

Commercial Revalue

2018 Assessment roll

**QUICK SERVICE
RESTAURANTS
AREA 413**

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

John Wilson, Assessor



King County

Department of Assessments

King County Administration Bldg.
500 Fourth Avenue, ADM-AS-0708
Seattle, WA 98104-2384

(206) 263-2300 FAX (206) 296-0595

Email: assessor.info@kingcounty.gov

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

John Wilson
Assessor

Dear Property Owners,

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

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

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

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

In Service,

John Wilson
King County Assessor

How Property Is Valued

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

What Are Mass Appraisal Techniques?

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

Are Properties Inspected?

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

How are Commercial Properties Valued?

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

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

How is Assessment Uniformity Achieved?

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

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

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

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

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

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

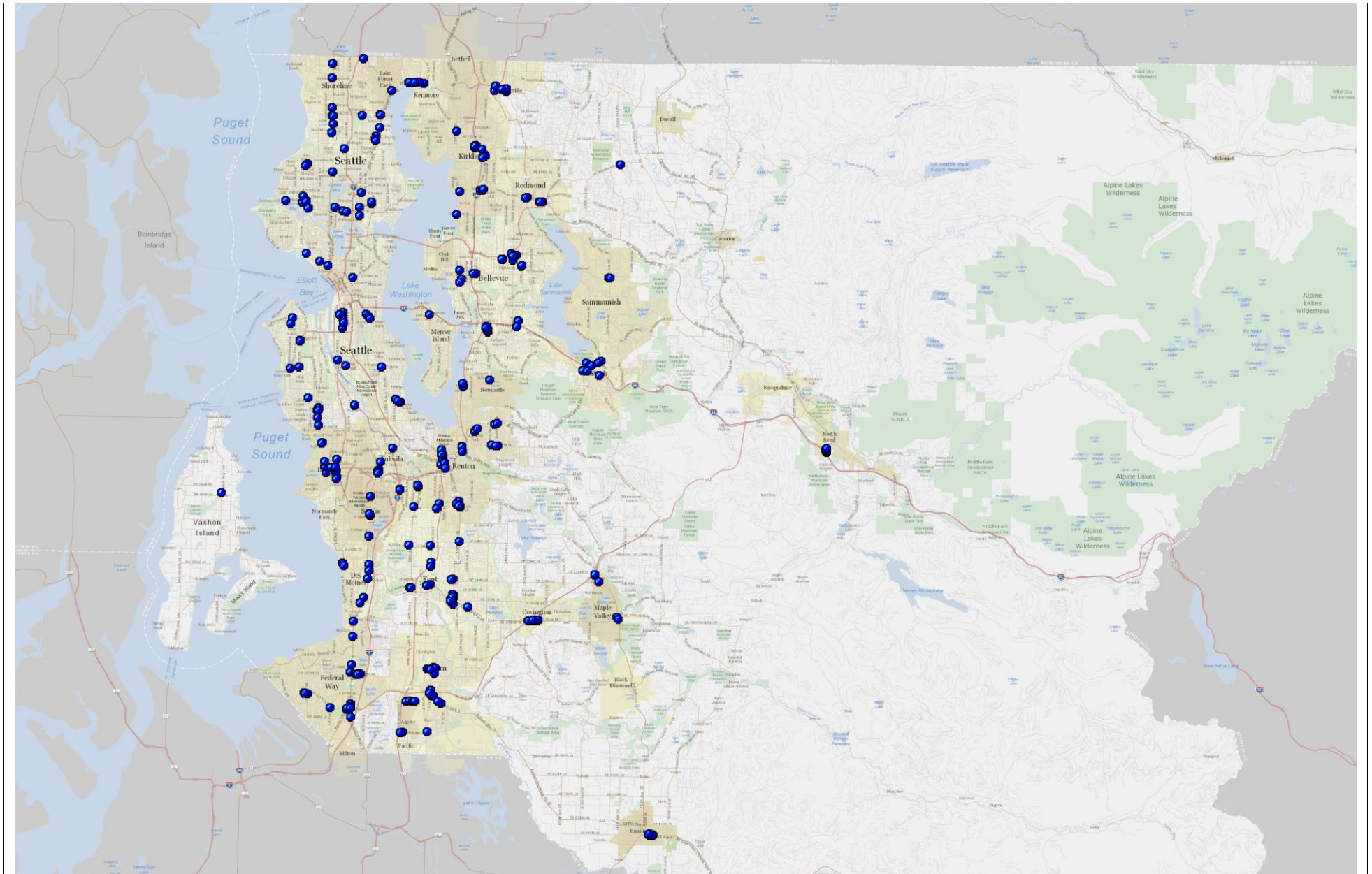
Requirements of State Law

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

Appraisal Area Reports

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

Area 413 Map – Institutional Fast Food



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



Appraisal Date 1/01/2018 – 2018 Assessment Year

Specialty Name: Quick Service/Fast Casual & Casual Dining Restaurants

Sales - Improved Summary:

Number of Sales: 8

Range of Sale Dates: 03/03/2015 –10/10/2017

Sales – Ratio Study Summary:

Sales---Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2017 Value	\$1,701,900	\$2,027,300	83.90%	10.60%
2018 Value	\$1,854,000	\$2,027,300	91.5%	5.62%
Change	\$152,100		7.60%	-4.98%
% Change	8.94%		9.06%	-46.98%
*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 w had major renovation subsequent to sale, or have been segregated or merged since being purchased.

Population - Parcel Summary Data:

	Land	Improvements	Total
2017 Value	\$331,959,700	\$140,383,600	\$472,343,300
2018 Value	\$364,985,300	\$147,470,800	\$512,456,100
Amount Change	+\$33,025,600	+\$7,087,200	+\$40,112,800
Percent Change	+9.95%	+5.05%	+8.49%

Number of Parcels in the Population: 317

Conclusion and Recommendation:

With limited market sales data less consideration is given to the Sales Comparison Approach in the 2018 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 2018 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 fast casual restaurants in King County have been segmented into four neighborhood regions 413-10, 413-20, 413-30 and 413-40. Casual dining restaurants are found in neighborhood 413-50. These regions are described by their geographic location and restaurant type. Significant concentrations of QSR and fast casual restaurants 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. Area 413-50, casual dining restaurants were inspected 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. According to National Restaurant News, franchisees operate 76 percent of the total restaurants. Corporate owned restaurants verses franchisee operated restaurants range from Dunkin’ Donuts and Baskin-Robbins, which have no corporate owned restaurants verses Chipotle and In-N-Out Burger, which are all corporate operated restaurants. Most of the restaurants are leased, with typical lease terms of twenty years with options for additional five year terms, with the exception of McDonald’s. McDonald’s has approximately 14,155 restaurants in the USA, of which approximately 13,046 (92%) are franchisee operated. McDonald’s is down 104 restaurants from prior year, while Dunkin-Donuts is has added 307 restaurants over the same period.

Corporations that own national restaurant chains are shown following:

- Yum! Brands (Taco Bell, KFC and Pizza Hut)
- Restaurant Brands International (Burger King, Popeye’s*)
- Darden Restaurants (Olive Garden, Longhorn Steakhouse, Bahama Breeze)
- Dine Brand Global (IHOP, Applebee’s)
- Roark Capital Group (Arby’s, Carl’s Jr/Hardee’s, Buffalo Wild Wings)
- Berkshire Hathaway Inc. (Dairy Queen, Orange Julius)

*Restaurant Brands International purchased Popeye’s in 2017 for \$1.8B.

The top five QSR and Fast Casual restaurant chains (1,000+ restaurants) sales per unit for 2017 are as follows*:

- 1: Chick-fil A (\$4,407,000)
- 2: McDonalds (\$2,550,000)
- 3: Panera Bread (\$2,700,000)
- 4: Chipotle Mexican Grill (\$1,868,000)
- 5: Taco Bell (\$1,510,000) (Replacing Wendy's which dropped to 6th place)

*Source Technomic Inc.

Analysis Process

Effective Date of Appraisal: January 1, 2018

Date of Appraisal Report: June 4, 2018

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 1/1/2015 thru 12/31/2017 were considered in all analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6 (USPAP compliant).

