

Commercial Revalue

2015 Assessment Roll

SPECIALTY AREA

510

HIGH TECH/FLEX

King County, Department of Assessments

Seattle, Wa.

Lloyd Hara, Assessor



King County

Department of Assessments

Accounting Division

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

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

Email: assessor.info@kingcounty.gov

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

Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2015 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 2015 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

2015 ANNUAL REVALUE REPORT

KING COUNTY DEPARTMENT OF ASSESSMENTS

HIGH-TECH/FLEX PROPERTIES



Executive Summary Report

Appraisal Date 1/1/15 - 2016 Assessment Roll

Specialty Name: High-Tech/Flex Properties

Physical Inspection: For the 2015 Assessment Year, annual inspection was performed on all High Tech/Flex properties within Neighborhood 510-30

Sales – Improved Analysis Summary

- Number of Sales: **13
- Range of Sales Dates: 1/31/2012- 7/20/2014

Sales – Ratio Study Summary:

	Improved Value	Sale Price	Ratio	COD*
2014 Average Value	\$8,808,900	\$9,992,300	88.2%	12.43%
2015 Average Value	\$8,928,800	\$9,992,300	89.4%	12.92%
Absolute Change	+\$119,900	0	+1.20%	+0.49%
% Change	+1.36%	0	+1.36%	+3.94%

*COD is a measure of uniformity, the lower the number the better the uniformity. Positive figures of +0.49% and +3.94% imply a slight deterioration in uniformity, but both are well within appropriate levels as determined by the IAAO (15% for urban areas). As a related comparison of uniformity, the Price related differential (PRD) remained the same at 1.02 for the 2015 Assessment Year, also within acceptable IAAO guidelines (.98 – 1.03). The small sales sample size, however, limits the reliability of inferences drawn for statistical analysis.

Sales used in Analysis: All improved sales which were verified as good that did not have characteristic changes between the date of sale and the date of appraisal were included in the analysis. **Of the thirteen valid improved sales, three were not included in the Ratio Analysis: One property sold under triple net investment assumptions a national tenant, and all three were part of larger portfolio liquidations. Due to the small sample size, particularly in comparison to the recommended minimum for this data set, appraisal ratio analysis and associated uniformity indicators were not considered as reliable as might otherwise be the case, and were de-emphasized for this valuation.

Land values were provided by the appraiser for each geographical area and adjustments were made to total values.

While the Sales Comparison Approach was given significant weight, the Income Approach was used in final reconciliation to allocation value, as it allows greater equalization and uniformity of values among the various stratifications within the high-tech/flex classification, and because income data as of the valuation date was reasonably available. Current market income parameters, including lower vacancy rates, support the increase in the overall high-tech/flex valuation as of 01/01/2015 as compared to 01/01/2014 values. Industry data for high-tech/flex properties within the Seattle/King County area was used to make overall upward adjustments of approximately 4.06%.

Total Population – Parcel Summary Data:

Parcel Summary Data:			
	Land	Imps	Total
2014 Value	\$1,036,657,800	\$2,339,055,200	\$3,375,713,000
2015 Value	\$1,150,257,700	\$2,362,375,000	\$3,512,632,700
Percent Change	+10.96	+1.00%	+4.06%

- Number of Parcels in the population: **228**

Conclusion and Recommendation:

Assessed values for the 2015 revalue have increased on average of 4.06%.

The values recommended in this report improve uniformity and equity; therefore it is recommended they be posted for the 2015 Assessment Year.

Analysis Process

Effective Date of Appraisal: January 1, 2015

Date of Appraisal Report: June 22, 2015

Responsible Appraiser The following Appraiser did the valuation for this specialty assessment:

Bruce Zelk, 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 nominal value of \$1,000 is assigned to the improvements.

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.

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

Identification of the Area

Name or Designation: High-Tech/Flex Properties

Boundaries: The properties are located throughout King County but are predominantly situated between Redmond and Bothell/North Creek.

Maps:

A GIS map of the entire specialty area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Specialty Description:

The High-Tech/Flex Specialty properties are defined as buildings that include a combination of warehouse, light industrial use, and/or office area. The occupants tend to be engaged in a variety of High-Tech enterprises that may include computer software and hardware, telecommunications, medical instrumentations, and corporate offices. The corporate offices of Microsoft, Nintendo, Safeco, and Eddie Bauer are included. The typical building often includes general offices, assembly areas, and/or computer rooms, and generally run above a 40% build-out ratio. The buildings tend to be of higher quality finish and may have multiple fiber optic lines with additional power, mechanical, and communications facilities than are found in typical office buildings or business park/flex buildings.

