

Commercial Revalue

2017 Assessment roll

HOTEL

AREA 160

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

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

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

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with the 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 Assessor's 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 Individual 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 are the basic steps employed for the 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 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 for and show 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*, Table 2-3. www.IAAO.org

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

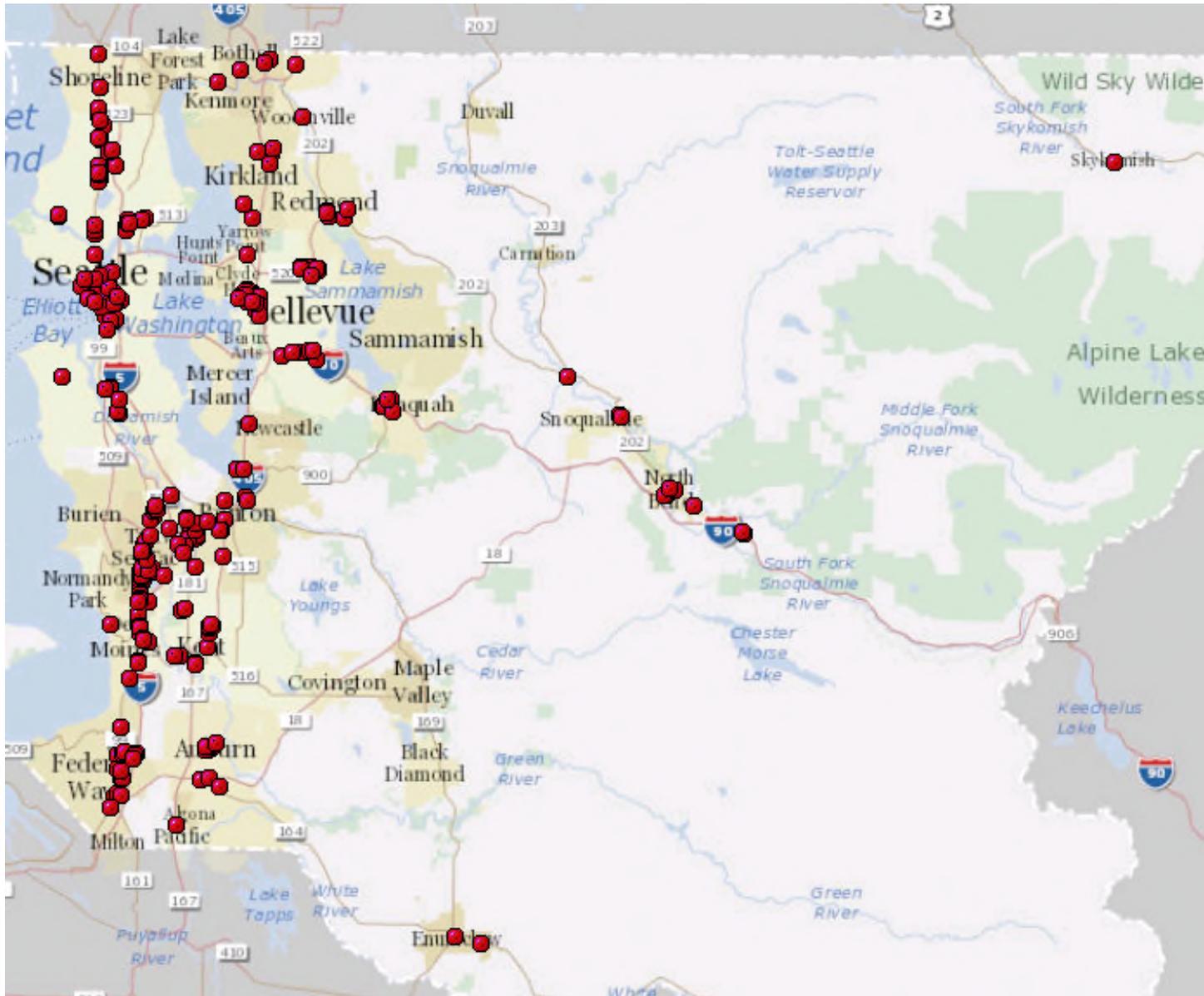
Requirements of State Law

Within Washington, property is required to be revalued each year to market value based on its highest and best use. (RCW 8441.030; 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.

Hotel / Motels located in King County



Hotel Specialty Area 160

2017 Revalue Report



King County

Department of Assessments

Executive Summary Report

Appraisal Date

- January 1, 2017 2017 Assessment Year – 2018 Tax Roll Year

Specialty Name

- Area 160 - Hotels/Motels

Physical Inspection

- None

Sales – Analysis Summary

- Number of Sales: 49 Market Transactions
- Date Range: 1/1/2014 to 2/24/2017

Improved Sales – Ratio Study Summary

| Improved Sales - Valuation Change Summary | | | | |
|---|---------------------|-------------------|---------------------|---------|
| | Mean Assessed Value | Mean Sales' Price | Weighted Mean Ratio | COD * |
| 2016 Value | \$21,374,100 | \$27,510,400 | 77.70% | 14.05% |
| 2017 Value | \$24,936,400 | \$27,510,400 | 90.60% | 10.70% |
| Abs Change | \$3,562,300 | | 12.90% | -3.35% |
| % Change | 16.67% | | 16.60% | -23.84% |

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 market sales and did not have major characteristic changes between the date of sale and the date of appraisal were included in the ratio analysis. Examples of sales that are not included in the analysis are: sales that have had major renovations after the sale, or sales for the improvement only.

The above ratio study results for hotel and motel sales in Specialty 160, is based on a wide variety of sales throughout King County. These sales represent different varieties of lodging properties with variations depending on location, age, quality, condition, and different amenities. There were 51 sales coded as being at market but two of them were removed from the analysis. This is larger sample size than typical which shows the strength of the King County market however, because of the variety of lodging properties in this specialty, results should still be tempered.

Population – Parcel Summary Data

Number of Improved Parcels in the Ratio Study Population: 307 (This figure may include some properties currently under construction)

| Total Population - Parcel Summary Data | | | |
|---|------------------|--------------------|------------------|
| | Land | Improvement | Total |
| 2016 | \$ 1,606,372,200 | \$ 4,806,640,200 | \$ 6,413,012,400 |
| 2017 | \$ 1,847,499,200 | \$ 5,804,046,800 | \$ 7,651,546,000 |
| % Change | 15.01% | 20.75% | 19.31% |

Number of Total Parcels in the Specialty Assignment: 358 (This figure includes economic land parcels and may include properties currently under construction).

Conclusion and Recommendation

Overall, the total assessed values for the 2017 revalue have increased 19.31% over the 2016 assessment levels reflecting the healthy lodging property market in King County. This increase in values improves the income fundamentals, particularly higher average daily rates (ADRs) and occupancy. The value increase may include some new construction values as those are currently being valued.

The assessed values recommended in this report reflect current lodging property market parameters as of the valuation date of 1/1/2017 and improve uniformity and equity. Therefore it is recommended that the values should be posted for the 2017 Assessment Year.

Identification of the Area

Name and Designation

- Specialty Area 160 – Hotels & Motels

Specialty Neighborhoods

Five neighborhoods have been established by the Assessor for valuation purposes of this specialty in order to group properties into similar market areas

- Neighborhood 10 – Seattle Central Business District
- Neighborhood 20 – Bellevue and Northeast King County
- Neighborhood 30 – Northwest Seattle
- Neighborhood 40 – South Seattle, Renton, Tukwila, and SeaTac
- Neighborhood 50 – South King County

Boundaries

All of King County

Maps

A GIS 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 on the Assessor’s website at www.kingcounty.gov/assessor.

Area Overview

Nationally, regionally and locally, the lodging market has continued to perform well. The vast majority of lodging properties in King County have more than surpassed their peak values from the great recession and King County continues to be one of the strongest markets in the nation. Overall, Average Daily Rates (ADR's) and Occupancy have increased from their record performance in 2015. Cap rates are slowly beginning to inch upward as seen in the cap rate table that follows later in this report. In 2016, downtown Seattle, South Lake Union, Seatac, and downtown Bellevue had the strongest markets. Kidder Mathews reports in its Fourth Quarter 2016 Seattle Hotel Report that, hotels in downtown Seattle are averaging an 84% occupancy rate. This is the 5th year of record occupancy and the highest annual occupancy in 30 years. Renton and Seatac are also averaging occupancy rates in the mid seventy percentile, so market strength is not limited to one neighborhood or one hotel niche.

