

2013 Revalue Report

Specialty Area 520: Business Parks



King County Department of Assessments





King County

Department of Assessments
Accounting Division

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2013 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2013 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

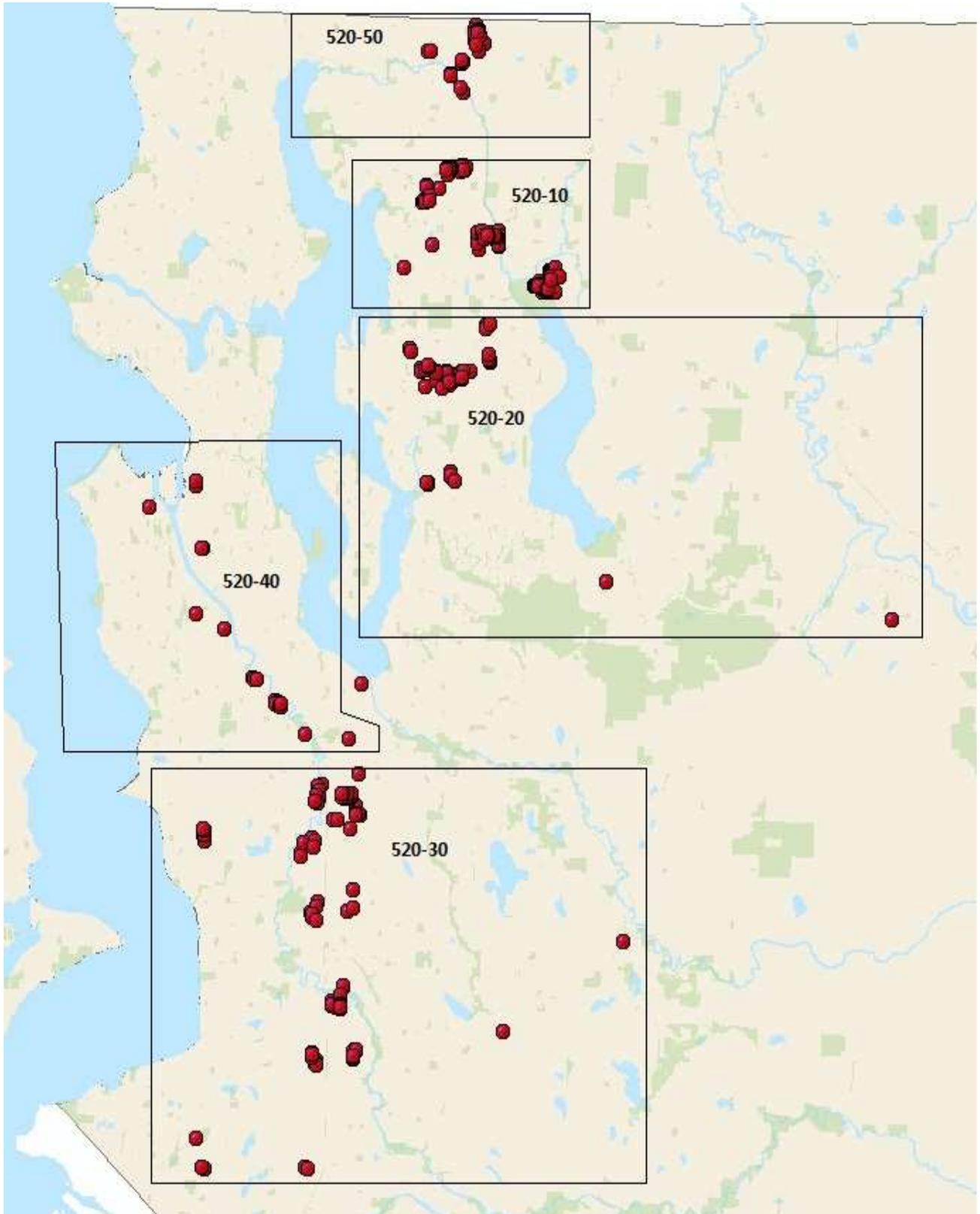
Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

Specialty Area 520 Neighborhood Map



Executive Summary Report

Appraisal Date: January 1, 2013 for the 2013 Assessment Year

Specialty: Business Parks

Physical Inspection: Neighborhoods 40 and 50, Duwamish and Woodinville.

Sales Analysis Summary: Number of Sales: 24 Date Range: 5/5/2010-12/20/2012

Sales Ratio Study Summary:

	Assessed Value	Sale Price	Ratio	C.O.D.
2012 Average Value	\$3,668,000	\$4,177,700	87.8%	14.56%
2013 Average Value	\$3,856,400	\$4,177,700	92.3%	9.13%
Change	\$188,400		4.50%	-5.43%
% Change	5.14%		5.13%	-37.29%

The Coefficient of Variation (COD) is a measure of uniformity, the lower the number the better the uniformity. The negative figures reflecting the change in COD from the 2012 to the 2013 revalue represent an improvement of the uniformity and falls within IAAO recommended standards. The Weighted Mean Ratio represents the assessment level and experienced an improvement indicating the assessed values are more in line with market sales. Sales from farther back in time may not be as representative and may have a lower Assessed Value to Sales Price ratio which can result in a lower Weighted Mean.