Also included in the high-tech specialty are data centers. A data center is a facility used to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, power conditioning equipment, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and security infrastructure.

Area Description:

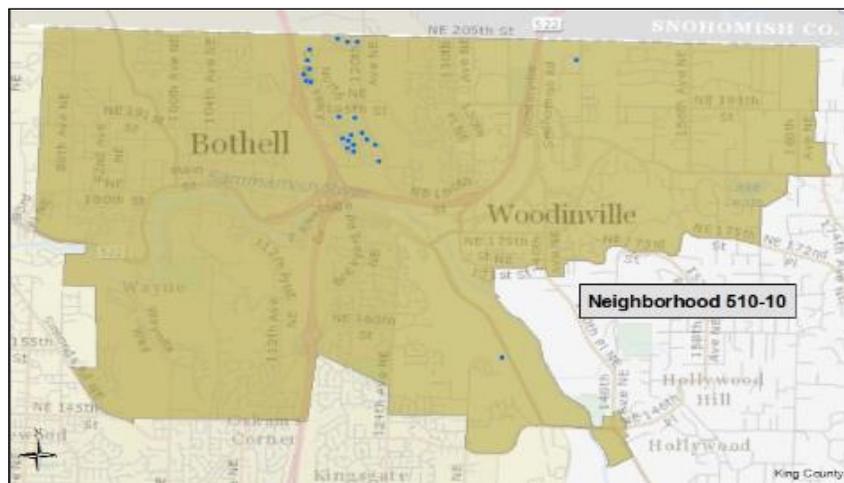
The highest concentration of High-Tech/Flex buildings are within the Redmond (Close-in, Willows, & Overlake) and Bothell (North Creek) market areas with a scattering of the remaining properties throughout King County (Auburn, Bellevue, Federal Way, Kent, Kirkland, Issaquah, & Woodinville).

Within the High-Tech/Flex specialty assignment (Area 510), there are seven neighborhoods (Neighborhoods 10 through 70) totaling 228 parcels that have been established for valuation purposes. Of these 228 parcels, approximately 207 parcels are improved, and 21 parcels are

vacant. The vacant parcels are typically viewed as contributing economic units contiguous to their respective improved parcels.

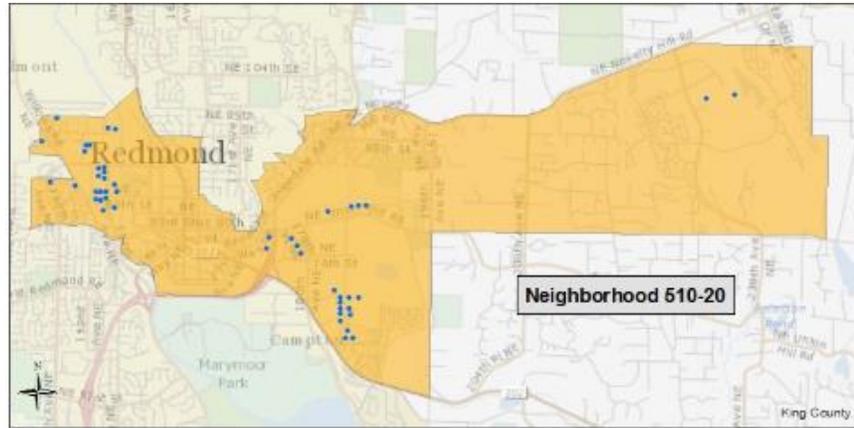
Neighborhood 510-10:

Neighborhood 510-10 is defined as those High-Tech/Flex buildings located within the Bothell (North Creek) and Woodinville neighborhoods within King County. Within geographic neighborhood 510-10, there are 23 parcels comprise the High-Tech/Flex specialty. The broader commercial and industrial market extends on into the Snohomish County Canyon Park area to the north. The 510-10 neighborhood buildings range in age from 1979 to 2000, and in Gross Building Area from 16,596 to 173,721 SF, with multiple buildings on some parcels. Predominant use is office. No newly constructed buildings were added to the specialty for the 2015 Assessment Year.