There are 25 hotel projects currently under construction in King County. The largest is the new 1,264 room Hyatt Regency Hotel. Many projects are financed by a mix of local, national and international investors with projects in downtown Bellevue and downtown Seattle blending office, apartment, retail, and hotel space to lower risk and improve underwriting prospects. This is an 8% increase in the number of hotels which underscores the strength of the hotel market.

Continued low interest rates, strong international investor demand, the building of the downtown Seattle Hyatt Regency Hotel, the announcement of the convention center planning to double in size in the coming years and a very bullish sentiment on the local lodging sector have all fueled growth in the Puget Sound lodging sector. Persistent growth in leisure demand and business trips throughout the Pacific Northwest support additional gains in Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) in the region this year.

Lodging Property Description: King County has a vast array of Hotel / Motel types. There are currently 358 hotel / motel parcels in this specialty and that number is continues to grow. While the lines between the types of lodging are blurred into one another, below is a general description of the six types of lodging properties considered for valuation in this cycle:

- 1. Boutique Hotels or Specialty Retreat Hotels:** These hotels are found in both the heart of the city and in the picturesque areas outside. What differentiates these hotels from other full service hotels is they offer luxury accommodations. The rooms are lavishly decorated and almost always offer extra services such as valet parking, concierge services, spa services, etc. on site. Some examples of this are the Alexis Hotel and Hotel 1000 in Seattle, and the Willows Lodge in Woodinville.
- 2. Full Service Hotels:** These hotels have a restaurant on site and typically a bar or lounge as well. There are a wide variety of full service hotels but most offer guest services such as room service and wake up calls. In addition the rooms are generally larger and more lavishly decorated than limited service hotels. The complimentary amenities are also of higher quality. Hotels in this category usually have larger meeting rooms, pools and exercise facilities too. Most full service hotels are found in centralized business locations such as downtown Seattle, downtown Bellevue, and SeaTac.

- 3. Select Service Hotels/Motels:** These properties are generally a hybrid between full service and limited service hotels. Select service hotels, offer the fundamentals of limited service properties together with a selection of the services and amenities characteristic of full service properties. The goal is to keep operating costs down. Typically this means it has some restaurant and banquet facilities but on a less elaborate scale than would be found in a full service hotel. Hence, if the hotel has a restaurant it has a limited menu or is only open for one or two meals a day. Most limited and select service hotels are very dependent on their chain affiliation for consumer recognition, reservation contribution, and a perception of quality. Some examples of select service hotels include: Hilton Garden Inn, Courtyard by Marriott, or Hyatt Place. These types of hotels can be found throughout King County.
- 4. Extended Stay Hotel:** Best described as an apartment hotel. These hotels generally have limited service and amenities. They may offer a complimentary breakfast, a pool or work out area, but there typically is no restaurant on site. The rooms are suites in most cases with a separate walled off sleeping quarter. In addition, the rooms usually have cooking appliances and utensils designed for people staying longer than a couple of days. Typically they offer laundry services as well. There are many extended stay hotels in King County and most have Extended Stay or Suites in their name such as Extended Stay America, Homewood Suites, or Residence Inn by Marriott.
- 5. Limited Service Hotels / Motels:** Originally defined as a hotel without a restaurant or banquet facilities; the services and amenities offered to guests of limited-service hotels are typically simple. However, these services and amenities have expanded over the past decade, and in today's market a limited-service hotel's range of amenities often includes a complimentary breakfast, business center, a fitness room, a guest laundry facility, a market pantry, an indoor and/or outdoor pool and whirlpool, and small meeting rooms. There are many limited service hotels throughout King County such as: Comfort Inn, Hampton Inn, and Holiday Inn Express.
- 6. Budget Limited Service Hotels / Motels:** These hotels generally offer no-frills rooms at modest prices. More robust limited-service hotels offer some of the amenities that guests would expect from higher priced hotels such as a complimentary breakfast bar and newspaper, however there is one significant difference: limited-service hotels lack a dedicated, revenue-producing food and beverage component and typically rooms are accessed from outdoor doorways as opposed to insular halls. Budget limited service hotels / motels can be found throughout King County. Some examples include: Motel 6, The Jet Motel, and Econo Lodge.

Overall, well located hotels have seen the biggest increase in average daily rates, occupancy, and revenue per available room. King County has continued to out-perform forecaster's predictions as stated by Kidder Mathews indirectly with downtown Seattle achieving a 30 year high rate of occupancy. The following is a list of King County market metrics from the 2017 Smith Travel Research (STR) Host Almanac and Kidder Mathews 2016 4th Quarter Seattle Hotel Report:

- Seattle’s average occupancy is 84%
- Pacific Region occupancy was 80.8% overall.
- Pacific Region ADR was \$208.82.
- Pacific Region EBITA before reserves was 31.5% (as a % of gross revenue).
- Pacific Region full service occupancy was 80.6%.
- Pacific Region full service ADR was \$232.14.
- Pacific Region full service EBITA before reserves was 29.5%.
- Pacific Region limited service occupancy was 81.5%.
- Pacific Region limited service ADR was \$136.38.
- Pacific Region limited service EBITA before reserves was 47.1%.

Values escalated in all five neighborhoods in King County though 20 and 40 experienced the largest percentage increases because a number of newly constructed hotels opened in those neighborhoods. However, neighborhoods 10 and 30 also large increases in value due to factors already noted above. And neighborhood 50 saw an increase in value though more modest when compared to other King County neighborhoods.

Below is a table summarizing the overall change in lodging properties by neighborhood.

| 2017 Hotel/Motel Specialty Area Breakdown | | | | | |
|---|--|-----------------------|----------------------|----------------------|-----------------|
| Area | Name | Improved Parcel Count | 2016 Neighborhood AV | 2017 Neighborhood AV | Percent Changed |
| 160-10 | Seattle Central Business District | 89 | \$ 3,318,406,600 | \$ 3,893,776,100 | 17.34% |
| 160-20 | Bellevue & Northeast King County | 77 | \$ 1,517,122,800 | \$ 1,848,942,300 | 21.87% |
| 160-30 | Northwest Seattle | 38 | \$ 330,177,500 | \$ 389,574,700 | 17.99% |
| 160-40 | South Seattle, Renton, Tukwila, & SeaTac | 97 | \$ 953,414,200 | \$ 1,192,414,300 | 25.07% |
| 160-50 | South King County | 57 | \$ 293,891,300 | \$ 326,838,600 | 11.21% |

Analysis Process

Effective Date of Appraisal: January 1, 2017

Date of Appraisal Report: July 10, 2017

Highest and Best Use Analysis

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

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

All three approaches to value were considered in this analysis.

- Sales from 01/01/2014 to 2/24/2017 were considered in the analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.
- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.

Neighborhood Description

King County has many types of lodging properties to accommodate both business and travel needs. Hotels are generally concentrated in commercial / retail centers and the type and quality of the hotel depends on the area. The vast majority of the boutique type hotels are in downtown Seattle or completely outside of the major cities in a picturesque region. Full service hotels are primarily located in downtown commercial business districts. Extended Stay lodging is located close to office hubs, such as Redmond (Microsoft), Bellevue (Eastlake), Renton (Federal Buildings), etc. And select, limited and budget service hotels are found throughout the county with the vast majority in South King County in the cities of Auburn, Kent, and Federal Way. Usually they are located along Interstate Highways and State Routes.

The Hotel - Motel Specialty currently has 358 parcels but that number continues to grow. Approximately 307 are improved parcels and 51 are associated land parcels. Included in the 307 improved parcels are 14 condominium parcels. All of the hotels within this specialty were revalued this year. King County subscribes to a policy of annual revaluation timelines and a six year physical inspection cycle. This year 51 hotel sales were considered for valuation purposes.