The sales used in the overall analysis were improved sales that were verified as good arm's length transactions.

Population - Parcel Summary Data:

	Land	Improvements	Total
2012 Value	\$548,673,700	\$729,362,300	\$1,278,036,000
2013 Value	\$558,424,600	\$737,712,300	\$1,296,136,900
Percent Change	1.78%	1.14%	1.42%

Conclusion and Recommendation:

Overall, the assessed values for the Business Park Specialty have increased by 1.42% collectively. Naturally, this varies from neighborhood to neighborhood and parcel to parcel however many properties experienced a very slight increase in value. Changes were made to rents, vacancies, operating expenses and capitalization rates in order to reflect market conditions. The Assessor recommends posting these values for the 2013 Assessment Year as the changes in assessed values are market driven.

The Kent Business Center in Kent had the steepest drop due to high vacancy. Also, Venture Commerce Center condominiums in Snoqualmie had their assessed values drop roughly 18% based on market data. The ownership has continued to accept reasonable offers in order to keep the sales transactions moving and recent closed sales confirm this fact.

Specialty 520 Responsible Appraisers:

The following appraiser completed the process of valuation of this specialty:

Ruth Peterson, Commercial Appraiser II

The process and results were reviewed for quality control and administrative purposes by Bonnie Christensen, Senior Appraiser.

Analysis Process

Effective Date of Appraisal: January 1, 2013

Date of Appraisal Report: June 10, 2013

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. 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. We find that current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements. The property is returned to the geographic appraiser if the improvements continue to contribute a nominal value over the subsequent valuation cycle and the parcel is not considered an economic unit.

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 (market/sales approach, cost approach and income approach) were considered in this analysis.

- This report intends to meet the requirements of the Uniform Standards of Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Specialty Area 520, Business Parks

Property Description

The Business Park specialty is defined as primarily multi-tenant occupancy properties, frequently located among a cluster of similar styled buildings. Many are a low-rise architectural style with 12 to 16 foot building heights; however a number of parks have buildings with mezzanine office space on the second level bringing the heights to the 24 to 30 foot range. Entry to the office space typically faces the frontage, which may be delineated by glass curtain walls. The rear facade of the buildings typically have roll up doors with ground level or dock high access to the warehouse, light industrial or flex space. The buildings are further defined by their build-out ratio, which is below the 40% typical of high tech buildings and above the minimal 10% to 20% office build out typical of warehouse and light industrial properties. Naturally, some suites within the parks or even parks as a whole will have percentage outside these typical ranges.

There are typically three types of business parks in King County and often parks will have a blend of buildings of more than one style in order to draw a diversity of tenants:

1. **Incubator Style:** These parks typically have smaller suite sizes and a higher ratio of ground level roll up doors. Some parks (see images below) have spaces as small as under 1,000/SF and may have a few suites that are above 3,000/SF. Tenants will often include startup, small family businesses, retail, service, and light assembly businesses. A more unique type of incubator park is one where the roll up doors are in the front of the buildings right next to very small offices.

Central Park 10, Auburn, WA



2. **Flex Style:** These parks typically have more medium sized suites in the 2,000/SF to 7,500/SF range which help draw larger, more established, often high tech businesses. They usually have a blend of grade level and dock high doors to accommodate a variety of businesses.

Central Commerce Center, Kent, WA



3. **Distribution Style:** These parks typically have medium to large suites with more dock high doors and more of a distribution focus. They often draw more distribution focused companies ranging from bakeries to freight companies.

Opus Park, Auburn, WA



Boundaries

All of King County.

Maps

Detailed Assessor's maps are located on the 7th floor of the King County Administration Building. The King County website also has mapping tools including the Parcel Viewer and iMap. A map showing the location of the parcels by neighborhood is located at the beginning of the report.

Area Description

Many business parks are concentrated in the Kent Valley (Kent, Auburn, & Tukwila), Redmond Willows, and Marymoor areas. There are additional properties scattered within King County including Kirkland, Bellevue, Renton, Issaquah, Woodinville, Snoqualmie, Maple Valley, Covington, Federal Way, South Seattle, and SeaTac.

Five neighborhoods have been established by the Assessor for valuation purposes of this specialty in order to group properties into geographies grouped by similar markets.

These neighborhoods are comprised of 312 parcels; approximately 296 improved parcels and 16 associated land parcels. The associated land parcels are typically considered as an economic unit to the adjacent improved parcels. All of the business parks within the specialty were revalued this year and are on an annual revaluation timeline.

Neighborhood 10: Neighborhood 520-10 boundaries include business park buildings that are located within the Kirkland as well as the Willows and Marymoor neighborhoods of Redmond. There are 91 parcels in this geographic area.

Neighborhood 20: Neighborhood 520-20 boundaries include business park buildings located within the Highway 520/Overlake & 1-90 Corridors as well as business parks in Issaquah and Snoqualmie. There are 85 parcels in this geographic area.

Neighborhood 30: Neighborhood 520-30 boundaries include business park buildings located in the Kent Valley industrial areas. This includes Kent, Auburn, Renton, SeaTac, the Southcenter portions of Tukwila and Federal Way neighborhoods as well as a park in Covington and one in Maple Valley. There are 93 parcels within this geographic area.

