,800										
<i>Standard Deviation AV</i>	583,873										
<i>Standard Deviation SP</i>	766,212										
ASSESSMENT LEVEL											
<i>Arithmetic mean ratio</i>	0.961	<div style="border: 1px solid black; padding: 5px;"> <p>These figures reflect measurements before posting new values.</p> </div>									
<i>Median Ratio</i>	0.955										
<i>Weighted Mean Ratio</i>	0.923										
UNIFORMITY											
<i>Lowest ratio</i>	0.8080										
<i>Highest ratio:</i>	1.0847										
<i>Coefficient of Dispersion</i>	7.34%										
<i>Standard Deviation</i>	0.0860										
<i>Coefficient of Variation</i>	8.95%										
<i>Price-related Differential</i>	1.04										
RELIABILITY											
95% Confidence: Median											
<i>Lower limit</i>	0.884										
<i>Upper limit</i>	1.054										
95% Confidence: Mean											
<i>Lower limit</i>	0.911										
<i>Upper limit</i>	1.012										
SAMPLE SIZE EVALUATION											
<i>N (population size)</i>	299										
<i>B (acceptable error - in decimal)</i>	0.05										
<i>S (estimated from this sample)</i>	0.0860										
Recommended minimum:	11										
<i>Actual sample size:</i>	11										
Conclusion:	Uh-oh										
NORMALITY											
Binomial Test											
<i># ratios below mean:</i>	6										
<i># ratios above mean:</i>	5										
<i>z:</i>	0										
Conclusion:	Normal*										
*i.e., no evidence of non-normality											

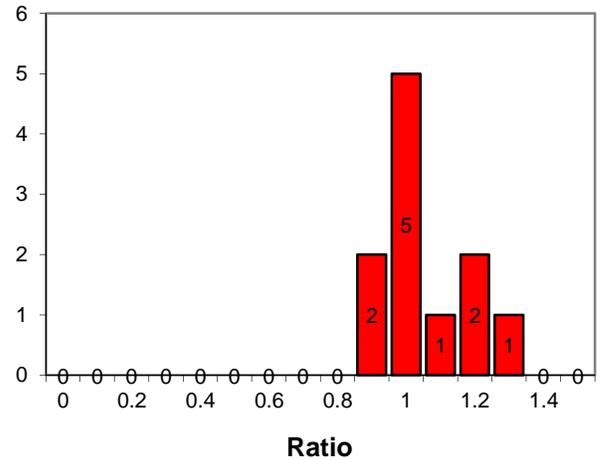
Area 413 - quick service restaurant
2016 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
202406-9096	1,419,100	1,505,000	5/30/2013	0.9429	0.0571
516970-0092	1,213,400	1,200,000	6/11/2013	1.0112	0.0112
250060-0701	557,000	485,000	4/16/2014	1.1485	0.1485
312305-9167	1,375,000	1,192,000	5/7/2014	1.1535	0.1535
322305-9087	1,795,200	1,825,000	8/4/2014	0.9837	0.0163
536720-1395	1,238,000	1,400,000	11/3/2014	0.8843	0.1157
873217-0050	600,000	600,000	12/10/2014	1.0000	0.0000
292305-9125	2,728,100	3,287,500	3/3/2015	0.8298	0.1702
322305-9119	1,239,900	1,350,000	6/15/2015	0.9184	0.0816
082104-9229	700,000	700,000	9/3/2015	1.0000	0.0000
712930-4550	1,292,400	1,050,000	1/15/2016	1.2309	0.2309

Area 413 - quick service restaurant
2016 Assessment Year

Quadrant/Crew: North Crew	Appr date : 1/1/2016	Date: 6/7/2016	Sales Dates: 5/30/2013 - 01/15/2016
Area 413	Appr ID: RBUT	Prop Type: Improvement	Trend used?: Y / N N
SAMPLE STATISTICS			
Sample size (n)	11		
Mean Assessed Value	1,287,100		
Mean Sales Price	1,326,800		
Standard Deviation AV	609,896		
Standard Deviation SP	766,212		
ASSESSMENT LEVEL			
Arithmetic mean ratio	1.009		
Median Ratio	1.000		
Weighted Mean Ratio	0.970		
UNIFORMITY			
Lowest ratio	0.8298		
Highest ratio:	1.2309		
Coefficient of Dispersion	8.95%		
Standard Deviation	0.1227		
Coefficient of Variation	12.16%		
Price-related Differential	1.04		
RELIABILITY			
95% Confidence: Median	These figures reflect measurements after posting new values.		
Lower limit	0.884		
Upper limit	1.154		
95% Confidence: Mean			
Lower limit	0.937		
Upper limit	1.082		
SAMPLE SIZE EVALUATION			
N (population size)	299		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1227		
Recommended minimum:	22		
Actual sample size:	11		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
# ratios below mean:	7		
# ratios above mean:	4		
z:	0.603022689		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Ratio Frequency



