

Executive Summary Report
Appraisal Date 1/1/08 - 2009 Assessment Roll

Specialty Name: Hotels/Motels

Sales – Improved Analysis Summary:

Number of Sales: 56

Range of Sales Dates: 1/2005 – 11/2007

Sales - Ratio Study Summary:				
	<i>Average AV</i>	<i>Average Sale Price</i>	<i>Ratio</i>	<i>COV*</i>
2007 Value	\$12,543,800	\$13,414,800	93.50 %	16.77%
2008 Value	\$13,320,000	\$13,414,800	99.30%	12.50%
Change	+ \$776,200		+5.80 %	- 4.27 %
% Change	+ 6.19 %		+ 6.20 %	- 25.46 %

*COV 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 included land, and were not leased back to the seller, and have not been renovated, segregated or merged since being purchased, were included in the analysis.

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

Population – Parcel Summary Data :			
	<i>Land</i>	<i>Improvements</i>	<i>Total</i>
2007 Value	\$859,259,500	\$2,331,397,800	\$3,190,657,300
2008 Value	\$1,003,523,300	\$2,410,482,600	\$3,414,005,900
Percent Change	+ 16.79 %	+ 3.39 %	+ 7.00 %

Number of Parcels in the Population: 301

Conclusion and Recommendation:

Assessed values for the 2008 revalue have increased on average **7.00%**.

The values recommended in this report improve uniformity; assessment level and equity; therefore it is recommended they should be posted for the 2008 Assessment Roll.

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

Highest and Best Use

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

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

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

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118

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

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

Date of Value Estimate

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

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

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

Property rights appraised:

Fee Simple

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

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

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

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

Assumptions and Limiting Conditions:

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

Ruth Peterson
Commercial Appraiser II

Date

Analysis Process

Effective Date of Appraisal: January 1, 2008

Date of Appraisal Report: August 5, 2008

Specialty and Responsible Appraiser

- ❖ Specialty Area 160 – Hotels and Motels
- ❖ The following appraiser did the valuation for this specialty assessment:
Name: Ruth Peterson
Job Title: Commercial Appraiser II

Highest and Best Use Analysis

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

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

The following Departmental guidelines were considered and adhered to:

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of a minimum of three years of market information without adjustment for time averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

- ❖ ***Name or Designation:*** Hotels/Motels
- ❖ ***Boundaries:*** The properties are located throughout 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.

Property Descriptions:

All hotels and motels.

Market Regions:

The Hotel Specialty has been segmented into five market regions for King County. The following is a brief description of each market region

Downtown Hotels & Motels – 160-10

This is primarily the Seattle Central Business District geographic boundary. The region extends from Lower Queen Anne on the north to Safeco Field on the south, from Puget Sound on the west to Broadway on the East. There are presently 66 hotels and motels in this area which comprise 22% of the hotel-motel population.

Greater Eastside Hotels & Motels – 160-20

This region is comprised of all properties located east of Lake Washington from the Bellevue city limits all the way north to the county line. This includes Mercer Island, Bellevue, Issaquah, North Bend, Snoqualmie, Kirkland, Redmond, Woodinville, and Bothell. There are 58 hotels and motels in this region which make up 20% of the total hotel-motel population.

Northend Hotels & Motels – 160-30

All properties west of Lake Washington and from the University District north are in this region. Most of the motels are located along the Aurora Strip. There are 40 hotels and motels in this area which account for 13% of the population.

SeaTac Hotels & Motels – 160-40

Properties located within West Seattle, Renton, Tukwila, South Center, and SeaTac generally describe this region. Many of the hotels and motels are along Pacific Highway S., also called International Blvd. S. There are 88 hotels and motels in this area and they are 29% of the hotel-motel population.

Southend Hotels & Motels – 160-50

Properties located within Kent, Auburn, and Federal Way are in this region and south to the Pierce County line. This area has 49 hotels and motels that make up 16% of the total hotel-motel population.

Hotel & Motel Types:

Hotels and motels have been segregated into two major types. Several models have been developed for each type based on room rate and number of rooms. The following is a brief description of each type of hotel or motel.

Economy/Limited-Service Hotels/Motels

Hotels with “rooms only” operation and no food and beverage except possibly continental breakfast are considered limited service. They have lower-tier pricing and do not offer restaurant, lounge, or banquet service. These hotels may or may not possess meeting space. Most limited-service hotels are very dependent on their chain affiliation for consumer recognition, reservation contribution, and a perception of quality. There is one model for this category: Limited Service Hotels in the Pacific Region of the country.

Full-Service Hotels/Motels

Hotels with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing. Also included are high-quality hotels offering personalized guest services typically with extensive amenities. Highest upper-tier pricing also includes four and five-star resorts. There are four models for this category of hotel. The first model is for hotels with less than 150 rooms. The second model is for hotels with a room count between 150 to 300 rooms. The third model is for hotels that have between 300 to 500 rooms. The fourth model is for hotels with over 500 rooms.