Neighborhood 40: Neighborhood 520-40 boundaries include business park buildings located within the South Seattle Industrial area including SODO, Georgetown and the northern portion of Tukwila. There are 18 parcels in this geographic area.

Neighborhood 50: Neighborhood 520-50 boundaries include business park buildings located within the Bothell (North Creek) and Woodinville neighborhoods. There are 25 parcels in this geographic area.

Physical Inspection Identification

The physical inspection during the 2013 revalue encompassed Areas 520-40-Duwamish, and 520-50-Woodinville, and included 53 parcels that make up these geographic areas.

The Economy & Business Park Sector

The Puget Sound Region as a whole has strengthened in the second half of 2012. Unemployment rates have dropped, the local housing market has seen an increase in activity and rise in values, and inflation has remained relatively low. The Puget Sound region is ranked quite favorably by prominent national magazines as a top place to do business in the U.S. and King County bodes well given it is the epicenter of industry for the state.

Reinvigorated industrial and manufacturing sectors have contributed to positive absorption and an increased demand for vacant industrial space. The outlook for this sector has improved from 2011. During sales verification, as well as physical inspection, it was noted that older, outdated buildings with functional obsolescence that do not meet current market demand requirements suffer from higher than average vacancy. Modern buildings attract tenants with relative ease.

Fourteen properties in this specialty traded during 2012 which includes five business parks and nine condominium units in a business park. Redmond West on Willows, located in Redmond, was the largest transaction at \$157/SF. The nine condominium suites at the Venture Commerce Center on Snoqualmie Ridge and sold for as much as \$130 per SF.

Overall, there were 25 market sales for the three year period from 1/1/2010 to 12/31/2012 for the 2013 Assessment Year. Distressed and forced sales for business parks are not typical although several occurred during the sales period. The Kent Business Center and Andover Park East were bank owned properties and sold at steep discounts.

Vacancy rates dropped slightly in the five geographic areas. Rent rates are almost exclusively triple net for business parks with a separate rate for Warehouse/Flex, Warehouse Office, and Mezzanine Office space. Annual rent rate changes were fairly flat as well though there were slight upward adjustments to warehouse office rents in Area 520-20 and 520-50 and to both warehouse and warehouse office rents in Area 520-40. The flight to quality is benefiting newer, well maintained, and well located business parks as tenants naturally gravitate to these properties. Conversely, some older and more outdated properties are struggling to find good tenants as they can often get a better quality space and location for similar or slightly higher rent rates.

Healthy absorption means that owners and tenants expect higher rental rates in 2013. Increased leasing activity has meant an improvement in rental rates which indicates that landlord concessions are fewer and not as necessary in order to secure new leases and renewals with current tenants.

Expenses were mostly unchanged from a market perspective and were left at 7.5% for income valuation purposes. For the Puget Sound area, cap rates were mostly flat but did strengthen a bit in the industrial sector. However the market changes were not enough to make significant adjustments from an appraisal standpoint. Construction of new business park properties continues to be relatively stagnant which had a positive impact on the absorption of vacant space.

The properties located within the flood plain of the Green River are no longer under threat of flooding resulting from the two depressions found on the Howard Hanson Dam. Federal funding was approved in August 2010 for repairs and upgrades to the dam. The work was completed in 2012 per the US Army Corps of Engineers. This will reduce the flood probability from a peak of 1 in 3 to the current level of 1 in 60.

Preliminary Ratio Analysis

A Preliminary Ratio Study was completed just prior to the application of the 2013 recommended values. This study benchmarks the current assessment level using 2012 posted values. The study showed a Price-related Differential (PRD) of 1.14, a Weighted Mean Ratio of 87.8%, and a Coefficient of Dispersion (COD) of 14.56%.

A Ratio Study was also completed after applying the 2013 Assessment Year values. The PRD, weighted mean, and COD all improved. The improvements include a PRD of 1.02, a weighted mean of 92.3%, and a COD of 9.13%. These show an improvement in the assessment level and uniformity.

The discussion of the ratio measurements is included in the Model Validation section at the end of this report.

Scope of Data

Land Value Data:

The geographic appraisers in the various areas in which the specialty properties are 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:

There were 24 improved sale transactions that occurred during the time period from May 5, 2010 to December 20, 2012. These sales were used to establish a market relationship for similar properties that were not sold. Sales information was obtained from excise tax affidavits and reviewed initially by the Accounting Division's Sales Identification Section. Information was analyzed and investigated by the appraiser in the process of revaluation. All sales considered were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. Characteristics data was verified, when possible, for the sales. Exterior observations of the properties were made to verify the accuracy and completeness of property characteristic data that affect value. Sales are located in the "Improved Sales Used" and "Improved Sales Not Used" sections of this report. Additional information resides on the Assessments website.

Improved Parcel Total Values

Market Approach Description

As mentioned above, there were 24 improved sales in the subject area that were considered good, fair market transactions, and that were used in the overall analysis. Because of the limited number of comparable sales, the sales comparison approach was not used exclusively.