A brief description of the neighborhoods follows:

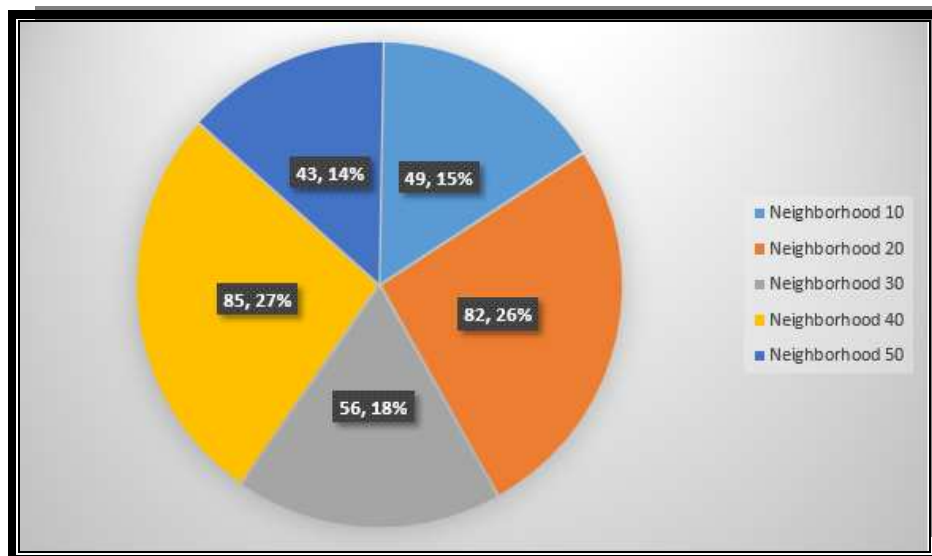
King County is home to many corporations with national and international impact. The QSR, fast casual and casual dining restaurant industry is highly competitive. The following QSR restaurant chains located in King County are listed in the top twenty nationally; McDonalds, KFC, Pizza Hut, Burger King, Wendy's, Taco Bell, Jack in the Box, Arby's, Dunkin Donuts, Pizza Hut and Dairy Queen. On April 12, 2018, Chick-fil-A opened in Covington, its third restaurant in King County.

The following table and graph show the number and distribution of parcels in Area 413 and the neighborhoods.

Neighborhood	# of Parcels	% of Total
10	49	15.46%
20	82	25.87%
30	56	17.67%
40	85	26.81%
50*	45	14.19%
Total	317	100.0%

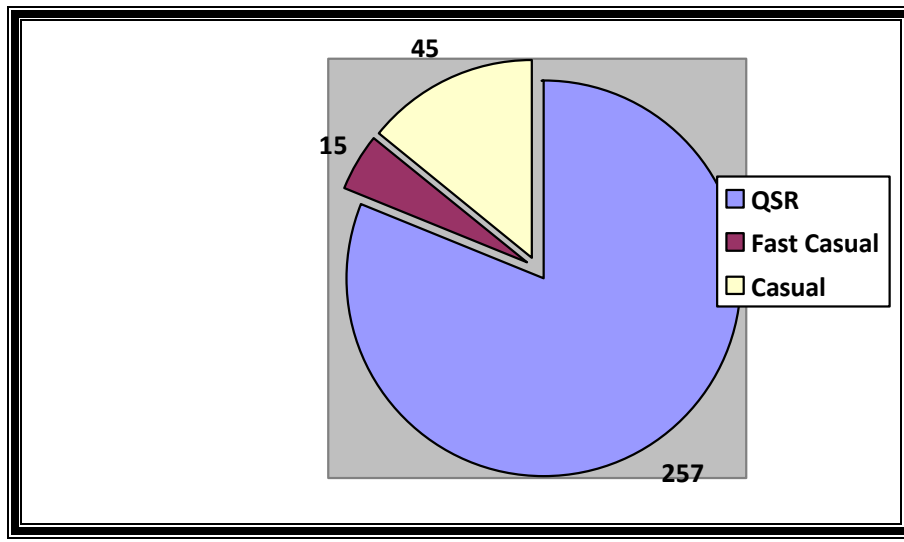
*Inspected Area for 2018

Parcel Distribution by Neighborhood for Area 413



The total restaurants for 2018 valuation is 317, a net decrease of six 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, highest and best use and conversely restaurants were transferred from the area appraiser to Specialty Area 413, or were new construction, such as the Chick-fil-A restaurant in Covington, WA.

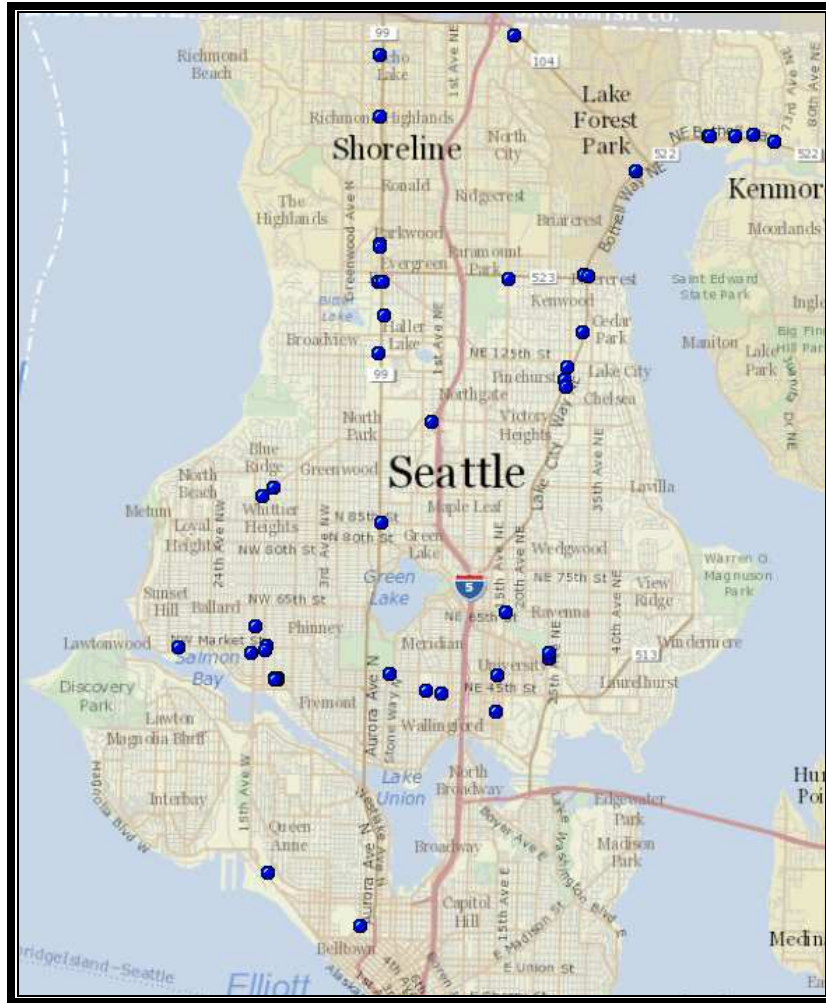
The pie chart shown below shows the distribution of three restaurant types found in Area 413 and includes most of the national chains with the addition of Dick's and Taco Time, which are local QSRs also valued in Area 413.



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 15.46% of the restaurants are located in this neighborhood.