Improvement Sales for Area 413 with Sales Used

06/02/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	050	202406	9096	4,944	2610398	\$1,505,000	05/30/13	\$304.41	IHOP Restaurant	PO	1	Y	
413	040	516970	0092	2,796	2611357	\$1,200,000	06/11/13	\$429.18	STARBUCKS COFFEE RENTON HIG	CA	1	Y	
413	020	250060	0701	2,112	2665183	\$485,000	04/16/14	\$229.64	Churchs Chicken	H-C	1	Y	
413	040	312305	9167	2,889	2666953	\$1,192,000	05/07/14	\$412.60	STARBUCK'S	GC	1	Y	
413	040	322305	9087	2,993	2683630	\$1,825,000	08/04/14	\$609.76	ARBYS RESTAURANT	CA	1	Y	
413	020	536720	1395	3,794	2699194	\$1,400,000	11/03/14	\$369.00	ARBY'S	IG2 U/85	1	Y	
413	050	873217	0050	3,840	2705224	\$600,000	12/10/14	\$156.25	GODFATHER'S PIZZA	BN	1	Y	
413	040	292305	9125	4,365	2719909	\$3,287,500	03/03/15	\$753.15	MCDONALDS QSR	CA	1	Y	
413	040	322305	9119	4,133	2737395	\$1,350,000	06/15/15	\$326.64	FORMER MCDONALDS RESTAURA	CA	1	Y	
413	020	082104	9229	2,040	2754528	\$700,000	09/03/15	\$343.14	CHURCHE'S CHICKEN	CC-F	1	Y	
413	020	712930	4550	2,270	2776155	\$1,050,000	01/15/16	\$462.56	KENTUCKY FRIED CHICKEN	NC2-40	2	Y	

Improvement Sales for Area 413 with Sales not Used

06/02/2016

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	020	873217	0060	2,519	2595428	\$2,472	03/12/13	\$0.98	DAIRY QUEEN	BN	1	24	Easement or right-of-way
413	040	789390	0041	3,473	2640112	\$2,235,000	11/07/13	\$643.54	BURGER KING	IC	1	46	Non-representative sale
413	050	330070	0955	1,876	2651340	\$925,000	01/27/14	\$493.07	PIZZA HUT DELIVERY CTR	NC3P-40	1	8	Questionable per appraisal
413	040	292205	9337	3,580	2663591	\$397,000	04/04/14	\$110.89	KFC - FAST FOOD	CC	1	51	Related party, friend, or neighbor
413	040	722780	1025	4,860	2669517	\$1,330,000	05/22/14	\$273.66	KFC & PIZZA HUT	CV	1	8	Questionable per appraisal
413	010	179450	0105	1,135	2673341	\$2,125,000	06/04/14	\$1,872.25	PIZZA HUT	NC2P-40	1	46	Non-representative sale
413	050	644820	0015	9,929	2714988	\$6,750,000	02/17/15	\$679.83	Azteca	OV5	1	46	Non-representative sale
413	040	362205	9070	3,292	2717402	\$2,550,000	03/09/15	\$774.61	WENDY'S	MC	1	33	Lease or lease-hold
413	040	382940	0010	2,764	2719223	\$1,975,000	03/19/15	\$714.54	KENT CORNER QSR CONDO	CC-MU	1	36	Plottage
413	040	382940	0020	2,764	2719217	\$962,600	03/19/15	\$348.26	KENT CORNER QSR CONDO	CC-MU	1	36	Plottage
413	040	000080	0031	3,300	2728950	\$600,000	04/22/15	\$181.82	DAIRY QUEEN RESTAURANT	C3	1	33	Lease or lease-hold
413	030	272505	9209	0	2758268	\$12,000	09/09/15	\$0.00	PARKING FOR MCDONALDS (Minor	BR-CR	1	24	Easement or right-of-way
413	040	272206	9096	2,515	2760779	\$788,666	10/07/15	\$313.58	FOUR CORNER SQUARE - DAIRY Q	CB	1	33	Lease or lease-hold
413	030	390010	1330	3,236	2777768	\$3,200,000	01/25/16	\$988.88	WENDYS	CBD 7	2	8	Questionable per appraisal