All sales were verified with a knowledgeable party when possible. Each sale was inspected and the recorded property characteristics were updated when necessary. The resulting data was stratified according to use, location, effective year built, size, and quality of construction in order to establish appropriate range of price per square foot to use as guidelines. In addition to setting parameters for the market approach, the sales also validate the income approach model. Data gathered during the verification process along with other resources assist in calibrating the components of the income model: rental rates, vacancy and collection losses, operating expenses, and capitalization rates. The results are tested against the sales population, adjusted when appropriate, and reconciled to produce a credible income valuation model.

The sales comparison model is based on four data sources from the Assessor's records: occupancy or section use codes, effective year built, quality of construction, and size. Most weight was given to comparable sales within each geographic neighborhood and expanded to include the surrounding competing neighborhoods within the geographic area.

Sales were organized into market segments based on predominate use. Based on sales analysis, each segment reflected a market price per square foot of net rentable area. These sales price ranges served to establish a general upper and lower market boundary for the various property types within each subject area.

Business parks comprised of condominium units were valued utilizing the sales comparison approach, as there were sufficient sales available and they typically command a higher price per square foot. This is typically due to the smaller size of the units and due to the owner/user nature of many industrial condominium purchases.

Market Approach Calibration

Neighborhoods were treated independent of one another as dictated by the market. Individual prices were applied based on various characteristics deemed appropriate by each market on a dollar value per square foot of improved net rentable area.

Cost Approach 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 the Real Property database. The cost approach is most applicable in the newer business parks where the market indicators supported the cost value. However, it was not used on any of the 312 parcels for the 2013 Assessment Year.

Cost Approach 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 Description

The income approach was considered the most reliable approach to valuation for Business Parks given the amount of published data available. Income parameters were derived from the market place through real estate sales, the sales verification process, via tenants, via owners, via rent rolls from appeals and from a compilation of published sources. Similar uses were grouped together with income rates that were correlated to effective age and building quality.

Income: Income parameters were derived from the market place through the listed fair market transactions as well as through published sources (i.e. Officespace.com, Commercial Brokers Association, Costar, Quarterly Brokerage and Analyst Reports, Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

Vacancy: Vacancy rates used were derived mainly from published sources tempered by personal observation.

Expenses: Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area's rental practices. Within our income valuation models, the assessor used triple net expenses.

Capitalization Rates: Capitalization rates were determined by actual sales, local published market surveys, such as CoStar, Integra Realty Resources, and Korpaz. Other national reports include; Grubb & Ellis Capital Market Update, and Emerging Trends in Real Estate. The effective year built and quality of each building determines the capitalization rate used by the appraiser. For example; a building with a lower effective year built of lesser quality will typically warrant a higher capitalization rate and a building in better quality with a higher effective year built will warrant a lower capitalization rate.

NATIONAL CAP RATES

Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	4Q 2012	National	6.03% 7.65% 7.06% - 7.08% 5.80%	7.80% 8.50% 8.02% - 12.72% 7.14%	7.36% 10.62% 6.69% - 7.02% 6.71%	Overall Sq.Ft. - <50k Sq.Ft. - 50k-200k Sq.Ft. - 200K+
PWC / Korpaz	4Q 2012	National	6.70% 7.42% 7.84% - - - -	- - - 8.54% 6.73% - -	- - - - - 6.83% 6.98% 7.06%	CBD Office - (4.25% - 10.00%) Sub. Office - (5.00% - 10.50%) Medical Office - (5.75% - 11.00%) Flex/R&D - (7.12% - 8.54%) Warehouse - (5.00 - 10.00%) Regional Mall - (4.50% - 10.00%) Power Center - (6.00% - 8.75%) Neigh. Strip Ctrs. - (5.25% - 9.50%)
Real Capital Analytics	4Q 2012	National	6.80% - -	- 7.60% -	- - 7.00%	7.10% - Prior 12 mos. (thru Q4 '12) 7.70% - Prior 12 mos. (thru Q4 '12) 7.01% - Prior 12 mos. (thru Q4 '12)
IRR: Viewpoint for 2013	Yr. End 2012	National	7.65% 7.91% - - - -	- - 7.75% 8.30% - -	- - - - 7.28% - 7.60% 7.66%	"Institutional Grade Properties" CBD Office - (Range 5.00% - 10.50%) Sub. Office - (Range 6.00% - 9.00%) Industrial - (Range 6.00% - 9.75%) Flex Industrial - (Range 6.75% - 9.50%) Reg./Comm. Mall - (Range 6.00% - 8.75%) Neigh. Strip Ctrs. - (Range 6.00% - 9.00%)
RERC-CCIM: Investment Trends Quarterly	4Q 2012	National W. Region	6.30% 5.20% - 6.20% 6.30%	7.40% 6.30% - 7.00% 7.00%	7.10% 6.20% - 6.70% 5.70%	RERC Realized Cap Rates NCREIF Implied Cap Rates
Colliers International Office/Industrial Highlights	Q4 2012	National	7.40% 7.80% - -	- - 7.79% 7.75%	- - - -	CBD Office Suburban Office\ U.S. Total West Region
Marcus & Millichap	Yr. End 2013	National	- - - - -	- - - - -	5.90% 7.90% 7.70% High 7.00% Low 7.00% Low 7.00%	Urban Properties Regional Malls Strip Centers Net Lease - Big Box Net Lease - Drug Store Net Lease - Quick Service Rest.
Calkain: Net Lease Economic Report	Yr End 2012	National	- - - - -	- - - - -	7.18% 7.04% 7.20% 7.25% 8.00% 6.07%	Overall (Average) Drug Store Quick Service Rest. Restaurant Big Box Banks
The Boulder Group: Net Lease Market Report	4Q 2012	National	8.04%	8.15%	7.25%	Overall (Average)
Cassidy/Turley: Single Tenant Net Lease Overview	3Q 2012	National	- - - - -	- - - - -	6.90% 6.80% 7.10% 8.20% 7.70% 6.40%	Industrial Drug Store Quick Service Rest. Jr. Big Box - (20,000K/SF - 39,999/SF) Mid. Big Box - (40,000K/SF - 79,999/SF) Mega Big Box - (80,000/SF +)