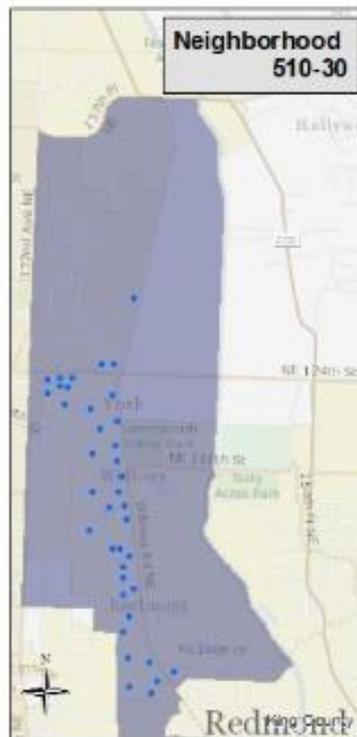
Neighborhood 510-20:

Neighborhood 510-20 is defined as those High-Tech/Flex buildings located within the Redmond (Close-In & Marymoor Park) neighborhoods. Within geographic area 510-20, there are 48 parcels that are part of the High-Tech/Flex specialty. They are equally distributed around both the Redmond city center Marymoor Park. Building ages range from 1977 to 2008, and Gross Building Area ranges from 12,240 to 274,848 SF with some parcels having multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2015 Assessment Year.



Neighborhood 510-30:

Neighborhood 510-30 is defined as those High-Tech/Flex buildings located within the Redmond (Willows Corridor) neighborhood. Within geographic area 510-30, there are 47 parcels that are part of the High-Tech/Flex specialty which are evenly distributed along Willows Road NE between NE 124th St on the North and NE 87th St on the South. Building age ranges from 1969 to 2008, with Gross Building Areas of 19,195 to 220,253 SF with some parcels have multiple structures. Predominant use is office. No newly constructed buildings were added to the specialty for the 2015 Assessment Year.



Neighborhood 510-40:

Neighborhood 510-40 is defined as those High-Tech/Flex buildings located within Kirkland’s Totem Lake neighborhood. Within geographic area 510-40, there are 17 parcels that are part of The High-Tech/Flex specialty, and predominantly located near Hwy 405 and NE 124th St. Predominant use is office space, with building ages range from 1966 to 1993, with Gross Building Areas ranging from 17,636 to 60,029 SF. No newly constructed buildings were added to the specialty for the 2015 Assessment Year.

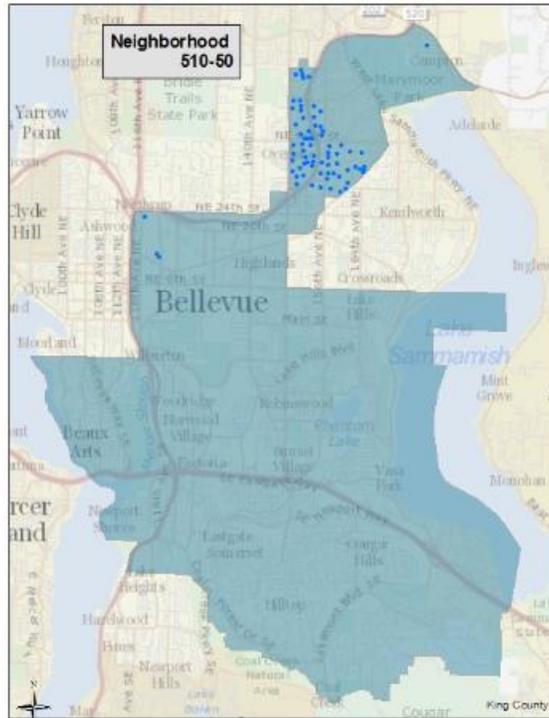


Neighborhood 510-50:

Neighborhood 510-50 is defined as those High-Tech/Flex buildings located within the Redmond (Overlake) and Bellevue (SR-520 & I-90 Corridor) neighborhoods. Within geographic area 510-50, there are 73 parcels that comprise the High-Tech/Flex specialty. This is the largest of the Tech Flex neighborhoods, and includes both Microsoft and Nintendo corporate headquarters. Located within the Overlake area, the neighborhood benefits from the confluence of these two tech employers, associated development under the Overlake Master Plan, and the Spring District’s development near Bellevue. The University of Washington announced a partnership this year with the Tsinghua University called the Global Innovation Exchange, which is a graduate study program to be located within the Spring District. With partnership of the Microsoft Corporation, student enrollment is expected to grow to as many as 3,000 students by 2025.