Map Area 413-10

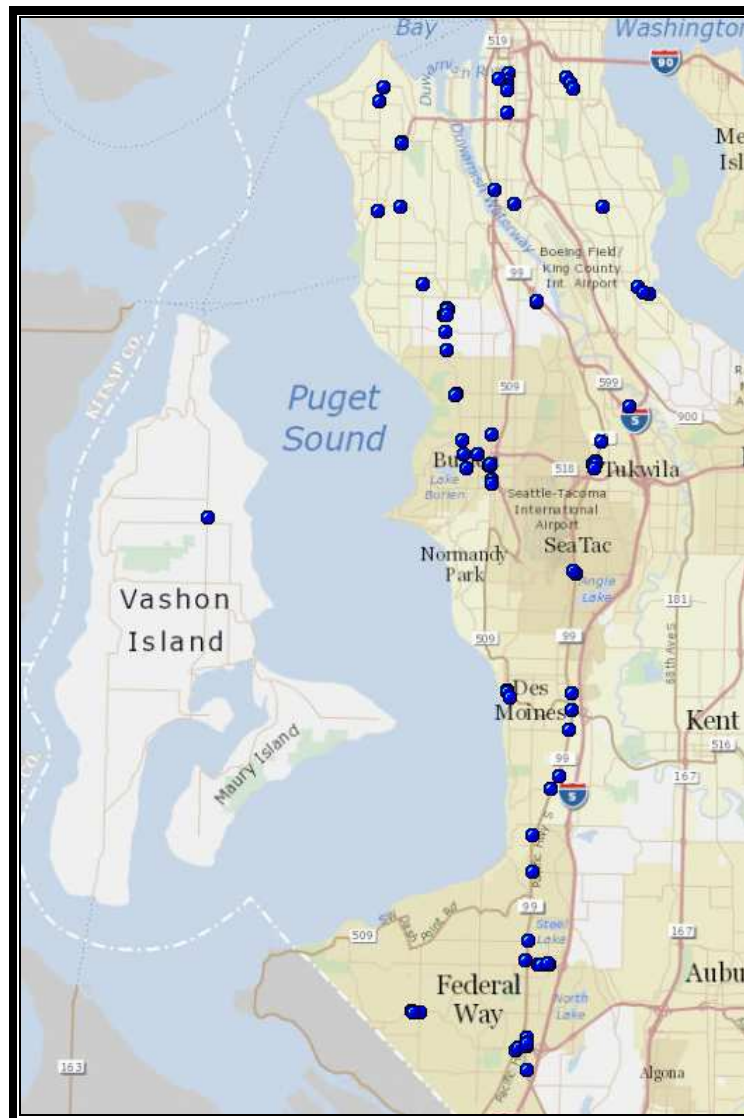


The following table shows that the major portion of the total property value for Neighborhood 10 lies in the land value, assessed by the Area Appraiser. Of the 49 QSR properties in this neighborhood 24 are valued as vacant land or with a nominal value of \$1,000 attributed to the existing improvements. The land value has increased 13.58% or approximately 101% of the total increase of \$10,794,100, with the overall improvement allocated value decreasing, supporting an overall increase in total property value of 12.69% over the prior assessment year.

Year	Land Value	Imp. Value	Total Value
2017	\$80,263,100	\$4,812,200	\$85,075,300
2018	\$91,162,200	\$4,707,200	\$95,869,400
Difference	+\$10,899,100	-\$105,000	+\$10,794,100
% Change	+13.58%	-2.18%	+12.69%

Specialty Area 413-20 includes South Seattle, Burien, Tukwila, Des Moines, SeaTac, and Federal Way. Approximately 25.87% of the fast food specialty population is located within 413-20 and it is the second largest submarket. Within this neighborhood a number of restaurants have been remodeled or razed and rebuilt, such as the McDonalds shown on following page.

Map Area 413-20





Tax Parcel No. 072304-9093 before razing.



Tax Parcel No. 072304-9093 after rebuild.

The following table indicates that the total property values for the restaurants located in Neighborhood 413-20 have increased 8.40% with a rise in land value of 9.09%. Along with 413-40 this neighborhood has experienced the highest sales activity over the past three years.

Year	Land Value	Imp. Value	Total Value
2017	\$74,079,100	\$31,227,100	\$105,306,200
2018	\$80,815,400	\$33,336,900	\$114,152,300
Difference	+ \$6,736,300	\$2,109,800	+\$8,846.100
% Change	+ 9.09%	+6.76%	+ 8.40%

Improved Quick Service Sales in Area 413-20

Over the past three years there have been a total of two improved QSR sales in Area 413-20 shown on the following graph:

Sale No.	Tax Parcel	Sale Price	Sale Date	Size SF	Price/SF	Name
1	082104-9229	\$700,000	09/03/2015	2,040 SF	\$343.14	Churches Chicken
2	712930-4550	\$1,050,000	01/15/2016	2,270 SF	\$462.56	Kentucky Fried Chicken

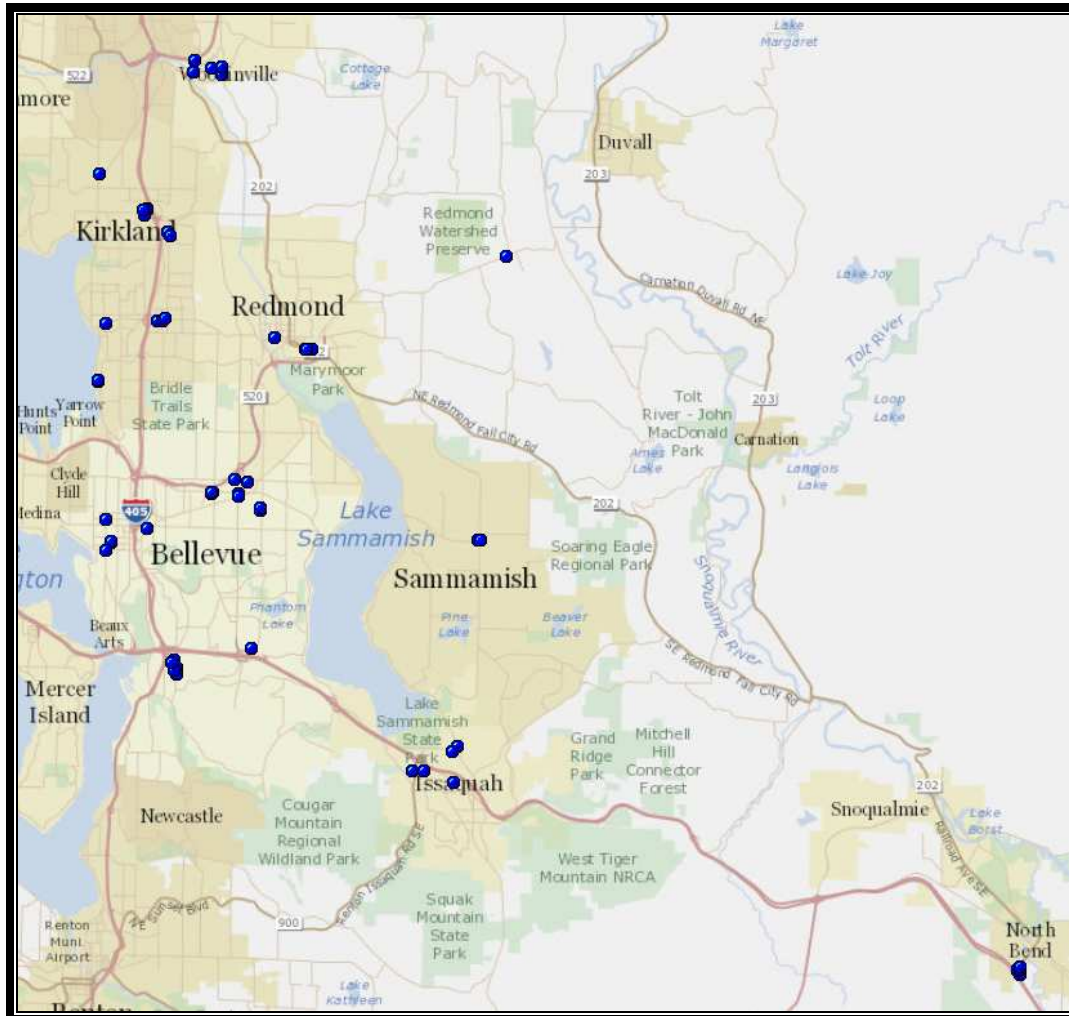
Sale Comments:

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. 2: 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, North Bend, Sammamish and Issaquah. Area 413.