The preceding table demonstrates ranges of capitalization rates and trends that are compiled and collected on a national, regional scale, and local scale. This information is reconciled with data specific to the real estate market in Area 520 to develop the income model. The range of capitalization rates in the income model reflects the variety of properties in this area. Properties which are considered to be non-institutional grade, such as those purchased by owner users or small investors, may not be reflective of the capitalization rates found in published sources.

Income Approach Calibration

The income tables were calibrated after setting economic rents, vacancies, expenses, and capitalization rates and stratification of adjustments based on effective year built and construction quality as noted in the Assessor's records. The following table outlines a summary of the income parameters used in the income tables, which provided the basis for the income value estimate calculations.

USE	RENT RANGE
Warehouse Office/ Retail Showroom	\$9.25 – \$16.50
Storage Warehouse/ Light Industrial	\$4.50 – \$9.25
Office Mezzanine	\$4.50 – \$15.25
Industrial Flex	\$5.75 – \$8.75
Vacancy & Collection Loss	8.00% – 20.00%
Operating Expenses	7.5%
Capitalization Rate	6.75% - 8.75%

Reconciliation

All parcels were individually reviewed for correctness of the model application before final value selection and reviewed by the senior appraiser prior to posting. The factors analyzed in the process of establishing market were subject to adjustment by the appraiser. The Market Approach is considered the most reliable indicator of value when sufficient comparable sales are available; however the Income Approach is an excellent indicator of value when there is sufficient market data.

The business park sector has ample amounts of published data available and therefore the Income Approach was applied to all parcels in order to best value and equalize like properties. The one exception was the condominium parcels, which were valued using the market approach given the number of sales and given the fact that they tend to trade differently than larger, multi-building parks. The Income Approach to value was considered a reliable indicator of value due to the information collected which comprises the preceding income parameter tables.

This data was used to establish the economic parameters utilized in the estimation of market value through the Income Approach. When the value of the property by the income approach was less than the land value, a nominal \$1,000 value was allocated to the improvements.

Model Validation

Total Value Conclusions, Recommendations, and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is 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 by particular characteristics and conditions as they occur in the valuation area.

The standard statistical measures of valuation performance are presented both in the Executive Summary and in the 2012 and 2013 Ratio Analysis charts included in this report. The Ratio Study Analysis demonstrates significant improvements in the Weighted Mean, Coefficient of Dispersion, and Price-related Differential.

This valuation has occurred at an economic point where there's been a slight increase of industrial market sales activity. There were fourteen new sales of business parks in 2012 and they command relatively strong prices. Real estate professionals, owners, and investors involved with business parks are now more optimistic that activity continues to pick up pace.

The appraiser observed healthy activity; particularly in the eastside markets where demand has been strong. This is demonstrated by the high sales prices that some are commanding. However, there are also many that struggle with vacancy; particularly older facilities whose functional obsolescence does not meet current requirements and finding tenants for such business parks can be difficult. Location and outdated styles play a crucial role in the desirability of these properties. Due to slight economic improvement as well as increased sales activity, there was just a small increase in values.

The total assessed value for the 2012 Assessment Year for Specialty Area 520 was \$1,278,036,000. The total recommended assessed value for the 2013 Assessment Year is \$1,296,136,900. Application of these recommended values for the 2013 Assessment Year results in an annual change of +1.42%.

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*
- 2. Assuming it to be under responsible ownership and competent management and available for its highest and best use.*

3. *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.*
4. *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.*
5. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
6. *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.*
7. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
8. *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.*
9. *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.*
10. *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.*
11. *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.*
12. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
13. *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.*
14. *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.*
15. *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.*
16. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Scope of Work Performed:

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

CERTIFICATION:

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

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

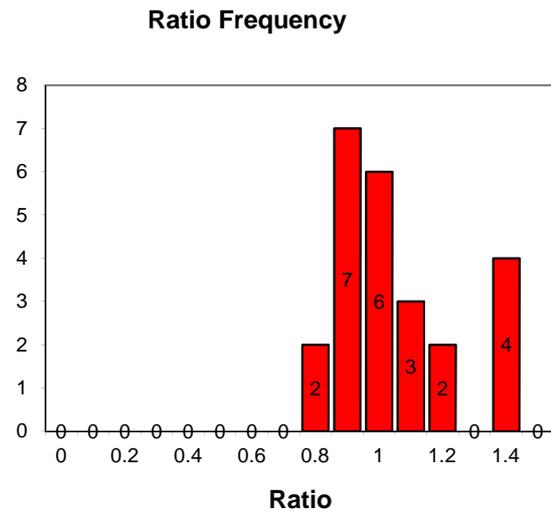
Physical inspection revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification and new construction evaluation.