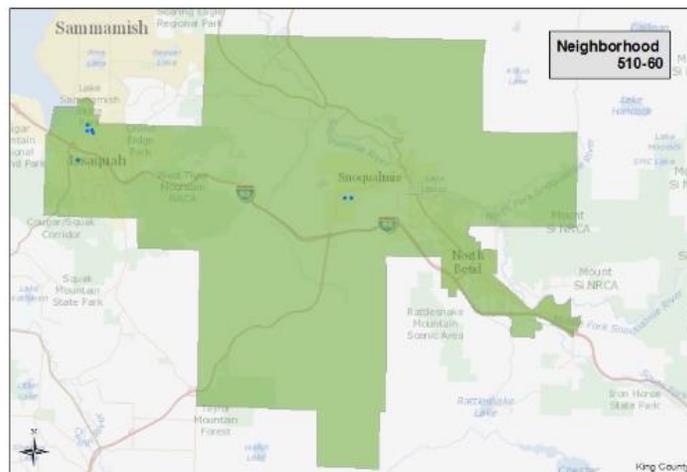
Within this neighborhood the Microsoft Corporation has resumed working on completion of Building #83, a 270,000 SF office building with subterranean parking. Construction was halted during 2011 and the parking garage was capped off due to the negative economic market at that

time. Building age ranges from 1960 to 2014 (Bldg. 83), with Gross Building Areas ranging from 17,069 to 1,643,975 SF, and many parcels having large multiple building structures. Predominate use is for office space.



Neighborhood 510-60:

Neighborhood 510-60 is defined as those High-Tech/Flex buildings located within the Issaquah neighborhood. This is the smallest neighborhood within the specialty with 7 parcels. Five are located within the City of Issaquah, and two others are located within a developing commercial district in the City of Snoqualmie. Building age ranges from 1987 to 2000 with Gross Building Areas ranging from 53,555 to 1,285,024 SF, with several parcels having multiple building structures. Predominate use is for office space.



Neighborhood 510-70:

Neighborhood 510-70 is defined as those High-Tech/Flex buildings located within the Seattle, Kent, Auburn, Tukwila, and Federal Way neighborhoods, and demonstrates the market preferences with concentration of Tech Flex properties to the Bellevue/Eastside. Within geographic area 520-70, there are 13 parcels that are part of the High-Tech/Flex specialty. The largest of which is the International Headquarters of the Weyerhaeuser Corporation in Federal Way, a 420 acre campus upon which is also located the Rhododendron Species Botanical Garden and the Pacific Bonsai Museum. With its move to the Pioneer Square area in Seattle, pending completion of construction at 200 Occidental, the campus will be placed for sale. Both the garden and museum will remain on campus.