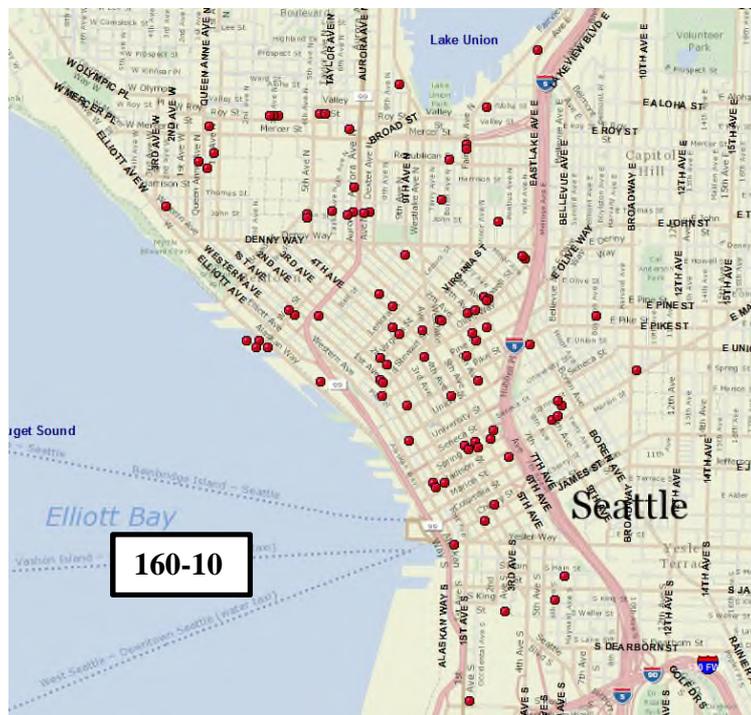
The following is a brief description of each Hotel / Motel neighborhood along with an area map dotted with the current hotel / motels on file.

Downtown Seattle Hotels & Motels – 160-10

Neighborhood 10 primarily includes lodging properties in the Seattle Central Business District. The region extends from Lower Queen Anne on the northern boundary to Safeco Field on the southern, from Puget Sound on the western to Broadway on the Eastern.

The Seattle Central Business District contains the highest concentration of high end, full service hotels, in addition to many other types. This year 9 of the 51 sales were from this neighborhood. Currently there are 89 hotel and motel parcels in this area which comprise 25% of the hotel-motel population.

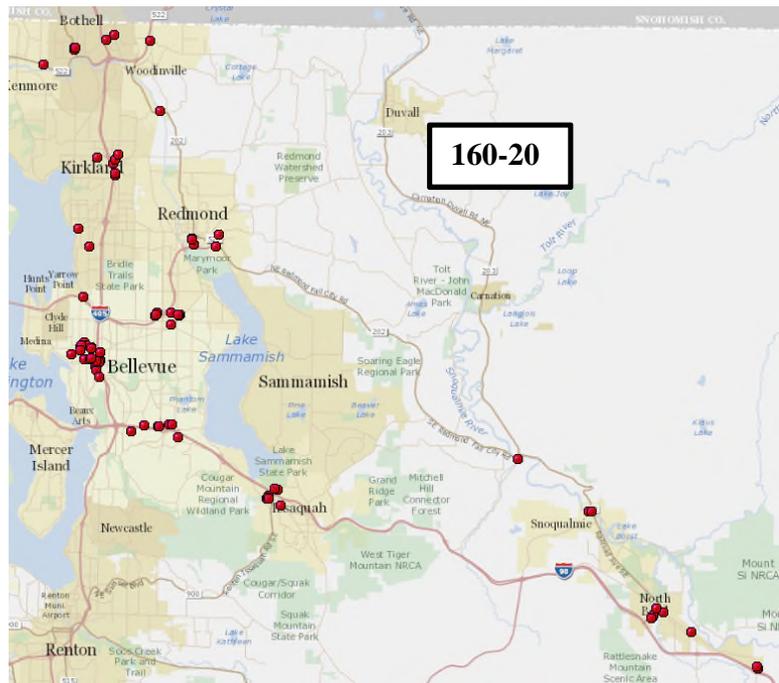
This neighborhood also has 9 new hotels under construction. Overall hotel property values in this neighborhood increased \$575,369,500 or 17.34%.



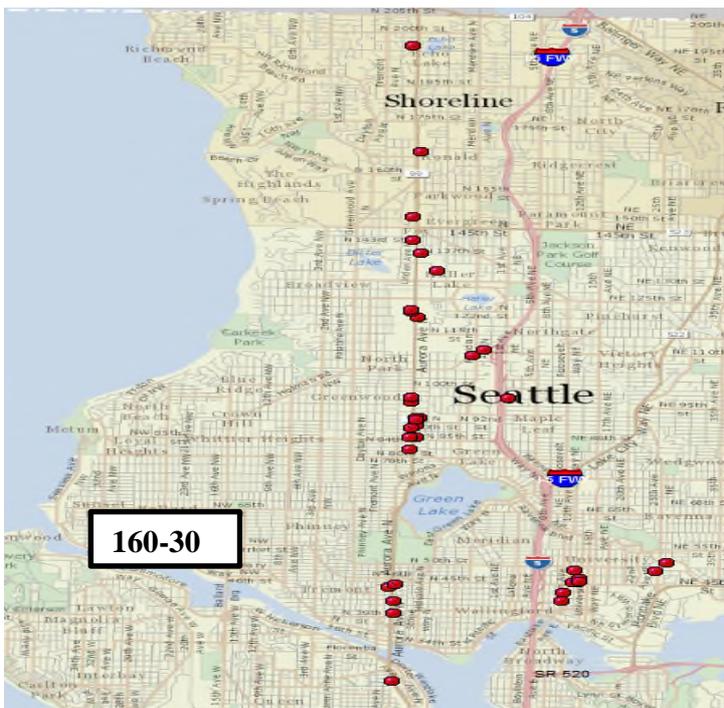
Bellevue and Northeast King County Hotels & Motels – 160-20

Nearhood 20 is comprised of all lodging properties located east of Lake Washington from Bothell and the Snohomish County line to north of Newcastle. It includes Mercer Island, Bellevue, Issaquah, North Bend, Snoqualmie, Kirkland, Redmond, Woodinville, and Bothell.

The Bellevue Central Business District contains the second highest concentration of high end, full service hotels, and the largest number of extended stay hotels. This year 10 of the 51 sales were from this neighborhood. Currently there are 77 hotel and motel parcels in this area which comprise 22% of the hotel-motel population. In addition there are 8 new hotels under construction and one was completed in winter of 2016. Overall hotel property values in this neighborhood increased \$331,819,500 or 21.87%.



Northwest Seattle Hotels & Motels – 160-30



Nearhood 160-30 includes all lodging properties west of Lake Washington and north of South Lake Union. It extends to the Snohomish County line. This area includes the following north Seattle neighborhoods: Shoreline, Ballard, Northgate, Greenlake, Fremont, and the University District.

The vast majority of the hotels and motels in this neighborhood are located along Aurora Avenue as the neighborhood map indicates. It is the smallest neighborhood with just 38 hotel and motel parcels and accounts for 11% of the Hotel Specialty population. This year 7 of the 51 sales were from this neighborhood. This is 14% of the hotel sales which

could be an indicator that this neighborhood may be on the verge of a construction boom. Neighborhood 30 has just 38 hotel and motel parcels or 11% of the total hotel-motel population. Currently there are two new hotels under construction. Overall hotel property values in this area increased \$389,574,700 or 17.99%.



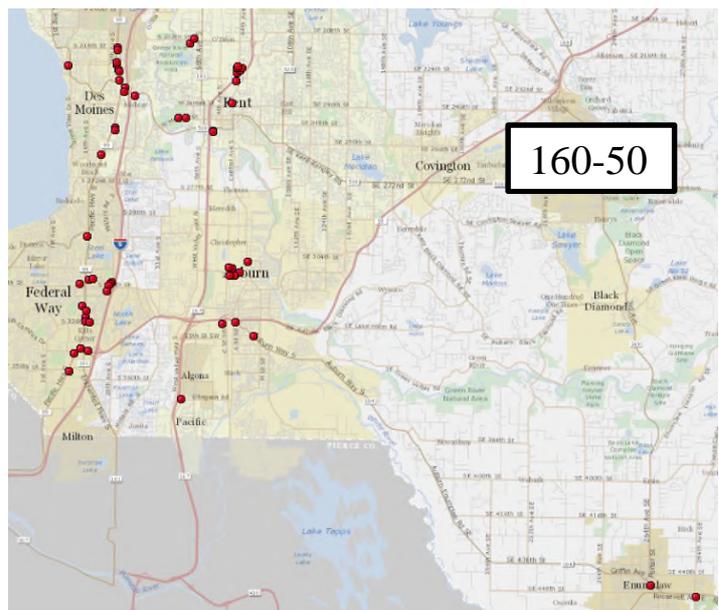
South Seattle, Renton, Tukwila, and SeaTac Hotels & Motels – 160-40

Neighborhood 160-40 includes a variety of types of lodging properties. These properties surround the southern half of Lake Washington. The cities and neighborhoods within this area include: West Seattle, SODO, Renton, Tukwila, and SeaTac. Most of this neighborhood’s lodging properties are in SeaTac or Tukwila and are located along SR 99, more commonly referred to as International Boulevard as well as the Westfield Mall area which is better known as Southcenter.