Commercial Appraiser

Date

Area 520 - BUSINESS PARKS
2013 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
East Crew	1/1/2012	5/8/2013	1/1/10 - 04/30/13
Area	Appr ID:	Prop Type:	Trend used?: Y / N
520	RUPE	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	24		
Mean Assessed Value	3,668,000		
Mean Sales Price	4,177,700		
Standard Deviation AV	5,561,694		
Standard Deviation SP	6,679,878		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.997		
Median Ratio	0.945		
Weighted Mean Ratio	0.878		
UNIFORMITY			
Lowest ratio	0.7705		
Highest ratio:	1.3998		
Coeffient of Dispersion	14.56%		
Standard Deviation	0.1822		
Coefficient of Variation	18.27%		
Price-related Differential	1.14		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.857		
Upper limit	1.043		
95% Confidence: Mean			
Lower limit	0.924		
Upper limit	1.070		
SAMPLE SIZE EVALUATION			
N (population size)	251		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1822		
Recommended minimum:	44		
Actual sample size:	24		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
# ratios below mean:	15		
# ratios above mean:	9		
z:	1.020620726		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



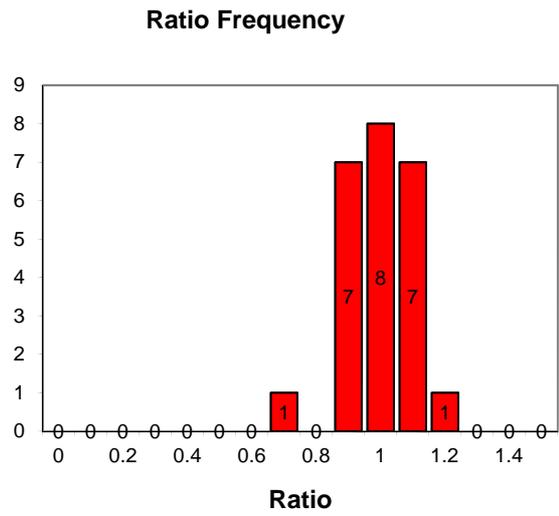
These figures reflect measurements before posting new values.

Area 520 - BUSINESS PARKS
2013 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
032505-9025	2,961,100	3,230,000	5/5/2010	0.9167	0.0170
889435-0040	297,200	321,000	6/24/2010	0.9259	0.0079
292406-9145	13,260,900	15,600,000	9/30/2010	0.8501	0.0837
334040-0285	22,988,000	26,743,000	12/14/2010	0.8596	0.0741
162206-9017	3,024,600	3,300,000	12/17/2010	0.9165	0.0172
889435-0310	293,300	357,000	1/28/2011	0.8216	0.1122
889435-0240	422,900	509,490	4/15/2011	0.8300	0.1037
889435-0220	293,900	332,000	4/26/2011	0.8852	0.0485
889435-0350	219,500	315,000	4/29/2011	0.6968	0.2369
389310-0930	7,171,600	7,006,700	12/16/2011	1.0235	0.0898
112204-9027	14,405,900	15,025,000	12/30/2011	0.9588	0.0251
889435-0330	282,100	318,890	2/14/2012	0.8846	0.0491
943050-0030	3,557,200	3,500,000	3/6/2012	1.0163	0.0826
889435-0080	220,000	242,500	3/30/2012	0.9072	0.0265
889435-0190	140,100	127,890	4/30/2012	1.0955	0.1618
889435-0200	140,100	140,070	5/14/2012	1.0002	0.0665
889435-0050	360,500	335,445	5/17/2012	1.0747	0.1410
034870-0010	886,900	868,500	8/10/2012	1.0212	0.0875
889435-0020	220,000	204,905	8/22/2012	1.0737	0.1399
346280-0040	4,713,000	4,759,550	10/4/2012	0.9902	0.0565
889435-0030	297,200	258,400	10/22/2012	1.1502	0.2164
889435-0320	312,800	388,000	11/28/2012	0.8062	0.1275
788880-0100	4,785,600	5,082,500	12/11/2012	0.9416	0.0079
032505-9258	11,300,000	11,300,000	12/20/2012	1.0000	0.0663