Map Area 413-30



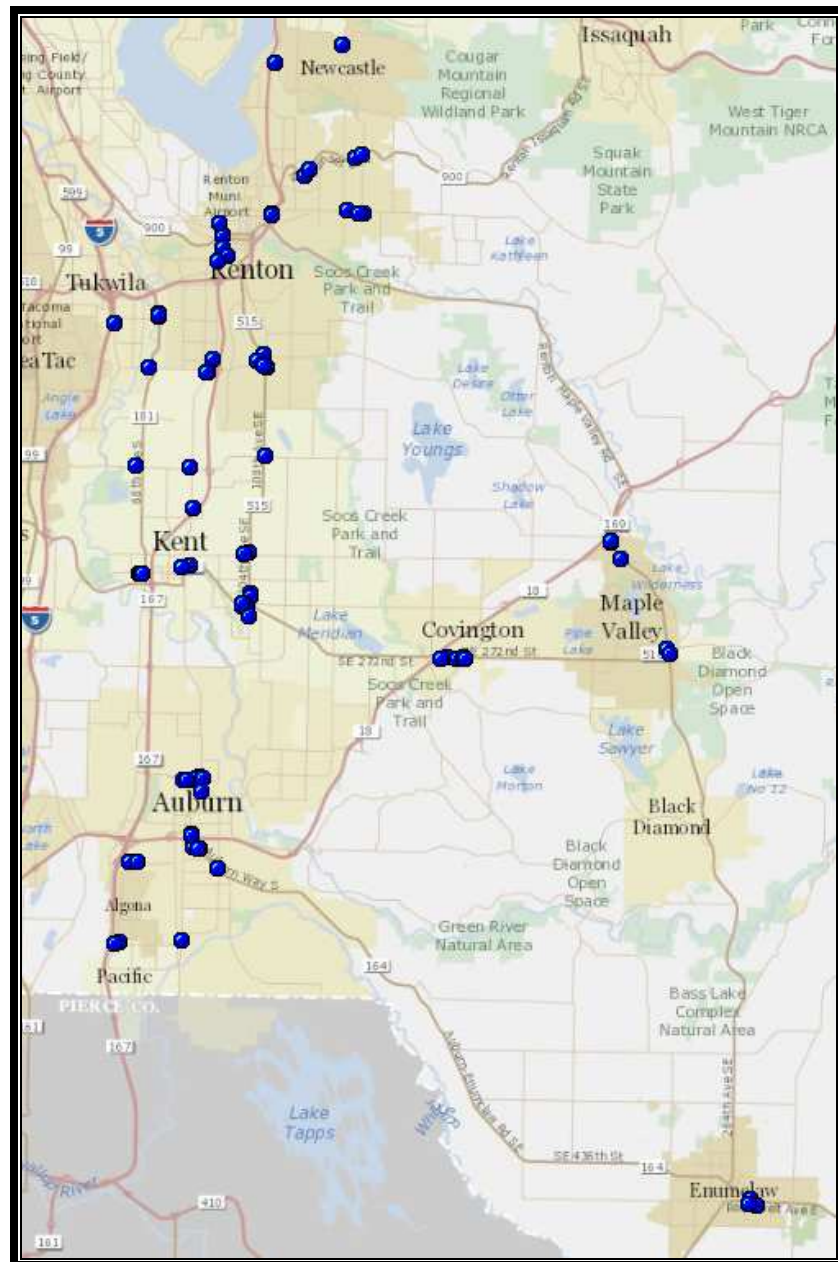
Approximately 17.67% (or 56) of the restaurants are located within this neighborhood. With most of the restaurants located within the City of Bellevue. There were no improved sales of either QSR, Fast Casual, or Casual Dining restaurants during the past three years in this neighborhood. McDonald's dominates this market area with a total of 17 restaurants followed by Burger King and Taco Time with 7 each.

The year to year comparison for Area 413-30 supports a land value increase of 7.38% and a total property value increase of 6.61%. Of the total increase of \$6,447,400 approximately 93% is due to the increase in land value with the balance of approximately 7% attributed to new construction and/or remodel of the existing restaurants in this neighborhood

Year	Land Value	Imp. Value	Total Value
2017	\$80,944,200	\$16,545,500	\$97,489,700
2018	\$86,914,300	\$17,022,800	\$103,937,100
Difference	+\$5,970,100	+ \$477,300	+\$6,447,400
% Change	+ 7.38%	+ 2.88%	+ 6.61%

Specialty Area 413-40 includes rural southeast King County and the following cities: Auburn, Newcastle, Renton, Kent, Covington, Enumclaw, Maple Valley, and North Bend. There are 85 parcels in this neighborhood representing approximately 26.81%, the most populous in Area 413. This neighborhood experienced the highest number of improved sales with a total of five closing over the past three years. See the graph of sales on the following page.

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	292305-9125	\$3,287,500	03/03/2015	4,365 SF	\$753.15	McDonalds
2	362205-9070	\$2,550,000	03/09/2015	3,292 SF	\$774.61	Wendy's
3	782050-0040	\$2,181,000	03/09/2017	3,085 SF	\$706.97	SchlotzskT's Deli
4	516970-0092	\$1,500,000	07/21/2017	2,796 SF	\$536.48	Starbucks
5	322305-9054	\$1,200,000	10/10/2017	4,278 SF	\$280.50	Former QSR

Sale Comments:

Sale No. 1: New McDonald's restaurant was completed in 2015 sold for listed price.

Sale No. 2: Sale of a new Wendy's located in Covington, WA.

Sale No. 3: New building completed prior to sale.

Sale No. 4: Sale of a Burger King which is on a month-to-month lease with purchaser.

Sale No. 5: Former Wendy's QSR vacant at time of purchase, will be a medical office.

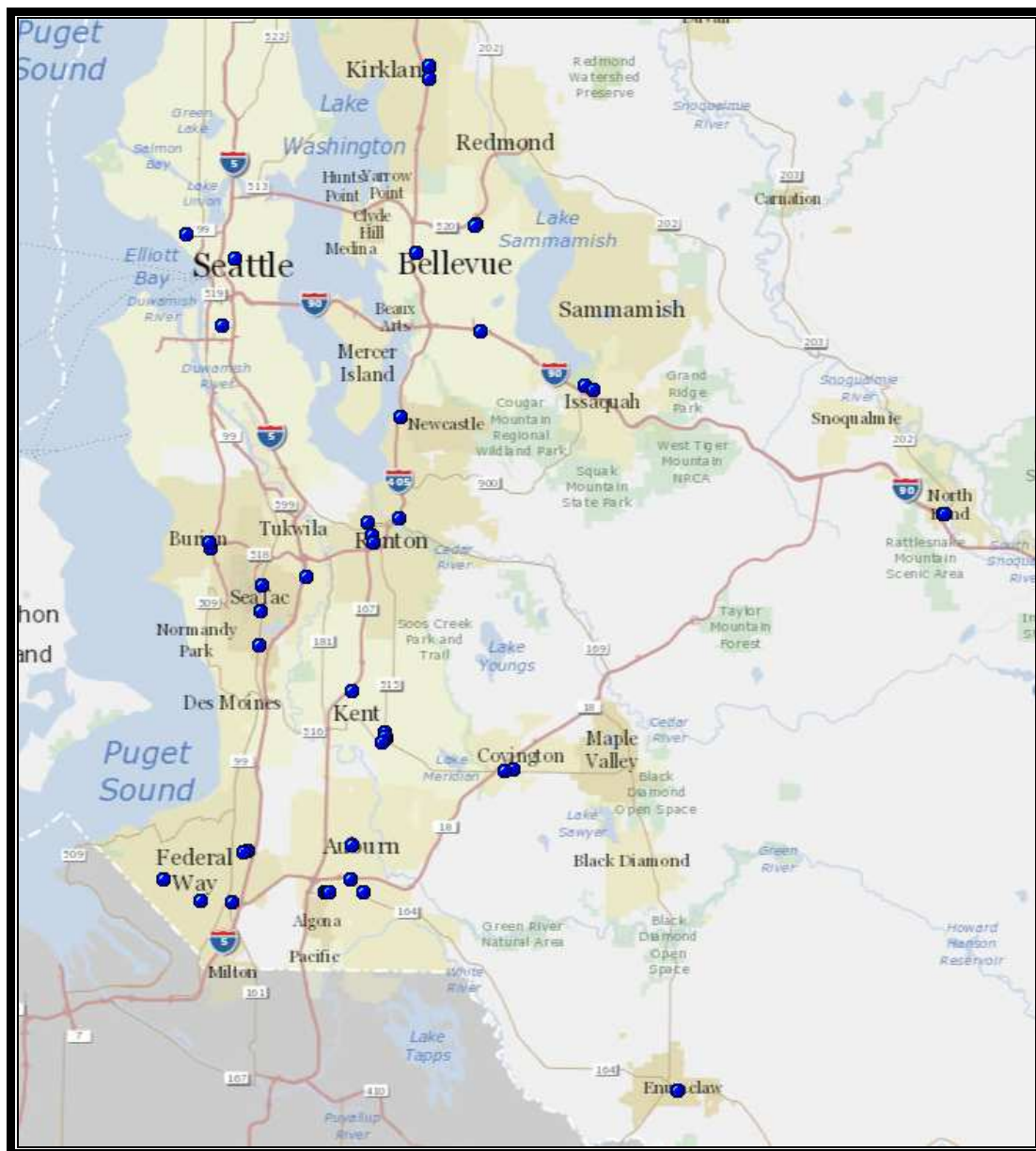
The year to year comparison for Area 413-40 supports a land value increase of 2.80% and a total property value increase of 2.62%, shown on the following table. In addition to the five sales shown above; three quick service restaurants have been rebuilt or remodeled over the past year; Burger King, Papa Murphy's, and Wendy's.

As in Neighborhood 413-30, McDonald's has the most representation in this market area with a total of 17 restaurants, then Jack-in-the-Box with 11 and Taco Time with 9.