There are 97 hotel and motel parcels in this area that make up 27% of the hotel-motel population. This is the largest neighborhood in the hotel / motel specialty. In addition, there are also six new hotels under construction. This revalue cycle showed that 11 of the 51 hotel properties that sold, or 22%, were from neighborhood 40, pointing to steady but increasing values. Assessed values in this area increased \$239,000,100 or 25.07%.

South King County Hotels & Motels – 160-50

Neighborhood 50 houses primarily budget and limited service hotels and motels. The boundaries for this neighborhood begin south of SeaTac and continue to the Pierce County line. The cities included are Des Moines, Federal Way, Auburn, Kent and Enumclaw. Most properties are clustered by Interstate 5 and SR 167, also known as the Valley Freeway. While the geographic area of neighborhood 50 extends to the Pierce and Kittitas county lines south and east, aside from the two hotels in Enumclaw, there are no hotels or motels further east of the downtown



areas of Auburn and Kent.

There are 57 hotel and motel parcels in this area that make up 16% of the hotel-motel population. This is the second smallest neighborhood in the hotel / motel specialty. In addition, there are no new hotels under construction. However, of the 51 hotel properties that sold this last revalue cycle 14 of them, or 27%, were from this neighborhood, pointing to continued growth. Overall, assessed values in this area increased \$32,947,300 or 11.21%.

Physical Inspection Area

WAC 458-07-015 requires each property to be physically inspected at least once during a 6 year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. Property records are updated in accordance with the findings of the physical inspection. Lodging properties are divided into five different neighborhoods for valuation and inspection purposes. This year no physical inspection was conducted.

Scope of Data

Land Value Data

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

Improved Parcel Total Value Data

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. A sales questionnaire was mailed to sellers and purchasers of properties which sold in Area 160. Participation was voluntary and the response was modest. In addition, sales were verified, when possible, by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Property characteristics are verified for all sales if possible. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides on the Assessor's website at www.kingcounty.gov/assessor.

Preliminary Ratio Analysis

The Assessor uses ratio studies to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development. 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, geographic area, and geographic neighborhood.

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 also the ratio of the total assessed value to the total sales price value. 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.

The IAAO performance standards state that the weighted mean ratio should be between 0.9 and 1.10. The preliminary ratio study for Area 160 shows a weighted mean ratio of .777 which is outside the IAAO guidelines, indicating that the current assessment level as measured using recent sales, is too low and needs to be adjusted upward.

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 of deviation between the sale's ratios and the median ratio.

The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing property in smaller rural jurisdictions and between 5.0 and 15.0 for larger, urban market jurisdictions. The ratio study for Area 160 shows a COD of 14.05% which is within the IAAO guidelines indicating that the current level of assessment uniformity as measured, using recent sales, is in the acceptable range.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressivity in the data where assessment level decreases with increases in sales price. The preliminary ratio study for Area 160 shows a PRD of 1.10 which is outside the IAAO guidelines of an acceptable range.

As a result of this study and other area analysis, the assessed values of Area 160 were adjusted. The new data show that the weighted mean is 90.6% which meets the IAAO standards, a COD of 10.7% which improves upon the previous COD and a PRD of 1.06 which falls outside what is acceptable. The Assessor studied the data further and noted that the mean sales price in area 160 is \$27,510,400. There were two sales that occurred in this valuation, one for \$82,262,322 or almost 3 times the mean sales price and one sale for \$175,447,340 or more than 6 times the weighted mean. While the assessed value for these properties falls within the acceptable range, the large dollar amount of these two sales skewed the ratio study's PRD. However, if those sales were removed, the PRD would be 1.03 which falls within the acceptable range and interestingly, the weighted mean and COD also improve to 94.7% and 10% respectively.

Improved Parcel Total Values

Sales Comparison Approach

The sales comparison approach was not used for properties in the hotel & motel specialty. However, sales data was considered as an additional metric for valuation purposes. There were a total of 51 improved sales within the hotel/motel specialty dating from 1/1/2014 to 2/22/17 and 49 were used for the ratio study analysis however, 51 were considered fair market transactions and analyzed. The sales were organized by neighborhood, hotel type (limited service or full service), number of rooms, and quality level. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field, sending out a questionnaire or calling the broker. Characteristic data was verified for all sales if possible. Sales are listed in the attached "Sales Used" appendix report.

Cost Approach Model Description & Calibration

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. Costs are adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. The cost approach at Replacement Cost New (RCN) or Replacement Cost New Less Depreciation (RCNLD) is typically used for new hotels. The following year, the property is moved to the income approach to value.

Income Capitalization Approach Model Description

Two income models were developed for income capitalization of hotels/motels. The two models are for limited service and full service. Each model is specific for a given hotel/motel depending on number of rooms, average daily rate, full, or limited service. The Assessor uses data from the Smith Travel Research (STR) Host Almanac ratio to sales, Pacific region to develop the expense portion of the income model. The Average Daily Rate (ADR), Occupancy and Capitalization Rates are entered into the model by the appraiser. These are derived from market data collected from the properties themselves, local market metrics, market reports, surveys sent by the Assessor and from conversations with area brokers as well as property buyers and sellers. The models take into account all of the revenue and expense components that are relevant to the appraisal of hotels: hotel type (full or limited service), number of rooms, average daily rate, occupancy rates, revenue per available room, additional revenues (food, telecommunications, rentals, and other income), departmental expenses, undistributed operating expenses, franchise and management fees, and fixed charges (property taxes and municipal charges, insurance, reserves for capital replacements).

The net operating income is capitalized and the personal property is deducted to arrive at the real property value which also generates a price per room and gross revenue multiplier. The assessor utilizes the appraisal methods developed by Stephen Rushmore, MAI. His valuation approach for hotels is commonly known as the Rushmore Approach. Adjustments are made to the average daily, occupancy, and capitalization rates to reflect the influence of location. Financial data is gathered through physical inspection, sales verification, financial publications, questionnaires mailed by the Assessor, and information provided by the appellants for the purposes of appeals.

Income

Income parameters relevant to hotels are first and foremost measured by the hotel's Average Daily Rate and its typical Occupancy level. Hotels may also generate revenues through other sources such as food and beverage, telecommunications, banquet services, conventions, etc.

Expenses

Most hotel and motel property's expenses are broken down into several categories: departmental expenses (rooms, food and beverage, telecommunications, other operated departments), undistributed expenses (administrative and general, marketing, utility costs, and property maintenance), franchise and management fees, fixed charges (property taxes and municipal charges), insurance, and reserves for replacement.

Capitalization Rates

The range of capitalization rates used by the assessor was derived from published sources as well as verified sales. Lower capitalization rates were applied to modern and higher quality hotels in the central business districts such as downtown Seattle and downtown Bellevue. Higher capitalization rates were applied to older, lesser quality hotels in more suburban locations.