Economic Conditions

Limited-service lodgings depend considerably more on leisure travelers. A mid-market brand is one that offers a fair quality product at a lower rate by cutting back on or eliminating multiple restaurants, meeting space, room service, bell staff, concierge, business centers, fitness facilities, etc. However, the rooms themselves can be similar to those of more expensive full service lodgings. For the most budget conscious traveler, a lower market brand or independently owned limited service motel offers a place to rest at minimal cost.

Full-service lodgings, on the other hand, rely heavily on the business travel market. The most experienced and efficient general managers recurrently procure corporate contracts because they improve occupancy during good times and shield hotels during tough economic cycles. They understand that meeting space, business centers, internet wireless access, convention type facilities, banquet space, and general conveniences expected by the business travel sector are crucial to the success of a full service hotel. They also consistently adapt to the ever changing business world and devise innovative ways to stay at the forefront of the competition.

The hospitality industry experienced continued growth in 2007. The national and local economic conditions that fueled business and tourist travel in 2006 continued in 2007 though at a slower pace. The hotel business stood out from other investments due to its steadily rising profits and higher property resale prices. Investors found supply and demand appealing because new construction had not kept up with the vast growth in business and vacation travel, so room rates have been risings at twice the rate of inflation in the past few years. Private REITS stand out as primary hospitality property investors. The dollar has fallen to record low levels; hence the industry attracted foreign capital as well as increased foreign tourists who view the United States as a bargain. These components in turn created increased demand for hotel rooms and therefore higher Average Daily Rates and Occupancy Rates. Hotel owners continue to experience reasonable profits though industry watchers expect this boom to top out by 2009. King County continued to benefit from the healthy hospitality industry. The 2007 market cycle was bullish but a cooling economy will undoubtedly affect hospitality businesses in late 2008.

Seattle has remained an attractive market for the hospitality industry. It continues to build world class hotels that deliver new products, first rate amenities, and are becoming classified as some of the best in the country. Industry growth trends favor the Seattle area due to propitious local economic conditions that have bucked most national trends. Luxury trends that render superior service levels are elements incorporated in the newer hotels such as Hotel 1, The Four Seasons, though they were already present in some of the existing hotels such as the Fairmont, The Alexis, and The W Hotel. These hotels cater to the upper income promising gourmet food, grand ballrooms, spas, and all manner of luxuries associated with an upscale clientele. During 2007, Seattle continued construction on several opulent hotels such as the Four Seasons, The Artic Club, and 1 Hotel. Tourism and cruise ship travel remained strong and created demand for more hotel rooms in 2007. Only older properties that are not keeping up with current trends seem to bear any negative industry impact.

Demand for hotel rooms in east King County remains healthy due to the continued stability of the high tech sector as well as tourism and other business travel. The eastside has seen its share of growth with the Sierra Suites along Bellevue's I-90 corridor and the Heathman Hotel in the heart of downtown Kirkland. These two hotels added 251 rooms. Still, another hotel is under construction in Redmond that's part of a mixed use project; a second Sierra Suites which will undoubtedly serve Microsoft and other high tech employees. Even Issaquah benefited from the growth in hotel rooms when it added the Hilton Garden Inn which is located along the I-90 freeway that serves as a midpoint from Bellevue and connects these two markets.

The following is a list of the most significant hotel sales in King County the past two years:

SIGNIFICANT HOTEL SALES					
Hotel Name	Number of Rooms	Sale date	Excise Number	Sales Price	Price Per Room
<i>Hotel Vintage Park</i>	126	9/14/2007	2310590	\$22,386,789	\$177,673
<i>Sheraton - Bellevue</i>	179	5/15/2007	2284533	\$28,459,715	\$158,993
<i>Seattle Waterfront Marriott</i>	358	4/20/2007	2279192	\$97,440,839	\$272,181
<i>Courtyard by Marriot - Seattle</i>	250	4/20/2007	2279213	\$53,085,173	\$212,341
<i>Springhill Suites - Downtown Seattle</i>	234	11/1/2006	2248040	\$50,049,000	\$213,885
<i>Marriott Residence Inn-Lake Union</i>	234	9/1/2006	2237192	\$44,466,192	\$190,026
<i>Alexis Hotel</i>	109	6/16/2006	2214708	\$37,817,492	\$346,949
<i>Summerfield Suites Hotel</i>	193	6/12/2006	2213524	\$29,300,000	\$151,813
<i>Summerfield Suites Hotel</i>	193	1/8/2006	2181892	\$28,900,000	\$149,741

The new hotels added in 2008 were the Sierra Suites in South Bellevue, the Heathman in Kirkland, and the Artic Club Hotel in downtown Seattle.