Year	Land Value	Imp. Value	Total Value
2017	\$49,229,600	\$58,405,100	\$107,634,700
2018	\$50,610,200	\$59,847,300	\$110,457,500
Difference	+\$1,380,600	+\$1,442,200	+\$2,822,800
% Change	+ 2.80%	+ 2.47%	+ 2.62%

Specialty Area 413-50 includes casual dining restaurants countywide. This neighborhood has approximately 14.20% of the specialty population. It includes Denny's, IHOP, Black Angus, Shari's, Applebee's, Pizza Hut, Chick-fil-A, Qdoba Mexican Eats and Red Robin as well as other local and national casual dining restaurants. There was one market sale in Neighborhood 50 during the past three years, shown on following graph. A former Burger King restaurant was razed for the construction of a new Chick-fil-A restaurant located in Covington. This is the third Chick-fil-A restaurant constructed in King County within the last three years. Denny's has a total of 9 restaurants followed by IHOP with 6.

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	202205-9080	\$3,750,000	12/02/2016	7,525 SF	\$498.34	Red Robin

Sale Comments:

Sale No. 1: This Red Robin restaurant sale is located in Kent, WA, and was listed for \$4.4M.

The year to year comparison for Area 413-50 supports a land value increased of 16.95% and the total property value has risen by 14.58%. The increase in total value was caused primarily by the construction of a Chick-fil-A restaurant and 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
2017	\$47,443,700	\$29,393,700	\$76,837,400
2018	\$55,483,200	\$32,556,600	\$88,039,800
Difference	+\$8,039,500	+ \$3,162,900	+ \$11,202,400
% Change	+ 16.95%	+ 10.76%	+ 14.58%

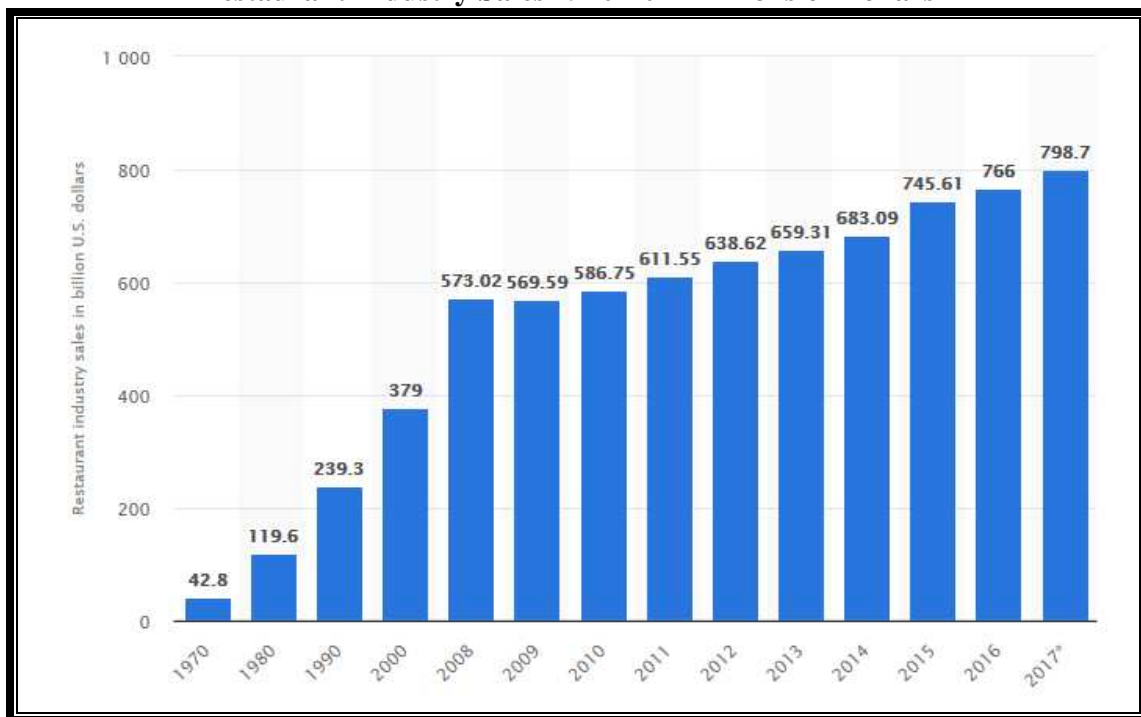
National QSR, Fast Casual, and Casual Dining Restaurant Economic Conditions.

The restaurant industry reached landmark numbers in 2017 of over \$798.7B 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 15,282 restaurant locations, up from last year's 15,037, \$13.5B in sales and employs 326,400 individuals, an increase of approximately 21,000 employees from the prior year and represents 10% of employment in Washington State. Washington State restaurant sales increased from \$12.85B in 2016 to \$13.53B in 2017 or approximately 5.30%.

The National Restaurant Association projected that restaurant-industry sales reached \$798.7 billion in 2017, a 4.3 percent gain over the industry's estimate of \$766 billion in 2016. See Restaurant Industry Sales graph below:

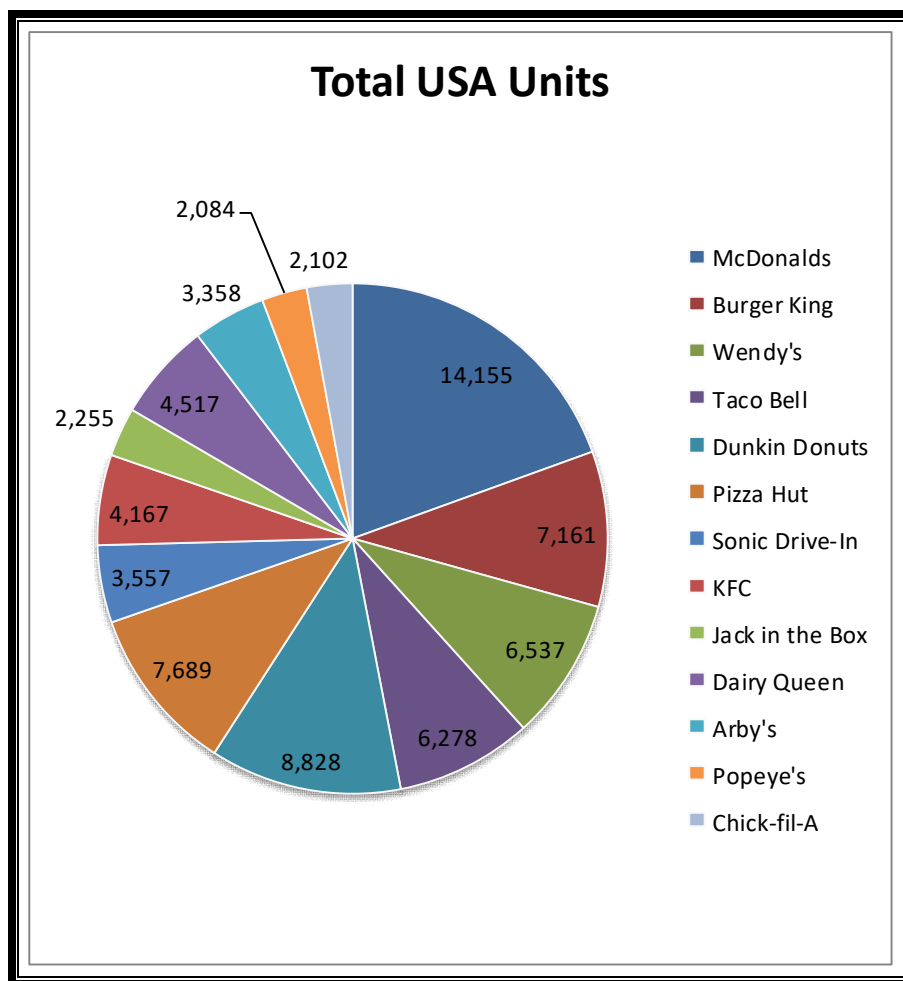
Restaurant Industry Sales 1970-2017 Billions of Dollars



Source: National Restaurant Association.

According to the National Restaurant Association (NRA), table service restaurants annual sales increased 3.5% from prior year, limited service/QSR sales increased 5.3%, and total restaurant industry increased 4.3%.

With respect to the top twelve QSRs, (shown following), a total of 563 restaurants were added with Dunkin Donuts leading the way with 397. The 563 total additional QSR restaurants for 2017 is up from 311 restaurants added in 2016. McDonalds was down a minus 104 units, Burger King up 35 units, Wendy's up 58 units Pizza Hut down 133 units and KFC down 103 units over the same time period. Conversely, Taco Bell was up 157 units, Sonic up 31 units, Chick-fil-A added 119 units and as noted prior Dunkin Donuts added 397 restaurants.