Area 520 - BUSINESS PARKS
2013 Assessment Year

Quadrant/Crew:	Appr date :	Date:		Sales Dates:
East Crew	1/1/2013	5/30/2013		1/1/10 - 04/30/13
Area	Appr ID:	Prop Type:		Trend used?: Y / N
520	RUPE	Improvement		N
SAMPLE STATISTICS				
Sample size (n)				
Mean Assessed Value				
Mean Sales Price				
Standard Deviation AV				
Standard Deviation SP				
ASSESSMENT LEVEL				
Arithmetic mean ratio				
Median Ratio				
Weighted Mean Ratio				
UNIFORMITY				
Lowest ratio				
Highest ratio:				
Coefficient of Dispersion				
Standard Deviation				
Coefficient of Variation				
Price-related Differential				
RELIABILITY				
95% Confidence: Median				
<i>Lower limit</i>				
<i>Upper limit</i>				
95% Confidence: Mean				
<i>Lower limit</i>				
<i>Upper limit</i>				
SAMPLE SIZE EVALUATION				
N (population size)				
B (acceptable error - in decimal)				
S (estimated from this sample)				
Recommended minimum:				
Actual sample size:				
Conclusion:				
NORMALITY				
Binomial Test				
# ratios below mean:				
# ratios above mean:				
z:				
Conclusion:				
*i.e., no evidence of non-normality				



These figures reflect measurements after posting new values.

Improvement Sales for Area 520 with Sales Used

05/08/2013

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
520	010	032505	9025	31,098	2440275	\$3,230,000	05/05/10	\$103.87	WEST WILLOWS	MP	2	Y	
520	010	032505	9258	71,818	2580960	\$11,300,000	12/20/12	\$157.34	Redmond West on Willows Building	MP	1	Y	
520	010	034870	0010	5,913	2558328	\$868,500	08/10/12	\$146.88	TOTEM VALLEY BUSINESS CENTE	TL 9A	1	Y	
520	030	112204	9027	176,010	2524886	\$15,025,000	12/30/11	\$85.36	VALLEY CORPORATE CENTER	M1	1	Y	
520	030	162206	9017	18,550	2471283	\$3,300,000	12/17/10	\$177.90	Park Place at Maple Valley	BP	1	Y	
520	020	292406	9145	96,000	2460614	\$15,600,000	09/30/10	\$162.50	Cascade Business Park	R	1	Y	
520	030	334040	0285	143,307	2470541	\$26,743,000	12/14/10	\$186.61	CEDAR RIVER CORPORATE PARK	IL	1	Y	
520	030	346280	0040	54,660	2567779	\$4,759,550	10/04/12	\$87.08	RIVERBEND COMMERCE PARK BL	M1	1	Y	
520	010	389310	0930	49,804	2525532	\$7,006,700	12/16/11	\$140.69	VANDERHOEK CORP	TL 10E	2	Y	
520	030	788880	0100	48,947	2578666	\$5,082,500	12/11/12	\$103.84	RIVER'S EDGE BUSINESS PARK	M1	1	Y	
520	020	889435	0020	9,565	2561237	\$204,905	08/22/12	\$21.42	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0030	12,920	2571064	\$258,400	10/22/12	\$20.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0040	2,584	2448726	\$321,000	06/24/10	\$124.23	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0050	15,675	2549203	\$335,445	05/17/12	\$21.40	VENTURE COMMERCE CENTER-S	MU	2	Y	
520	020	889435	0080	9,565	2536938	\$242,500	03/30/12	\$25.35	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0140	58,755	2549843	\$940,080	06/18/12	\$16.00	VENTURE COMMERCE CENTER-S	MU	5	Y	
520	020	889435	0190	6,090	2542043	\$127,890	04/30/12	\$21.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0200	6,090	2544141	\$140,070	05/14/12	\$23.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0220	2,459	2489684	\$332,000	04/26/11	\$135.01	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0240	18,870	2487869	\$509,490	04/15/11	\$27.00	VENTURE COMMERCE CENTER-S	MU	2	Y	
520	020	889435	0310	2,550	2477075	\$357,000	01/28/11	\$140.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0320	13,600	2576946	\$388,000	11/28/12	\$28.53	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0330	2,453	2531282	\$318,890	02/14/12	\$130.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	020	889435	0350	9,545	2493522	\$315,000	04/29/11	\$33.00	VENTURE COMMERCE CENTER-S	MU	1	Y	
520	010	943050	0030	34,571	2533429	\$3,500,000	03/06/12	\$101.24	EASTLAKE BUILDING	MP	1	Y	

Improvement Sales for Area 520 with Sales not Used

06/10/2013

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
520	020	282505	9202	72,898	2561932	\$10,400,000	08/31/12	\$142.67	EVERGREEN CENTER	BR-RC-1	4	15	No market exposure
520	020	386290	0020	26,920	2430714	\$3,000,000	02/10/10	\$111.44	136TH PLACE OFFICE PARK	GC	2	3	Contract or cash sale
520	020	889435	0300	14,150	2534713	\$606,004	03/16/12	\$42.83	VENTURE COMMERCE CENTER-SI	MU	1	63	Sale price updated by sales id group
520	030	000660	0022	20,622	2498480	\$781	05/26/11	\$0.04	CENTRAL COMMERCE CENTER BL	CM-2	1	32	\$1,000 sale or less
520	030	261100	0040	95,599	2554619	\$6,900,000	07/19/12	\$72.18	KENT BUSINESS CENTER	M2	1	31	Exempt from excise tax
520	030	261100	0040	95,599	2578669	\$5,025,000	12/05/12	\$52.56	KENT BUSINESS CENTER	M2	1	61	Financial institution resale
520	030	262304	9105	41,286	2585564	\$1,500,000	01/16/13	\$36.33	ANDOVER PARK EAST (950 BUSIN	TUC	1	61	Financial institution resale
520	030	262304	9105	41,286	2539936	\$2,963,146	04/20/12	\$71.77	950 BUSINESS PARK	TUC	1	63	Sale price updated by sales id group
520	030	788880	0010	162,894	2479897	\$9,000,000	02/24/11	\$55.25	West Valley Corporate Park	M2	1	61	Financial institution resale