| 2016 HOTEL/MOTEL CAPITALIZATION RATES | | | | |
|---------------------------------------|------------------|---|---------------------------|---------------------------|
| SOURCE | DATE | TYPE | AVERAGE RATE/RANGE | PRIOR YEAR RATE/RANGE |
| HVS | Year End 2016 | Full Service Incl. Luxury – US | 7.00% (3.30% - 13.60%) | 6.40% (2.40% - 9.90%) |
| HVS | Year End 2016 | Select Service & Extended Stay – US | 8.30% (6.50% - 10.30%) | 8.20% (5.00% - 14.00%) |
| HVS | Year End 2016 | Limited Service – US | 9.10% (5.10% - 17.10%) | 9.20% (1.10% - 13.30%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area CBD: Luxury Hotels | 6.00% (5.75% - 6.25%) | 5.75% (5.50% - 6.00%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area Suburban: Luxury Hotels | 7.00% (6.50% - 7.50%) | 6.50% (6.00% - 7.00%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area CBD: Full Service | 6.25% (6.00% - 6.50%) | 6.00% (5.75% - 6.25%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area Suburban: Full Service | 8.00% (7.50% - 8.50%) | 7.25% (7.00% - 7.50%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area CBD: Select Service | 6.50% (6.25% - 6.75%) | 6.25% (6.00% - 6.50%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area Suburban: Select Service | 8.00% (7.50% - 8.50%) | 7.625% (7.25% - 8.00%) |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area CBD: Economy | 8.50% (8.00% - 9.00%) | 8.00% (7.50% - 8.50%) |

| 2016 HOTEL/MOTEL CAPITALIZATION RATES | | | | |
|---------------------------------------|------------------|---|---------------------------|---------------------------|
| SOURCE | DATE | TYPE | AVERAGE RATE/RANGE | PRIOR YEAR RATE/RANGE |
| CBRE Cap Rate Survey | Second Half 2016 | Greater Seattle Area Suburban: Economy | 9.75% (9.25% - 10.25%) | 8.75% (8.25% - 9.25%) |
| IRR Viewpoint | Year End 2016 | National Lodging – Full Service | 7.86% | 7.92% |
| IRR Viewpoint | Year End 2016 | National Lodging – Limited Service | 8.52% | 8.54% |
| IRR Viewpoint | Year End 2016 | Western Region Lodging – Full Service | 7.52% | 7.92% |
| IRR Viewpoint | Year End 2016 | Western Region Lodging – Limited Service | 8.10% | 8.54% |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – Seattle First-Tier Investment Properties | 7.40% | |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – West Region First-Tier Investment Properties | 7.75% (7.00% - 8.50%) | 7.40% (6.00% - 9.00%) |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – West Region Second Tier Investment Properties | 8.20% (7.00% - 10.00%) | 8.00% (6.50% - 9.50%) |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – West Region Third Tier Investment Properties | 8.70% (7.00% - 11.00%) | 8.75% (7.00% - 10.50%) |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – Going-In Rate Institutional Investors National | 7.80% (6.30% - 8.50%) | 7.30% (6.30% - 8.50%) |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – Terminal Rate Seattle Survey | 7.9% | |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – Terminal Rate Institutional Investors National | 8.50% | 8.30% |
| Situs RERC Real Estate Report | Q4 2016 | Hotels – Terminal Rate West Regional Survey National | 8.40% | 8.30% |
| ACLI | Q4 2016 | U.S. Hotel/Motel | 6.95% | 6.00% |
| ACLI | Q4 2016 | Pacific Hotel/Motel Fixed Rate Loans | 5.13% | 6.08% |
| ACLI | Q4 2016 | Seattle-Bellevue-Everett Hotel/Motel Fixed Rate Loans | 7.36% | 6.64% |

Income Approach Calibration

Each hotel and motel was valued on an individual basis. All values were then reviewed and calibrated to market tendencies. The assessor sends out a yearly income survey letter to all hotel owners in order to determine appropriate income and expense parameters. All of the factors used

to establish value by the model are subject to adjustment, except the expense portion which followed the ratios set by STR 2016 Host Almanac.

ADR (Average Daily Rate): ADRs are expected to continue to move upward. While there are many more rooms scheduled to be on the market before 2022, there is currently a strong demand for temporary lodging in the greater Seattle area. The vast majority of hotels in all areas in King County saw their ADR and RevPAR (Revenue per available room) increase in 2016 and that is expected to continue throughout the decade.

Occupancy: King County has a very strong occupancy rate. According to Kidder Mathews, downtown Seattle completed a 5th year of record performance. They estimated that 2016 occupancy rate of upscale tier hotels is 84%, the highest annual rate in over 30 years. Many hotels in South Lake Union and SeaTac are also achieving very high occupancy. Renton is also seeing a hefty occupancy rate of 73%.

Cap Rates: In 2016, capitalization rates were beginning to edge upward in the greater Seattle area depending on the specific location of the property. Nationally capitalization rates are moving upward. Overall, national capitalization rates were between 3.3% and 17.10%, Western Region rates were 5.13% to 11.00% and in the Seattle area the range was 5.13% to 10.25% per the compilation of below sources.

The following chart gives a general overview of the metrics used to develop the model for Area 160.

| 2016 Year End Metrics | | | | |
|-----------------------|----------------|------------|-------------------|------------|
| ADR | Occupancy Rate | RevPar | Cap Rate | Values |
| ↑ | ↔ | ↑ | ↗ | ↑ |
| (increase) | (stable) | (increase) | (slight increase) | (increase) |

Below are the typical ranges for key metrics for each specialty neighborhood. The chart summarizes overall rates used throughout Area 160. Ranges in parameters are generally due to location, building quality, building type, year built, maintenance and amenities built into the hotel. Specific properties may deviate from what is noted below.

| Typical Income Values for Hotels | | | | | |
|----------------------------------|--|--|--|--|---|
| | Budget | Lmtd Svc | Ext Stay | Full Svc | Luxury |
| 160-10 | ADR \$60-\$100 OCC 70-75% CR 8-8.5% | ADR \$100-\$150 OCC 70-80% CR 7-9% | ADR \$105-\$165 OCC 75-80% CR 6.75-8% | ADR \$120-\$200 OCC 75-80% CR 6.75-8.25% | ADR \$200-\$250 OCC 80-85% CR 6.25-6.5% |
| 160-20 | ADR \$50-\$70 OCC 55-70% CR 9-9.75% | ADR \$75-\$160 OCC 60-75% CR 7.5-9% | ADR \$100-\$170 OCC 70-75% CR 7.25-8.25% | ADR \$110-\$210 OCC 70-75% CR 7-8% | ADR \$150-\$250 OCC 70-75% CR 6.5-7% |
| 160-30 | ADR \$55-\$80 OCC 60-70% CR 8.75-9.5% | ADR \$70-\$160 OCC 65-75% CR 7.5-9% | ADR \$80-\$165 OCC 70-75% CR 7.25-8.75% | ADR \$125-\$200 OCC 75-80% CR 7-8.25% | N/A |
| 160-40 | ADR \$47-\$65 OCC 60-65% CR 9.25-9.75% | ADR \$60-\$80 OCC 60-70% CR 8.25-9.75% | ADR \$70-\$160 OCC 60-70% CR 7.75-9.25% | ADR \$70-\$125 OCC 65-70% CR 8-9.25% | ADR \$125 OCC 70% CR 8% |
| 160-50 | ADR \$45-\$55 OCC 60-65% CR 9.5-9.75% | ADR \$52-\$70 OCC 60-65% CR 9-9.75% | ADR \$65-\$100 OCC 65-70% CR 8.25-8.75% | ADR \$70-\$135 OCC 63-75% CR 8-9.25% | N/A |

Market Conditions: There are a large number of new hotel projects currently under construction. The Seattle Times reported on July 11, 2017, Seattle is the “crane capital of America” with 58 cranes. That is 60% more than any other city in the US. Crane counts have dropped by 8% in major cities across the United States but not here. The wave of new development shows the strength of the Seattle market. The King County lodging market remains one of the strongest in the country.

There are currently 26 new hotel projects under construction or recently completed in King County. Below is a list of the projects that have broken ground, organized by neighborhood.