Physical Inspection Area 413-30

Major	Minor	PropName	AddrLine	DistrictName
9500	10	McDonalds	5526 EAST LAKE SAMMAMISH PKWY SE	ISSAQUAH
67900	95	TACO TIME	201 106TH AVE NE	BELLEVUE
67900	105	TACO TIME PARKING	215 106TH AVE NE	BELLEVUE
92405	9052	TACO BELL	3705 128TH AVE SE	BELLEVUE
92405	9204	Taco Time	3920 FACTORIA BLVD SE	BELLEVUE
92605	9182	JACK IN THE BOX	17445 131ST AVE NE	WOODINVILLE
102605	9155	MCDONALDS	17223 140TH AVE NE	WOODINVILLE
112405	9090	MCDONALDS	3239 156TH AVE SE	BELLEVUE
112505	9106	WENDY'S HAMBURGERS	15945 NE REDMOND WAY	REDMOND
122505	9206	MCDONALDS	16975 REDMOND WAY	REDMOND
122505	9218	BEAR CREEK VILLAGE - TACO TIM	17140 NE REDMOND WAY	REDMOND
122505	9228	DAIRY QUEEN	16989 NE REDMOND WAY	REDMOND
123310	216	TACO TIME		KIRKLAND
123310	290	STARBUCKS	12209 NE 85TH ST	KIRKLAND
123850	235	MCDONALDS	8515 124TH AVE NE	KIRKLAND
128360	90	JACK IN THE BOX	3179 156TH AVE SE	BELLEVUE
162405	9110	MCDONALDS	4056 128TH AVE SE	BELLEVUE
202406	9078	Burger King	1705 NW GILMAN BLVD	ISSAQUAH
202406	9105	McDonalds	1305 NW GILMAN BLVD	ISSAQUAH
202605	9149	MCDONALDS	13636 100TH AVE NE	KIRKLAND
212406	9055	TACO TIME	5611 221ST PL SE	ISSAQUAH
222505	9332	BURGER KING (SPLIT ACCT)	14620 NE 24TH ST	BELLEVUE
244270	20	BURGER KING	4103 128TH AVE SE	BELLEVUE
244270	50	KENTUCKY FRIED CHICKEN	12611 SE 38TH ST	BELLEVUE
262505	9031	TACO BELL	1960 148TH AVE NE	REDMOND
262505	9062	JACK IN THE BOX	1900 148TH AVE NE	BELLEVUE
262505	9134	KIDD VALLEY HAMBURGERS	15259 NE BELLEVUE-REDMOND RD	BELLEVUE
262505	9201	MCDONALDS	1401 156TH AVE NE	BELLEVUE
262505	9241	IVARS	1505 156TH AVE NE	BELLEVUE
272505	9129	MCDONALDS	13841 NE 20TH ST	BELLEVUE
272505	9204	PARKING FOR MCDONALD'S (Mi	13837 NE 20TH ST	BELLEVUE
272505	9209	PARKING FOR MCDONALDS (Mir	13831 NE 20TH ST	BELLEVUE
282406	9245	Kentucky Fried Chicken	555 NW GILMAN BLVD	ISSAQUAH
282605	9021	KENTUCKY FRIED CHICKEN	11747 124TH AVE NE	KIRKLAND
282605	9153	VACANT(SEE MINOR 9182)		KIRKLAND
282605	9178	MCDONALDS	12514 116TH AVE NE	KIRKLAND
282605	9182	TACO TIME	12430 116TH AVE NE	KIRKLAND
282605	9223	TACO BELL	11624 124TH AVE NE	KIRKLAND
292505	9130	WENDYS RESTAURANT	940 BELLEVUE WAY NE	BELLEVUE
292605	9030	WENDYS		KIRKLAND
292605	9031	BURGER KING	12425 116TH AVE NE	KIRKLAND
322505	9070	CHICK-FIL-A RESTAURANT		BELLEVUE
332505	9169	BURGER KING RESTAURANT	11723 NE 8TH ST	BELLEVUE
332506	9153	McDonald's Restaurant	615 228TH AVE NE	SAMMAMISH
347180	50	KIDD VALLEY HAMBURGERS	5910 LAKE WASHINGTON BLVD NE	KIRKLAND
347180	55	KIDD VALLEY HAMBURGER'S PA	5910 LAKE WASHINGTON BLVD NE	KIRKLAND

Physical Inspection Area 413-30

390010	1330	WENDYS	312 CENTRAL WAY	KIRKLAND
392720	220	ARBYS	15115 NE 24TH ST	REDMOND
522330	50	JACK IN BOX-RESTAURANT	12 104TH AVE SE	BELLEVUE
726910	6	DAIRY QUEEN	17831 131ST AVE NE	WOODINVILLE
752546	80	Jack-in-The-Box	620 228TH AVE NE	SAMMAMISH
794630	85	TACO TIME	6733 NE 181ST ST	KENMORE
868224	50	MCDONALDS		KING COUNTY
927070	5	KENTUCKY FRIED CHICKEN	15802 BEAR CREEK PKWY	REDMOND
951710	58	TACO TIME	13912 NE 175TH ST	WOODINVILLE
951710	85	WENDY'S	13518 NE 175TH ST	WOODINVILLE