2013 Specialty 520 Physically Inspected Parcels

Area	Ngbhd	Major	Minor	PropName	SitusAddress
520	40	000160	0050	SOUTH 93RD BUSINESS PARK	9320 15TH AVE S
520	40	000480	0003	TUKWILA COMMERCE PARK	12600 INTERURBAN AVE S
520	40	092304	9066	GATEWAY NORTH BLDGS 1 & 3	3225 S 116TH ST
520	40	092304	9068	GATEWAY NORTH BLDGS 2 & 4	3325 S 116TH ST
520	40	102304	9043	GATEWAY NORTH BLDGS 5 & 6	3415 S 116TH ST
520	40	172280	0340	DESIGN CENTER 3 (BLDG V)	5501 6TH AVE S
520	40	172280	0350	DESIGN CENTER BLDG W	501 S LUCILE ST
520	40	271600	0010	GATEWAY CORP CENTER BLDG 1	12886 INTERURBAN AVE S
520	40	271600	0020	GATEWAY CORP. CENTER BLDG 2	12674 GATEWAY DR S
520	40	271600	0030	GATEWAY CORP. CENTER BLDG 3	12652 GATEWAY DR S
520	40	271600	0040	GATEWAY CORP. CENTER BLDG 4	12687 GATEWAY DR S
520	40	271600	0050	GATEWAY CORP. CENTER BLDG 5	12806 GATEWAY DR S
520	40	271600	0060	GATEWAY CORP. CENTER BLDG 6	12761 GATEWAY DR S
520	40	322404	9012	CLOVERDALE BUSINESS PARK	309 S CLOVERDALE ST
520	40	766620	5988	FRYE LANDER STATION	151 S LANDER ST
520	40	766620	5990	FRYE LANDER STATION	2730 S LANDER ST
520	40	766620	6136	SOUTH LANDER BUSINESS PARK	2454 OCCIDENTAL AVE S
520	40	766670	4005	FRY COMMERCE CENTER	2414 SW ANDOVER ST
520	50	032605	9007	WOODINVILLE PARK NORTH	19495 144TH AVE NE
520	50	032605	9061	PPG AEROSPACE	14126 NE 190TH ST
520	50	032605	9085	NORTHSHORE TRADES BUILDING	14522 NE 190TH ST
520	50	032605	9088	W-4 PRECOR	20031 142ND AVE NE
520	50	032605	9151	WOODINVILLE PARK NORTH BLDG B	19495 144TH AVE NE
520	50	032605	9152	WOODINVILLE PARK NORTH BLDG A	19495 144TH AVE NE

2013 Specialty 520 Physically Inspected Parcels

Area	Ngbhd	Major	Minor	PropName	SitusAddress
520	50	092605	9032	WOODINVILLE LANDING	17280 WOODINVILLE-REDMOND RD
520	50	092605	9162	WOODINVILLE LANDING	17270 WOODINVILLE-REDMOND RD
520	50	152605	9005	River Front Business Park	16110 WOODINVILLE-REDMOND RD
520	50	152605	9057	MACKIE DESIGNS I	16220 WOODINVILLE-REDMOND RD NE
520	50	192730	0880	WOODINVILLE COMMERCE CENTER	18702 142ND AVE NE
520	50	192730	0886	WOODINVILLE COMMERCE CENTER	18800 142ND AVE NE
520	50	192730	0900	WOODINVILLE COMMERCE CENTER	18600 142ND AVE NE
520	50	664110	0010	THE PARK AT WOODINVILLE BLDG A	14241 NE 200TH ST
520	50	664110	0020	THE PARK AT WOODINVILLE BLDG B	14201 NE 200TH ST
520	50	664110	0030	THE PARK AT WOODINVILLE-BLDG C	14103 NE 200TH ST
520	50	664110	0050	Cypress Building	19825 141ST PL NE
520	50	664110	0060	THE PARK AT WOODINVILLE - BLDG F	19860 141ST PL NE
520	50	664110	0070	THE PARK AT WOODINVILLE - BLDG D	19800 141ST PL NE
520	50	697920	0080	BOTHELL 405 BUSINESS PARK	11715 NORTH CREEK PKWY
520	50	697920	0090	BOTHELL 405 BUSINESS PARK	11805 NORTH CREEK PKWY
520	50	951710	0260	BEAR CREEK PLAZA	17710 134TH AVE NE
520	50	951710	0261	BEAR CREEK PLAZA	13432 NE 177TH PL
520	50	951710	0262	BEAR CREEK PLAZA	17802 134TH AVE NE
520	50	956075	0010	WOODVIEW PLAZA BUILDING	18915 142ND AVE NE