| Hotel Projects Under Construction | | | | | | | | |
|-----------------------------------|------|---------------|--------------------------|--------------------------|-------------|---------|------------|---------------------|
| No | Nbhd | Parcel Number | Hotel Name | Address | City | Stories | Room Count | Expected Completion |
| 1 | 10 | 066000-0708 | Hyatt Regency | 808 Howell St. | Seattle | 45 | 1,264 | Spring, 2018 |
| 2 | 10 | 066000-1195 | Residence Inn | 924 Howell St | Seattle | 15 | 302 | Winter, 2017 |
| 3 | 10 | 766620-4878 | Stadium Place (East) | 255 S. King St | Seattle | 23 | 282 | Summer, 2017 |
| 4 | 10 | 768389-0020 | Hotel Andra | 201 Stewart St | Seattle | 16 | 229 | Spring, 2018 |
| 5 | 10 | 197570-0645 | State Hotel | 1501 2nd Ave. | Seattle | 8 | 90 | Summer, 2018 |
| 6 | 10 | 198320-0355 | Moxy Hotel | 1016 Republican St | Seattle | 8 | 146 | Spring, 2018 |
| 7 | 10 | 198320-0540 | Even / Staybridge Suites | 527 Fairview Ave. N | Seattle | 9 | 235 | Winter, 2018 |
| 8 | 10 | 094200-0530 | The Mark Hotel | 801 5th Ave. | Seattle | 13 | 184 | Winter, 2018 |
| 9 | 10 | 768389-0000 | Helios Hotel | 2nd and Stewart | Seattle | 16 | 229 | Winter, 2018 |
| 10 | 20 | 154460-0142 | Hilton Garden Inn | 965 108th Ave NE | Bellevue | 6 | 254 | Winter, 2017 |
| 11 | 20 | 154410-0322 | Marriott AC Hotel | 10628 NE 2nd St | Bellevue | 7 | 234 | Summer, 2017 |
| 12 | 20 | 362930-0010 | Springhill Suites | 1185 NE Maple St | Issaquah | 5 | 145 | Summer, 2017 |
| 13 | 20 | 062210-0052 | Hampton Inn & Suites | 19211 Woodinville Snohol | Woodinville | 4 | 102 | Winter, 2016 |
| 14 | 20 | 720240-0040 | Hampton Inn & Suites | 17770 NE 78th PL | Redmond | 3 | 130 | Spring, 2017 |
| 15 | 20 | 067310-0020 | Aloft / Elements | 15220 NE Shen St | Redmond | 6 | 281 | Spring, 2017 |
| 16 | 20 | 082505-9081 | Lakeview Hotel | 10850 NE 68th St | Kirkland | 3 | 10 | Spring, 2018 |
| 17 | 20 | 092308-9024 | North Bend Hotel | 700 Southfork Ave. SW | North Bend | | | Winter, 2018 |
| 18 | 20 | 432335-0020 | W Hotel | 410 Bellevue Way | Bellevue | 13 | 245 | Spring, 2018 |
| 19 | 30 | 435870-0230 | Courtyard by Marriott | 10733 Meridian Ave.N | Seattle | 5 | 140 | Summer, 2018 |
| 20 | 30 | 322604-9130 | Hampton Inn & Suites | 9550 1st Ave. NE | Seattle | 6 | 167 | Summer, 2017 |
| 21 | 40 | 052305-9075 | Hyatt Regency | 1053 Lake Wash. Blvd N | Renton | 12 | 347 | Summer, 2017 |
| 22 | 40 | 334450-0007 | Hampton Inn & Suites | 1300 Lake Wash. Blvd N | Renton | 5 | 110 | Summer, 2017 |
| 23 | 40 | 022310-0090 | Washington Place Hotel | 223 Andover Park E | Tukwila | 19 | 185 | Spring, 2018 |
| 24 | 40 | 332304-9188 | Hilton Garden Inn | 3056 S 188th St | Seatac | 5 | 152 | Spring, 2019 |
| 25 | 40 | 332304-9139 | Aloft Hotel | 19030 28th Ave. S | Seatac | 5 | 143 | Winter, 2017 |
| 26 | 40 | 022300-0040 | Unnamed | 90 Andover Park E | Tukwila | 5 | 90 | Summer, 2018 |

Model Validation

Total Value Conclusions, Recommendations and Validation

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

The income approach was primarily used to derive the total value for the Hotels. The land values were set by the geographic appraisers then subtracted from the total value to determine the improvement value. Application of the recommended values for the 2017 Assessment Year (taxes payable in 2018) results in a total year over year change of 19.31%.

| | 2016 Total | 2017 Total | % Change |
|--------------------|-------------------------|-------------------------|---------------|
| Total Value | \$ 6,413,012,400 | \$ 7,651,546,000 | 19.31% |

USPAP Compliance

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

Physical inspection revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification and new construction evaluation.

Area Hotel Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

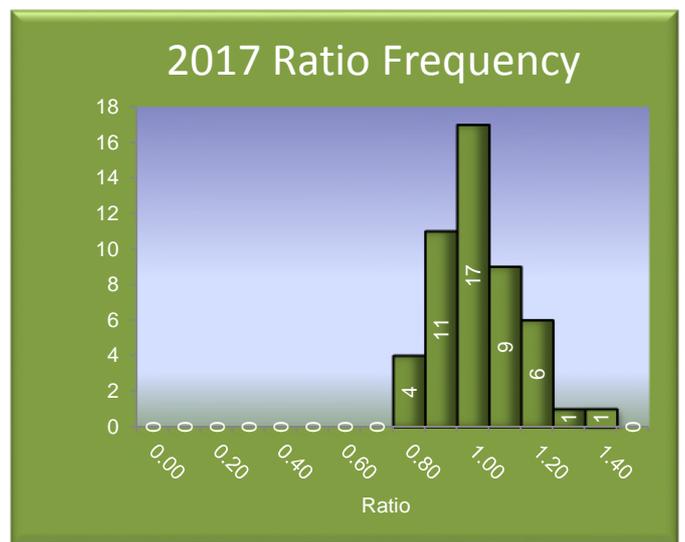
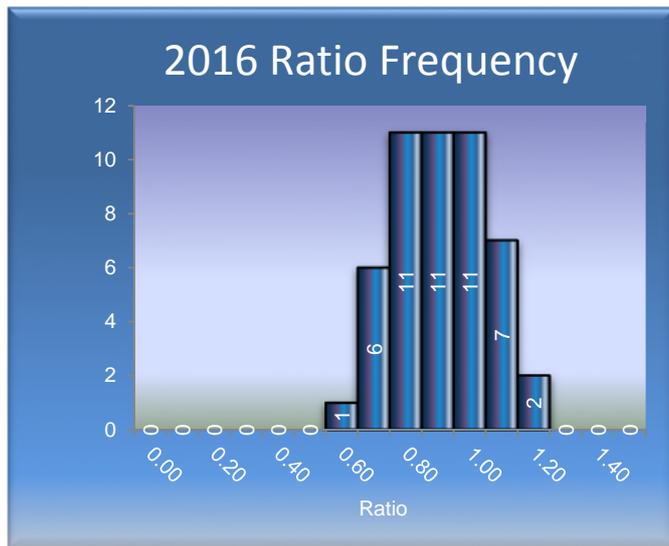
Pre-revalue ratio analysis compares sales from 2014 through 2016 in relation to the previous assessed value as of 1/1/2016.

| PRE-REVALUE RATIO SAMPLE STATISTICS | |
|---|--------------|
| Sample size (n) | 49 |
| Mean Assessed Value | \$21,374,100 |
| Mean Adj. Sales Price | \$27,510,400 |
| Standard Deviation AV | \$26,772,667 |
| Standard Deviation SP | \$36,328,477 |
| ASSESSMENT LEVEL | |
| Arithmetic Mean Ratio | 0.854 |
| Median Ratio | 0.858 |
| Weighted Mean Ratio | 0.777 |
| UNIFORMITY | |
| Lowest ratio | 0.5831 |
| Highest ratio: | 1.1285 |
| Coefficient of Dispersion | 14.05% |
| Standard Deviation | 0.1443 |
| Coefficient of Variation | 16.89% |
| Price Related Differential (PRD) | 1.10 |

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2014 through 2016 and reflects the assessment level after the property has been revalued to 1/1/2017

| POST REVALUE RATIO SAMPLE STATISTICS | |
|---|--------------|
| Sample size (n) | 49 |
| Mean Assessed Value | \$24,936,400 |
| Mean Sales Price | \$27,510,400 |
| Standard Deviation AV | \$31,055,441 |
| Standard Deviation SP | \$36,328,477 |
| ASSESSMENT LEVEL | |
| Arithmetic Mean Ratio | 0.963 |
| Median Ratio | 0.953 |
| Weighted Mean Ratio | 0.906 |
| UNIFORMITY | |
| Lowest ratio | 0.7212 |
| Highest ratio: | 1.3239 |
| Coefficient of Dispersion | 10.92% |
| Standard Deviation | 0.1301 |
| Coefficient of Variation | 13.50% |
| Price Related Differential (PRD) | 1.06 |