NEW 2008 HOTELS		
HOTEL NAME	LOCATION	NUMBER OF ROOMS
SIERRA SUITES HOTEL	SOUTH BELLEVUE	160
HEATHMAN HOTEL	KIRKLAND	91
ARTIC CLUB HOTEL	SEATTLE	120

The concept of hotel condos continues to be popular in Seattle. The condominiums enjoy all the perks of luxury hotels: concierge, spa-style bathrooms, room service, etc. These mixed use condominium-hotel buildings may share common walls but have separate entrances, elevators, and the condos have assigned parking stalls which typically run with the units. Developers are doing business in this manner because they increase their profit margin since condominiums typically sell for more money per square foot. The Four Seasons and Olive 8 are being built with this concept in mind and they have remained under construction throughout 2008. The Arctic Club Hotel is an office building conversion in downtown Seattle that has a total of 120 guest rooms. The Hyatt Regency in Bellevue Place is in the process of adding a new tower with 351 new guest rooms. Ground is also breaking for a new 160 room and 56 unit apartment Hyatt Place Hotel on Denny Way and Sixth Ave that is slated to open the fall of 2009. Hotel 1 was stalled but construction will resume under the leadership of the Starwood Capital Group.

HOTELS UNDER CONSTRUCTION 2008	
HOTEL NAME	LOCATION
OLIVE 8	SEATTLE
FOUR SEASONS	SEATTLE
THE ALASKA BUILDING	SEATTLE
HYATT PLACE	SEATTLE
RESIDENCE INN BY MARRIOTT	BELLEVUE
SIERRA SUITES HOTEL	REDMOND

The capitalization rates remained stable in 2007 with most national capitalization rates hovering between 7.00% and 8.50%.

HOTEL CAPITALIZATION RATES			
SOURCE	DATE	TYPE	AVERAGE
KORPACZ & URBAN LAND INSTITUTE	2007	LIMITED SERVICE HOTELS	7.45%
HOTEL AND MOTEL MANAGEMENT	2007	HOTELS	8.60%
PUGET SOUND BUSINESS JOURNAL	2007	HOTELS	6.00%
USRC REALTY	2007	FULL SERVICE HOTELS	7.60%
WALL STREET JOURNAL	2007	LIMITED SERVICE HOTELS	7.93%
IRR VIEWPOINT	2007	CBD HOTELS	8.50%

Physical Inspection Area:

- ❖ The physical inspection area for the 2008 revalue included all hotels and motels in geographic area 160-30, North King County. This area encompasses Seattle North where most motels in this area are clustered around Aurora Ave N. It also includes all hotels/motels in the University District area.

Preliminary Ratio Analysis

A Ratio Study was done August 4, 2008 with 2007 assessed values. The study included sales of improved parcels and showed a COV of 16.77%.

An additional Ratio Study was completed using the recommended values for 2008. The results are included in the validation section of this report and show a change in the COV from 16.77% to 12.50%.

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 Specialty 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. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on several data sources from the Assessor's records; whether a full or limited service hotel, number of rooms, year built, effective year, sale date, sale price, and sale price per room. There were 56 improved sales within the hotel/motel specialty dating from 1/1/2005 to 11/23/2007 and considered fair market transactions. The sales were organized by neighborhood, hotel type (limited service or full service), number of rooms, and quality level. A search was made on data that most closely fit a subject property within each geographic area. 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 "Hotel Sales" report.

Sales comparison calibration

After an initial search for comparable sales within each geographic area a search is made in neighboring areas and expands to include all of the county and nation if necessary. For the hotel specialty, hotel type (limited or full service), number of rooms, and quality level are important.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost 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. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application

Cost calibration

The Marshall & Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

Income capitalization approach model description

Five income models were developed for income capitalization of hotels/motels. Each model is specific and is used for any hotel/motel depending on number of rooms, average daily rate, full, or limited service. All expenses used in the five models were obtained from industry averages compiled by the Host Study by Smith Travel Research-2008 Edition. Model examples are contained in the Sample Worksheet Section. 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, RevPar, 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. Adjustments are made to the average daily and

occupancy 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 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.

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 hotels' 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 were derived from published sources as well as verified sales. Lower capitalization rates were applied to modern and higher quality hotels in the CBDs such as downtown Seattle and downtown Bellevue. Higher capitalization rates were applied to older, lesser quality hotels in more suburban locations.

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

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach was considered but most weight was given to the income approach.

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 new assessment level is 99.30%. The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2007 and 2008 Ratio Analysis charts included in this report.

The total assessed value for the 2007 assessment year for Specialty Area 160 was \$3,190,657,300. The total recommended assessed value for the 2008 assessment year is \$3,414,005,900.

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. Land values escalated by 16.79% thus improvement values only increased by 3.39%. Application of the recommended values for the 2008 assessment year (taxes payable in 2009) results in an average total change from the 2007 assessments of +7.00%.

	<i>2007 Total</i>	<i>2008 Total</i>	<i>\$ TOTAL</i>	<i>% Change</i>
<i>TOTAL VALUE</i>	<i>\$3,190,657,300</i>	<i>\$3,414,005,900</i>	<i>\$223,348,600</i>	<i>7.00%</i>

The increase is primarily due to the stable economic conditions, new construction, and expansion of the hotel market in 2007.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the assessor's office.