Fast casual dining restaurant additions during the same time period leaders included Chipotle Mexican Grill with 227 units, Panera Bread with 70, Jimmy John's with 242 and Panda Express with a total additional units of 91.

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.

Noted in this report but not included, in either QSR or fast casual dining, if not stand alone, are Starbucks and Subway. Over the past year Starbucks added a total of 651 outlets and Subway lost 359 units.

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. The following are the major restaurants in Type I (QSR) and Type II (Fast Casual) restaurants. Data for Type III (Casual Dining Restaurants) were included for the top 5 restaurants. Emphasis is placed on restaurants that have locations in King County. The following results are based upon 2017 findings.

National Top Twelve QSR Restaurants for 2017						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
McDonalds	\$36.39B	14,155	\$2.55M	-104	1,109	13,046
Burger King*	\$9.75B	7,161	\$1.36M	35	50	7,111
Taco Bell**	\$9.35B	6,278	\$1.51M	157	879	5,399
Wendy's	\$9.51B	6,537	\$1.45M	58	330	6,207
Dunkin Donuts	\$8.20B	8,828	\$928K	397	0	8,828
Chick-fil-A	\$7.97B	2,102	\$4.41M	119	372	1,730
Pizza Hut**	\$5.75B	7,689	\$740K	-133	318	7,371
Domino's	\$5.33B	5,371	\$993K	171	392	4,979
KFC**	\$4.48B	4,167	\$1.06M	-103	201	3,966
Sonic Drive-In	\$4.50B	3,557	\$1.28M	31	356	3,201
Arby's	\$3.60B	3,358	\$1.12M	17	1,044	2,314
Dairy Queen	\$3.62B	4,517	\$1.26K	6	2	4,515
Jack in the Box	\$3.44B	2,255	\$1.53M	6	417	1,838
Popeye's*	\$3.14B	2,084	\$1.49M	77	55	2,029

*Restaurant Brands International (purchased Popeye's in 2017)

**Yum! Brands, Inc

National Top Six Fast Casual Restaurants for 2017						
Name	Sales/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
Panera Bread	\$5.20B	2,042	\$2.70M	70	908	1,134
Chipotle	\$3.90B	2,198	\$1.87M	227	2,198	-0-
Panda Express	\$2.90B	1,893	\$1.60M	91	1,798	95
Jimmy John's	\$2.14B	2,647	\$841K	242	63	2,584
Zaxby's	\$1.89B	816	\$2.31M	91	139	677
Five Guys	\$1.38B	1,421	\$1.04M	101	507	914

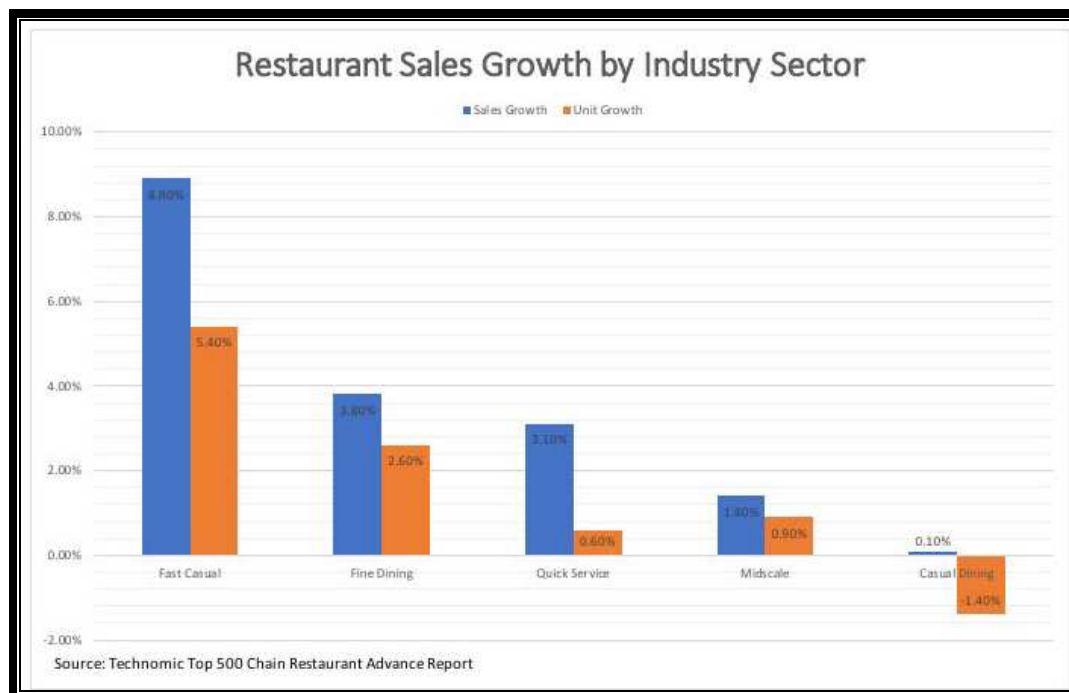
Starbucks with \$14.79B and Subway with \$11.3B in sales are not listed as QSR restaurants as explained previously in this report. Subway surpasses McDonalds in total stores with 26,744 in the USA, however is down 359 units from prior year. Starbucks is third with 13,172 total units. McDonalds still leads all restaurants in total gross sales with \$36.39B for 2017. Starbucks should pass McDonalds in number of total units during 2018.

Of the three types of restaurants, the Casual Dining segment is experiencing a downward trend with no restaurants found in the top 10 largest brands. Casual dining sales, among the Top 500 restaurants, grew just 0.1% in 2017, while unit count declined by 1.4%. Applebee's has closed 176 locations, IHOP 28, and Olive Garden is down 4 units.

National Top Five Casual Restaurants for 2017						
Name	Sale/Year	Total Units	Sales Per Unit/Year	Change in Units	Company Owned	Franchised
Applebee's*	\$4.41B	1,857	\$2.37M	-176	75	1,782
Olive Garden**	\$3.86B	892	\$4.33M	-4	892	0
Buffalo Wild Wings	\$3.87B	1,238	\$3.13M	-2	625	613
Chili's Grill & Bar	\$3.63B	1,259	\$2.88M	0	625	634
IHOP*	\$3.22B	1,361	\$2.37M	-28	14	1,347

*DineEquity

** Darden



Restaurant Sales Growth by Sales and Units for 2017, note decline in Casual Dining sector and growth increase the Fast Casual sector.

Outlook for the restaurant industry for 2018, according to national restaurant industry publications.

- **Eating Healthy:** Diners are increasingly becoming more aware of their health and specifically what they are eating. They want to know where their food is coming from and are willing to pay for fresher, healthier options.

- **Technology:** Automation in the restaurant industry is here to stay and can be anything from kiosks, touch screen, and online ordering, just to name a few. Twenty five percent (25%)* of consumers report that the availability of tech figures into their decision whether to visit a specific QSR location.
- **Food Waste Reduction:** reducing food waste helps control food costs with more restaurants utilizing recycling and composting as options to control waste and cut cost.
- **Mergers and Acquisitions:** in 2017 more than 35 brands mergers and acquisitions took place including Burger King and Popeye's merging, Arby's acquired Buffalo Wild Wings and Panera Bread purchased by JAB Holdings.

Chain restaurants are now legally required to display calorie counts according to the Affordable Care Act provision, which became effective May 7th, 2018. This new requirement applies to chain restaurants with over 20 locations nationwide. The calorie count law not only applies to restaurants, but also other business that sell food and beverages including convenience stores, movie theaters, and grocery stores.

According to the National Restaurant Association the breakdown of the restaurant industry with respect to Casual Dining, Fast Casual and QSR restaurant types discussed in this report for 2017 is as follows:

<u>Restaurant Type</u>	<u>Gross Annual Sales</u>	<u>Market Share</u>
Casual Dining	\$263B	49.5%
QSR	\$221B	41.6%
Fast Casual	\$ 47B	8.9%

Note: Although the Fast Casual segment has the lowest market share of the restaurant business, it leads the industry in sales growth with 8.9% and unit count increase of 5.4%. QSR sales increased 3.1% and unit count up 0.6%, while Casual Dining sales increased only 0.1% and unit count decreased 1.4%.