Improvement Sales for Area 160 with Sales Used

08/01/2017

| No | Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|----|------|------|--------|-------|-----------|---------|---------------|-----------|----------|--------------------------------------|---------------|----------|-----------|--------------------------------------|
| 1 | 160 | 010 | 066000 | 0435 | 48,220 | 2726861 | \$16,350,000 | 04/27/15 | \$339.07 | LA QUINTA INN & SUITES - SEATTLE | DMC 240/290-4 | 1 | Y | |
| 2 | 160 | 010 | 066000 | 2680 | 96,001 | 2798838 | \$74,100,000 | 05/24/16 | \$771.87 | SPRINGHILL SUITES - SEATTLE | DMC 240/290-4 | 2 | Y | |
| 3 | 160 | 010 | 197570 | 0255 | 272,787 | 2674341 | \$126,933,978 | 06/19/14 | \$465.32 | MOTIF SEATTLE | DRC 85-150 | 1 | Y | |
| 4 | 160 | 010 | 197670 | 0010 | 88,591 | 2717761 | \$37,000,000 | 03/11/15 | \$417.65 | ROOSEVELT HOTEL | DOC2 500/300 | 1 | Y | |
| 5 | 160 | 010 | 199120 | 0730 | 70,627 | 2699777 | \$19,000,000 | 11/05/14 | \$269.02 | QUALITY INN & SUITES - SEATTLE | SM-85 | 1 | Y | |
| 6 | 160 | 010 | 347000 | 0020 | 266,322 | 2778117 | \$82,262,372 | 01/28/16 | \$308.88 | HOTEL 1000 | DMC 240/290-4 | 2 | Y | |
| 7 | 160 | 010 | 347000 | 0020 | 133,161 | 2677046 | \$58,900,000 | 07/01/14 | \$442.32 | HOTEL 1000 | DMC 240/290-4 | 2 | Y | |
| 8 | 160 | 010 | 408880 | 3586 | 153,315 | 2807267 | \$74,870,000 | 07/01/16 | \$488.34 | COURTYARD MARRIOTT - SLU | SM-85 | 1 | Y | |
| 9 | 160 | 010 | 872974 | 0030 | 107,237 | 2849740 | \$72,680,000 | 02/21/17 | \$677.75 | PAN PACIFIC HOTEL | DMC 240/290-4 | 1 | Y | |
| 10 | 160 | 020 | 112405 | 9082 | 28,910 | 2743842 | \$10,650,000 | 07/16/15 | \$368.38 | DAYS INN BELLEVUE (EASTGATE) | CB | 1 | Y | |
| 11 | 160 | 020 | 124450 | 0300 | 56,635 | 2714443 | \$16,431,000 | 02/12/15 | \$290.12 | THE HEATHMAN KIRKLAND HOTEL | CB1 | 1 | Y | |
| 12 | 160 | 020 | 152308 | 9095 | 4,180 | 2829217 | \$615,000 | 10/19/16 | \$147.13 | MT SI MOTEL | NB | 1 | Y | |
| 13 | 160 | 020 | 222505 | 9318 | 74,562 | 2780155 | \$32,532,070 | 02/04/16 | \$436.31 | FAIRFIELD INN by MARRIOTT - EAST | OLB | 1 | Y | |
| 14 | 160 | 020 | 282605 | 9136 | 36,281 | 2785158 | \$12,800,000 | 03/17/16 | \$352.80 | COMFORT INN - KIRKLAND | TL 4A | 1 | Y | |
| 15 | 160 | 020 | 322505 | 9036 | 96,663 | 2714342 | \$34,658,907 | 02/18/15 | \$358.55 | RED LION BELLEVUE - 405 CORRIDOR | OLB | 1 | Y | |
| 16 | 160 | 020 | 322505 | 9061 | 324,133 | 2838371 | \$87,250,000 | 12/06/16 | \$269.18 | HILTON HOTEL - BELLEVUE | OLB | 1 | Y | |
| 17 | 160 | 020 | 322505 | 9119 | 122,369 | 2784747 | \$41,750,000 | 03/15/16 | \$341.18 | SHERATON BELLEVUE HOTEL | DNTNOLB | 2 | Y | |
| 18 | 160 | 020 | 720241 | 0060 | 113,672 | 2684783 | \$47,706,595 | 08/12/14 | \$419.69 | RESIDENCE INN by MARRIOTT @ RENTON | RTWNC | 1 | Y | |
| 19 | 160 | 020 | 808760 | 0035 | 247,334 | 2778794 | \$175,447,340 | 01/20/16 | \$709.35 | MARRIOTT HOTEL BELLEVUE | DNTN-MU | 2 | Y | |
| 20 | 160 | 030 | 282710 | 0025 | 23,800 | 2811568 | \$4,975,000 | 07/22/16 | \$209.03 | AMERICA'S BEST VALUE INN - SHORELINE | MB | 1 | Y | |
| 21 | 160 | 030 | 302604 | 9070 | 12,897 | 2813516 | \$3,300,000 | 07/29/16 | \$255.87 | SEALS MOTEL - SEATTLE NORTH | C1-65 | 1 | Y | |
| 22 | 160 | 030 | 302604 | 9080 | 8,712 | 2699989 | \$1,950,000 | 10/20/14 | \$223.83 | ORION MOTEL - SEATTLE NORTH | C1-65 | 1 | Y | |
| 23 | 160 | 030 | 525430 | 0015 | 8,876 | 2685413 | \$1,548,500 | 08/14/14 | \$174.46 | SHORELINE MOTEL | MB | 1 | Y | |
| 24 | 160 | 030 | 525430 | 0015 | 8,876 | 2798103 | \$1,650,000 | 05/23/16 | \$185.89 | SHORELINE MOTEL | MB | 1 | Y | |
| 25 | 160 | 030 | 614970 | 0055 | 41,704 | 2849157 | \$10,000,000 | 02/15/17 | \$239.79 | COMFORT INN & SUITES - SEATTLE | C2-65 | 1 | Y | |
| 26 | 160 | 030 | 881740 | 0055 | 106,860 | 2845292 | \$44,600,000 | 01/19/17 | \$417.37 | HOTEL DECA | NC3-85 | 3 | Y | |
| 27 | 160 | 040 | 004100 | 0335 | 21,424 | 2693909 | \$3,300,000 | 10/02/14 | \$154.03 | TRAVELODGE AIRPORT NORTH MOUNTAIN | MRC | 1 | Y | |
| 28 | 160 | 040 | 213620 | 0607 | 6,524 | 2825027 | \$1,890,000 | 09/27/16 | \$289.70 | AERO MOTEL | IG2 U/85 | 1 | Y | |
| 29 | 160 | 040 | 282304 | 9114 | 82,186 | 2730159 | \$13,586,010 | 05/08/15 | \$165.31 | RED ROOF INN SEATTLE AIRPORT | CB-C | 1 | Y | |
| 30 | 160 | 040 | 302305 | 9117 | 49,260 | 2837312 | \$11,500,000 | 11/30/16 | \$233.46 | CLARION HOTEL - RENTON | CA | 1 | Y | |
| 31 | 160 | 040 | 332304 | 9142 | 36,648 | 2715786 | \$6,750,000 | 02/27/15 | \$184.18 | QUALITY INN SEATAC AIRPORT | CB-C | 1 | Y | |
| 32 | 160 | 040 | 332304 | 9157 | 43,164 | 2755023 | \$8,475,000 | 09/08/15 | \$196.34 | SUPER 8 - SEATAC | CB-C | 2 | Y | |
| 33 | 160 | 040 | 342304 | 9098 | 298,150 | 2805166 | \$91,080,000 | 06/23/16 | \$305.48 | SEATTLE AIRPORT MARRIOTT | CB-C | 1 | Y | |
| 34 | 160 | 040 | 344500 | 0132 | 40,410 | 2772977 | \$12,350,000 | 12/22/15 | \$305.62 | SLEEP INN - SEATAC | CB-C | 1 | Y | |
| 35 | 160 | 040 | 346880 | 0455 | 6,116 | 2748406 | \$1,042,000 | 08/05/15 | \$170.37 | AIRLANE MOTEL | C1-40 | 1 | Y | |
| 36 | 160 | 040 | 736060 | 0400 | 18,630 | 2782583 | \$2,980,000 | 02/26/16 | \$159.96 | ECONO LODGE - AIRPORT | RC | 1 | Y | |
| 37 | 160 | 040 | 883650 | 0030 | 77,578 | 2814739 | \$24,150,000 | 08/01/16 | \$311.30 | HOME2 SUITES BY HILTON | TUC | 1 | Y | |
| 38 | 160 | 050 | 000080 | 0048 | 27,870 | 2811937 | \$3,900,000 | 07/26/16 | \$139.94 | COMFORT INN AUBURN | C3 | 1 | Y | |
| 39 | 160 | 050 | 000080 | 0049 | 43,233 | 2850264 | \$5,727,000 | 02/22/17 | \$132.47 | TRAVELODGE INN & SUITES - AUBURN | C3 | 1 | 26 | Imp changed after sale; not in ratio |

Improvement Sales for Area 160 with Sales Used

08/01/2017

| No | Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|----|------|------|--------|-------|-----------|---------|--------------|-----------|----------|-----------------------------------|------|----------|-----------|-----------------------------|
| 40 | 160 | 050 | 000660 | 0036 | 34,577 | 2844530 | \$6,400,000 | 01/12/17 | \$185.09 | RED LION INN & SUITES KENT | M1-C | 3 | Y | |
| 41 | 160 | 050 | 092104 | 9291 | 65,629 | 2806144 | \$8,950,000 | 06/28/16 | \$136.37 | CLARION HOTEL - FEDERAL WAY | CC-C | 1 | Y | |
| 42 | 160 | 050 | 092104 | 9328 | 98,529 | 2704986 | \$25,980,129 | 11/17/14 | \$263.68 | COURTYARD BY MARRIOTT-FEDERAL WAY | CC-C | 2 | Y | |
| 43 | 160 | 050 | 132104 | 9113 | 73,906 | 2760032 | \$13,000,000 | 10/05/15 | \$175.90 | BEST WESTERN PLUS PEPPERTRAIL | CC3 | 1 | Y | |
| 44 | 160 | 050 | 172104 | 9078 | 18,573 | 2677388 | \$2,310,000 | 06/27/14 | \$124.37 | ECONO LODGE - FEDERAL WAY | BC | 1 | Y | |
| 45 | 160 | 050 | 212104 | 9078 | 58,600 | 2850355 | \$8,625,000 | 02/24/17 | \$147.18 | RED LION INN & SUITES FEDERAL | CE | 1 | Y | |
| 46 | 160 | 050 | 212204 | 9059 | 54,874 | 2771980 | \$8,143,014 | 12/08/15 | \$148.39 | CROSSLAND ECONOMY STUDIOS | CM-2 | 1 | Y | |
| 47 | 160 | 050 | 215640 | 0220 | 15,124 | 2786447 | \$1,655,000 | 03/24/16 | \$109.43 | THE LEGEND MOTEL - DES MOINES | PR-C | 1 | Y | |
| 48 | 160 | 050 | 236150 | 0070 | 26,643 | 2783865 | \$2,150,000 | 03/04/16 | \$80.70 | PARK CENTER HOTEL - ENUMCLAW | CB2 | 1 | 70 | Building Only; not in ratio |
| 49 | 160 | 050 | 775780 | 0010 | 62,211 | 2668719 | \$8,100,000 | 05/14/14 | \$130.20 | HOLIDAY INN HOTEL & SUITES | GWC | 1 | Y | |
| 50 | 160 | 050 | 885600 | 2346 | 63,788 | 2696247 | \$6,220,000 | 10/17/14 | \$97.51 | QUALITY INN & SUITES - PACIFIC | HC | 1 | Y | |
| 51 | 160 | 050 | 885600 | 2346 | 63,788 | 2797177 | \$6,800,000 | 05/20/16 | \$106.60 | QUALITY INN & SUITES - PACIFIC | HC | 1 | Y | |

Improvement Sales for Area 160 with Sales not Used

08/01/2017

| No | Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|----|------|------|--------|-------|-----------|---------|--------------|-----------|----------|-------------------------------|---------|----------|-----------|--------------------------------------|
| 1 | 160 | 010 | 197460 | 0025 | 99,714 | 2743980 | \$149,808 | 07/17/15 | \$1.50 | ALEXIS HOTEL (ARLINGTON BLDG) | DMC-160 | 2 | 42 | Development rights to cnty,cty,or pr |
| 2 | 160 | 010 | 197720 | 1140 | 60,087 | 2709263 | \$353,328 | 01/09/15 | \$5.88 | THE PALLADIAN HOTEL | DMC 240 | 1 | 42 | Development rights to cnty,cty,or pr |
| 3 | 160 | 010 | 199220 | 0235 | 118,858 | 2719631 | \$51,783,329 | 02/27/15 | \$435.67 | HOMEWOOD SUITES BY HILTON S | NC3-65 | 1 | 59 | Bulk portfolio sale |
| 4 | 160 | 010 | 780292 | 0010 | 126,240 | 2819899 | \$60,276,000 | 09/01/16 | \$477.47 | HILTON SEATTLE HOTEL | DOC1 U/ | 1 | 22 | Partial interest (1/3, 1/2, etc.) |
| 5 | 160 | 010 | 880490 | 0365 | 10,124 | 2658969 | \$40,000 | 03/25/14 | \$3.95 | BOYLSTON HOTEL | NC3P-65 | 1 | 24 | Easement or right-of-way |
| 6 | 160 | 020 | 152605 | 9047 | 81,892 | 2729602 | \$2,148,702 | 04/25/15 | \$26.24 | WILLOWS LODGE | I | 1 | 22 | Partial interest (1/3, 1/2, etc.) |
| 7 | 160 | 030 | 302604 | 9002 | 15,675 | 2770348 | \$520,793 | 11/17/15 | \$33.22 | NITES INN MOTEL | C1-65 | 1 | 52 | Statement to dor |
| 8 | 160 | 040 | 000580 | 0024 | 115,696 | 2749410 | \$19,253,493 | 08/12/15 | \$166.41 | EMBASSY SUITES SEATTLE - TAC | TUC | 4 | 33 | Lease or lease-hold |
| 9 | 160 | 040 | 000580 | 0030 | 89,245 | 2654166 | \$11,400,000 | 02/19/14 | \$127.74 | RAMADA TUKWILA SEATAC AIRPC | TUC | 1 | 63 | Sale price updated by sales id group |
| 10 | 160 | 040 | 004000 | 0252 | 11,469 | 2713599 | \$1,240,000 | 02/03/15 | \$108.12 | SPRUCE MOTEL - TUKWILA | NCC | 1 | 68 | Non-gov't to gov't |
| 11 | 160 | 040 | 042204 | 9069 | 50,994 | 2778446 | \$12,800,000 | 01/21/16 | \$251.01 | COMFORT INN & SUITES - SEATAC | CB-C | 6 | 63 | Sale price updated by sales id group |
| 12 | 160 | 040 | 092304 | 9153 | 59,598 | 2753033 | \$6,300,000 | 08/24/15 | \$105.71 | RIVERSIDE RESIDENCES TUKWILA | MIC/H | 2 | 68 | Non-gov't to gov't |
| 13 | 160 | 040 | 334040 | 1630 | 178,612 | 2678064 | \$8,872,500 | 07/02/14 | \$49.67 | HOLIDAY INN SELECT - RENTON | CA | 1 | 62 | Auction sale |
| 14 | 160 | 040 | 344500 | 0190 | 13,692 | 2704713 | \$480,114 | 12/05/14 | \$35.07 | AMERICA'S BEST VALUE INN -SEA | CB-C | 1 | 22 | Partial interest (1/3, 1/2, etc.) |
| 15 | 160 | 040 | 736060 | 0195 | 16,179 | 2710586 | \$1,800,000 | 01/19/15 | \$111.26 | RAMADA LIMITED - SEATAC AIRPC | RC | 1 | 51 | Related party, friend, or neighbor |
| 16 | 160 | 050 | 000080 | 0025 | 25,388 | 2777098 | \$1,037,500 | 01/21/16 | \$40.87 | DAYS INN AUBURN | C3 | 1 | 51 | Related party, friend, or neighbor |
| 17 | 160 | 050 | 092104 | 9146 | 55,147 | 2677093 | \$7,220,000 | 06/26/14 | \$130.92 | COMFORT INN & SUITES - FEDERA | CC-C | 1 | 23 | Forced sale |
| 18 | 160 | 050 | 132204 | 9158 | 28,584 | 2751519 | \$2,400,000 | 08/21/15 | \$83.96 | HOWARD JOHNSON INN - KENT | GC | 2 | 15 | No market exposure |
| 19 | 160 | 050 | 212104 | 9078 | 55,200 | 2694871 | \$4,415,000 | 10/09/14 | \$79.98 | SUPER 8 MOTEL - FEDERAL WAY | CE | 1 | 15 | No market exposure |