**2018 Restaurant Industry Forecast National Restaurant Association*

Physical Inspection Identification:

The physically inspected neighborhood was the King County Assessor's neighborhood 413-50 for assessment year 2018 as required by WAC 458-07-015 4 (a). Neighborhood 50 includes all Casual Dining restaurants in King County. Examples of Casual Dining restaurants include the following: Applebee's, Denny's Red Robin, Olive Garden, Chick-fil-A and Black Angus Steakhouse. 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 2018 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 eight (8) improved sales in the Area 413 included in the ratio study. The average assessed value was \$1,701,900 and the average sale price was \$2,027,300. The ratio between the assessed value and sales price was 83.9%. The Price Related Differential (PRD) was 1.03 and the

Coefficient of Dispersion (COD) was 10.60%. After the application of the 2018 assessed values, the ratio between the assessed value and sales price changed to 91.50%; the PRD was 1.02 and the COD was lowered to 5.62%. The closer the PRD ratio is to 1.00 indicates that the assessments reflect market conditions.

Below:

Area 413 Year End 2017 Ratios	
Statistic	Value
Appraisal Level	0.839
Coefficient of Dispersion (COD)	10.60%
Price Related Differential (PRD)	1.03

Below:

International Association of Assessing Officers (IAAO) standards for ratios are provided to illustrate the need to revalue the properties in Area 413.

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 \$1,701,900 (prior) to \$1,854,000 (after) resulting in the following ratios. The conclusion of the report will have further discussion on the ratios.

Area 413 2018 Ratios	
Statistic	Value
Appraisal Level	0.915
Coefficient of Dispersion (COD)	5.62%
Price Related Differential (PRD)	1.02

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 2017 and 2018 shown following.

Land Assessed Values Area 413				
Neighborhood	Value 2017	Value 2018	\$ Change	% Change
10	\$80,263,100	\$91,162,200	\$10,899,100	13.58%
20	\$74,079,100	\$80,815,400	\$6,736,300	9.09%
30	\$80,944,200	\$86,914,300	\$5,970,100	7.38%
40	\$49,229,600	\$50,610,200	\$1,380,600	2.80%
50	\$47,443,700	\$55,483,200	\$8,039,500	16.95%
Totals	\$331,959,700	\$364,985,300	\$33,025,600	9.95%

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 3/3/2015 to 10/10/2017 and are shown in the following chart. Verification consisted of contact with the 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 eight (8) closed market sales in this specialty from 2015 thru 2017. 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 SF of NRA
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	292305	9125	2719909	03/03/2015	\$3,287,500	4,365 sf	11.16:1	\$753.15
40	362205	9070	2717402	03/09/2015	\$2,550,000	3,292 sf	9.73:1	\$774.61
40	782050	0040	2852472	03/09/2017	\$2,181,000	3,085 sf	7.61:1	\$706.97
40	516970	0092	2878475	07/21/2017	\$1,500,000	2,796 sf	10.15:1	\$536.48
40	322305	9054	2894956	10/10/2017	\$1,200,000	4,278 sf	9.16:1	\$280.50
50	202205	9080	2837437	12/02/2016	\$3,750,000	7,525 sf	13.96:1	\$498.34

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	2016	2017	% Change	Change Basis Points*	Remarks
QSR	5.45%	5.35%	-1.83%	-(10)	All Corporate QSR, The Boulder Group (2Q) 2017 (National Rate)
QSR	5.69%	5.50%	-3.34%	-(19)	Calkain Research Cap Rate Reports, (Q1) 2018.
QSR	5.80%	5.75%	-0.86%	-(5)	All Franchisee Properties, The Boulder Group, (2Q) 2017 (National Rate)
QSR	5.70%	5.56%	-2.46%	-(14)	Net Lease Advisor, Average CAP rates 2017 (Q2)
Fast Casual	5.11%	4.82%	-5.68%	-(29)	Marcus & Millichap 12/2017
All Restaurant Types	5.79%	5.90%	+1.9%	+(11)	Calkain Research (Q1) 2018
Casual & QSR	5.72%	5.75%	+0.52%	+(3)	Net Lease Advisor, Average Cap Rates 2018 (Q1) (20 restaurant chains)
Casual Dining	5.75%	5.90%	+2.61%	+(15)	The Boulder Group, Net Lease Casual Dining Market Report 2018 (Q1)

The above graph portrays the three restaurant segments including QSR, Fast Casual and Casual Dining with respect to overall capitalization (CAP) rates for each group. Sources for the graph are both national and regional restaurant industry market analysis including but not limited to the following: Marcus & Millichap, The Boulder Group, Net Lease Advisors, Calkain Research and Matthews a real estate research publication. According to the above reports the QSR industry has shown a decrease in the CAP rate from 5 to 29 basis points over the past year. Casual Dining is up plus 15 basis points. Overall the restaurant industry is a minus 8 basis points or approximately 1.29%.

Not shown in the above graph is the CAP rates for ground leases which are in the 4.0% range and would include QSR corporate properties such as Chick-fil-A and McDonald's. Also, not addressed in the graph are the CAP variation between corporate-backed and franchisee-backed restaurants. Typically, corporate-backed leased restaurants sell for 40 basis points lower than do franchisee-backed leased restaurants, all other factors being equal, as an investor desires the corporation support.

2018 Year End Metrics			
	QSR	Fast Casual	Casual Dining
Vacancy Rate	↔ (stable)	↔ (stable)	↔ (stable)
Rental Rate	↔ (stable)	↔ (stable)	↔ (stable)
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	\$20.00 to \$40.00	3% to 7%	8%	5.50% to 8.00%
Casual Dining	\$18.00 to \$32.00	5% to 7%	8% to 10%	6.00% to 8.00%
Metrics* *Change from Prior Year	Stable	Stable	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 2017 assessment year for Area 413 was \$472,343,300. The total recommended assessed value for the 2018 assessment year is \$512,456,100.

Both land and improvement values increased over prior year. Land values increased by a 9.95% while improvement values rose by 5.05%. The application of these recommended values for the 2018 assessment year results in a total change from the 2017 assessments of a plus 8.49% increase.

	Land	Improvements	Total
2017 Value	\$331,959,700	\$140,383,600	\$472,343,300
2018 Value	\$364,985,300	\$147,470,800	\$512,456,100
Amount Change	+\$33,025,600	+\$7,087,200	+\$40,112,800
Percent Change	+9.95%	+5.05%	+8.49 %

The QSR and Fast Casual Dining restaurant market has seen an increase in new construction; including two McDonald restaurants and the second Chick-fil-A in King County. The QSR, Fast Casual and Casual dining market has also experienced a downward trend in total sales over the past year; thirteen sales were utilized for the 2017 valuation while eight are included in the 2018 report. Lowering of the CAP rate has trended the total property values upward, supporting the Assessors increase in total property values by 8.49%.

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.*

Area Quick Service/Fast Food Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

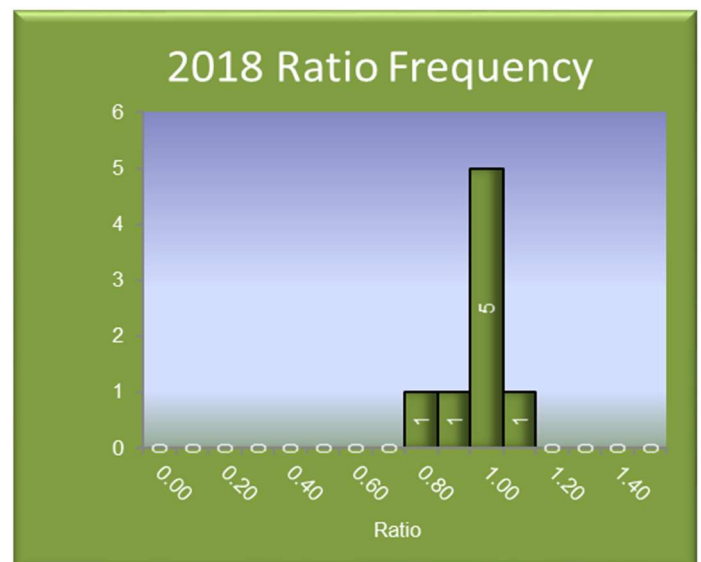
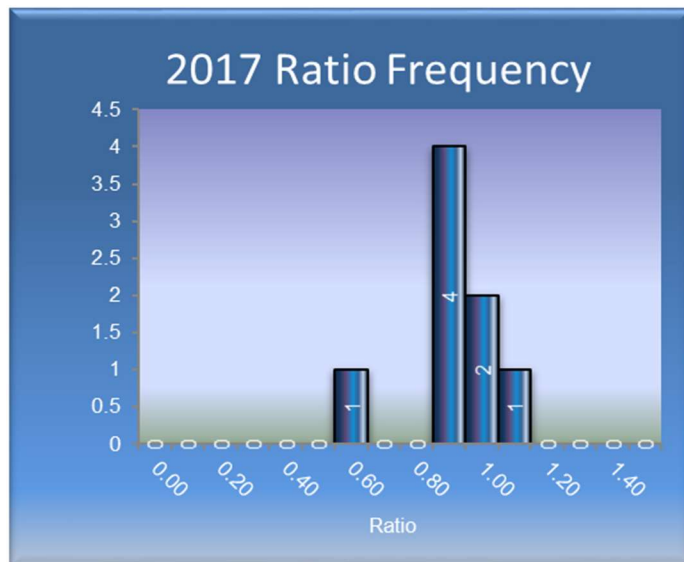
Pre-revalue ratio analysis compares sales from 2015 through 2017 in relation to the previous assessed value as of 1/1/2017.

PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	8
Mean Assessed Value	1,701,900
Mean Adj. Sales Price	2,027,300
Standard Deviation AV	920,269
Standard Deviation SP	1,104,015
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.864
Median Ratio	0.859
Weighted Mean Ratio	0.839
UNIFORMITY	
Lowest ratio	0.5719
Highest ratio:	1.0540
Coefficient of Dispersion	10.60%
Standard Deviation	0.1417
Coefficient of Variation	16.40%
Price Related Differential (PRD)	1.03

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2015 through 2017 and reflects the assessment level after the property has been revalued to 1/1/2018

POST REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	8
Mean Assessed Value	1,854,000
Mean Sales Price	2,027,300
Standard Deviation AV	983,215
Standard Deviation SP	1,104,015
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.932
Median Ratio	0.936
Weighted Mean Ratio	0.915
UNIFORMITY	
Lowest ratio	0.7994
Highest ratio:	1.0540
Coefficient of Dispersion	5.62%
Standard Deviation	0.0767
Coefficient of Variation	8.23%
Price Related Differential (PRD)	1.02



Improvement Sales for Area 413 with Sales Used

05/10/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
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	
413	040	292305	9125	4,365	2719909	\$3,287,500	03/03/15	\$753.15	MCDONALDS QSR	CA	1	Y	
413	040	322305	9054	4,278	2894956	\$1,200,000	10/10/17	\$280.50	VACANT BUILDING	CA	1	Y	
413	040	362205	9070	3,292	2717402	\$2,550,000	03/09/15	\$774.61	WENDY'S	MC	1	Y	
413	040	516970	0092	2,796	2878475	\$1,500,000	07/21/17	\$536.48	STARBUCKS COFFEE RENTON HIC	CA	1	Y	
413	040	782050	0040	3,085	2852472	\$2,181,000	03/09/17	\$706.97	SCHLOTZSKT'S DELI - FAST FOOD	CC	1	Y	
413	050	202205	9080	7,525	2837437	\$3,750,000	12/02/16	\$498.34	RED ROBIN RESTAURANT (see Mir	CC-MU	2	Y	

Improvement Sales for Area 413 with Sales not Used

05/10/2018

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	050	644820	0015	9,929	2714988	\$6,750,000	02/17/15	\$679.83	Azteca	OV5	1	46	Non-representative sale
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	040	322305	9119	4,133	2737395	\$1,350,000	06/15/15	\$326.64	FORMER MCDONALDS RESTAURANT	CA	1	18	Quit claim deed
413	030	272505	9209	0	2758268	\$12,000	09/09/15	\$0.00	PARKING FOR MCDONALDS (Minor 1/2)	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 QUEEN	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	N	
413	030	927070	0005	1,860	2804191	\$1,650,000	06/14/16	\$887.10	KENTUCKY FRIED CHICKEN	RVBD	1	66	Condemnation/eminent domain
413	040	030150	0290	3,330	2808685	\$950,000	06/22/16	\$285.29	BURGER KING RESTAURANT	C3	1	N	
413	040	252006	9133	3,334	2842443	\$770,000	12/27/16	\$230.95	HERFY'S	HCB	1	N	
413	050	282304	9093	4,504	2847758	\$2,000,000	01/25/17	\$444.05	DENNYS RESTAURANT	CB-C	1	N	
413	020	200660	1080	2,372	2897003	\$3,600,000	10/21/17	\$1,517.71	JACK IN THE BOX (Imps on Minor 1/2)	D-C	2	46	Non-representative sale
413	030	282605	9021	2,050	2914401	\$3,375,000	02/12/18	\$1,646.34	KENTUCKY FRIED CHICKEN	TL 5	1		After lien date
413	050	176060	0240	2,520	2915648	\$2,000,000	02/20/18	\$793.65	PIZZA HUT	CR	1		After lien date

2018 Physical Inspection

Area	Neighborhood	Major	Minor	PropName	SitusAddress
413	50	030150	0345	IHOP RESTAURANT	1044 OUTLET COLLECTION WAY SW
413	50	030150	0355	QDOBA Mexican Eats	1016 OUTLET COLLECTION WAY SW
413	50	030150	0360	RED ROBIN RESTAURANT	1002 OUTLET COLLECTION WAY SW
413	50	072105	9054	APPLEBEES RESTAURANT	1441 D ST NE
413	50	092104	9276	BLACK ANGUS RESTAURANT	2400 S 320TH ST
413	50	172305	9132	SHARI'S RESTAURANT	1820 SE RENTON-MAPLE VALLEY RD
413	50	176060	0240	PIZZA HUT	15050 1ST AVE S
413	50	182105	9027	DENNY'S	521 AUBURN WAY S
413	50	182305	9258	IHOP RESTAURANT	610 RAINIER AVE S
413	50	182305	9273	PIZZA HUT	261 RAINIER AVE S
413	50	192304	9342	DENNY'S DINER	14821 1ST AVE S
413	50	192305	9103	APPLEBEES RESTAURANT	375 S GRADY WAY
413	50	198820	0025	DICKS DRIVE IN	500 QUEEN ANNE AVE N
413	50	202205	9080	RED ROBIN RESTAURANT (see Minor 9203)	25207 104TH AVE SE
413	50	202205	9203	VACANT-See Minor 9080 RED ROBIN	No Situs Address
413	50	202205	9210	APPLEBEE'S RESTAURANT	25442 104TH AVE SE
413	50	202205	9229	IVARS RESTAURANT	25406 104TH AVE SE
413	50	202406	9096	IHOP Restaurant	1433 NW SAMMAMISH RD
413	50	212104	9077	DENNY'S RESTAURANT	34726 16TH AVE S
413	50	220150	1409	PIZZA HUT	15210 SE 37TH ST
413	50	242006	9097	PIZZA HUT	421 ROOSEVELT AVE
413	50	242320	0040	DENNY'S RESTAURANT	2200 S 320TH ST
413	50	252205	9055	Chick-fil-A	17440 SE 272ND ST
413	50	252205	9153	APPLEBEES RESTAURANT	17024 SE 272ND ST
413	50	262505	9275	RED ROBIN	2390 148TH AVE NE
413	50	272505	9230	VACANT BUILDING	2233 148TH AVE NE
413	50	282304	9093	DENNYS RESTAURANT	17206 INTERNATIONAL BLVD
413	50	282605	9187	Chick-fil--A (see Minor 9244)	No Situs Address
413	50	282605	9244	Chick-fil-A Parking for Minor 9187.	12106 NE 124TH ST
413	50	292205	9269	AZTECA MEXICAN FOOD	25633 102ND PL SE
413	50	322505	9070	CHICK-FIL-A RESTAURANT	No Situs Address
413	50	332304	9203	DENNY'S RESTAURANT	18623 PACIFIC HWY S
413	50	332605	9064	SHARIS RESTAURANT	12207 NE 116TH ST
413	50	334330	1180	DENNY'S RESTAURANT	4750 LAKE WASHINGTON BLVD NE
413	50	344500	0131	IHOP	20402 INTERNATIONAL BLVD
413	50	355750	0260	Red Robin Restaurant	1085 LAKE DR
413	50	415920	0720	IHOP	178 SW CAMPUS DR
413	50	537920	0300	SIZZLER STEAK HOUSE	16615 SOUTHCENTER PKWY
413	50	766620	4275	DENNY'S RESTAURANT	2742 4TH AVE S
413	50	775880	0003	DENNY'S	1246 CENTRAL AVE N
413	50	789390	0042	LOS CABOS PARKING (SEE 0043)	No Situs Address
413	50	789390	0043	LOS CABOS RESTAURANT (see Minor 0042)	580 SW MOUNT SI BLVD
413	50	869560	0060	PIZZA HUT	1213 AUBURN WAY S
413	50	873217	0050	GODFATHER'S PIZZA	2301 SW 336TH ST
413	50	925690	0010	IHOP	950 E MADISON ST