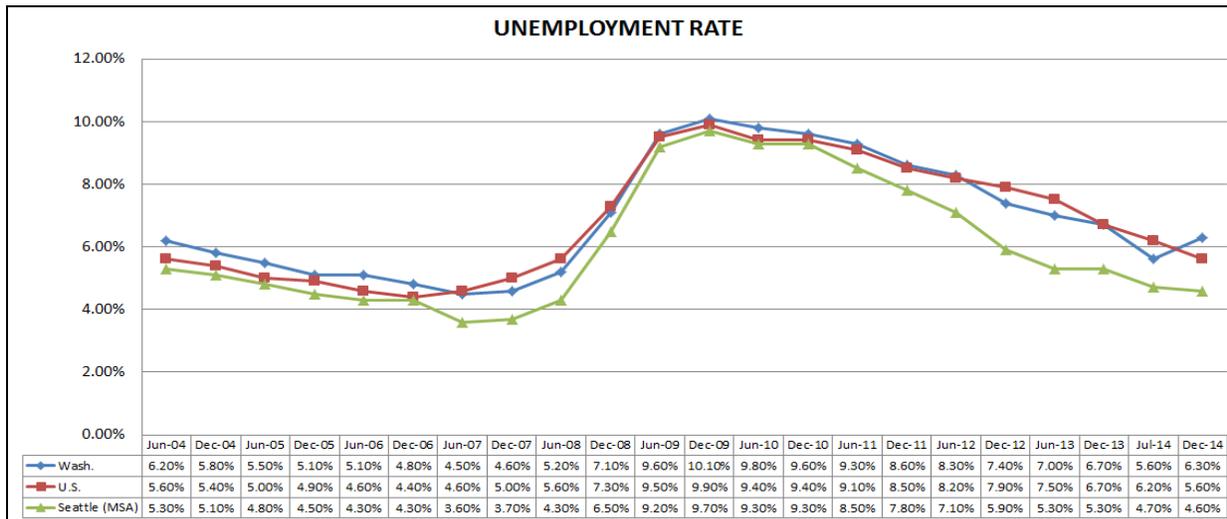
Improved Parcel Total Values

Economic Considerations

National Economy: The United States economy continued its recovery throughout 2014, with inflation remaining low and corporate profits surging the stock market has rebounded as well. In 2014, the Dow Jones Industrial Average finished the year up 7.5%, the S&P rose 11.4%, and the tech-heavy NASDAQ soared 13.4%.¹ The year ended with a reported unemployment rate of 5.7%, down from 6.7% at the end of 2013. New jobs continue to be added with a 12-month running average of 267,250. In addition, the housing market has continued to improve, with the US adding 1.06 million new housing units, which represents 8.8% more than the 924,900 new homes started in 2013.²

With unemployment rates hitting pre-recession levels along with gas prices dropping to their lowest level in many years, consumer confidence levels have reached notable highs, helping to spur solid end-of-year growth. Midway through the second quarter of 2014, confidence levels hit 83.9% on the Consumer Board Index, the highest since January 2008. Growing steadily throughout the summer and fall, consumer confidence grew to new heights, finishing the year at 92.6%.³

Regional Economy: In 2014, Washington State's⁴ year-over-year unemployment rate fell from 6.7% to 6.3%, which is .70% higher than what is reported nationally. For the Seattle MSA (Seattle-Bellevue Everett), Jones Lang LaSalle⁵ reported that unemployment decreased to 4.6% in December, marking a 2.9% increase in job growth over the past 12 months. Within King County, the overall year-over-year change in unemployment fell from 4.7% to 4.1%, while the City of Seattle experience an even lower decline from 4.4% to 3.9%.



¹ CNNMoney, December 31, 2014

² Forbes, "Housing Starts Hit Highest Level Since 2007", 1/21/2015

³ BDO, Consumer Business Compass, Jan. 16th, 2015

⁴ Employee Security Dept. - Monthly Report

⁵ Jones Lang LaSalle, Employment Update, December 2014

The employment recovery is tied to the region’s diverse economy. Its strengths include aerospace, software development (including internet retail and gaming), and global trade. With a large backlog of airplane orders, Boeing’s employment remained strong in 2014 following increased hiring in 2011. Also in 2011, the company won the contract for the aerial tankers, reached a labor agreement, and committed to build the next generation of 737 airplanes at the Renton production facility.

The region’s stable, information-technology industry once anchored by Microsoft has evolved into one of the largest high-tech clusters in the nation with Amazon.com dramatically increasing its footprint in Seattle. Other major tech-related companies with large real estate footprints in Seattle are Nintendo, Expedia Inc. and F5 Networks Inc. Google and Facebook are also increasing their presence in order to take advantage of the large pool of tech educated workforce. The Seattle was recently ranked fourth for top start-up ecosystems in the world according to report by Startup Genome. The Puget Sound business climate and lifestyle, which attracts a skilled, educated workforce, has encouraged these start-ups.⁶ In the Seattle metropolitan area the above average growth in tech employment has helped fill the glut in vacant office space associated with the “Great Recession”, and accelerated the recovery within the office market.

International trade continues to have a strong impact on the regional economy. While foreign exports were the first sector to recover, it has now slowed reflecting world economic activity. Boeing, with 75% of its airplanes going overseas is the region’s top foreign exporter. Besides Boeing, there are a wide list of regional businesses that provide products and services for foreign markets. These include Microsoft, Weyerhaeuser, Paccar, Russell Investments, Costco, Starbucks, Expeditors International, Perkins Coie, NBBJ, Alaska Airlines, Port of Seattle, and the University of Washington.

Population Puget Sound: As of year-end 2014, the population in the Central Puget Sound region (King, Kitsap, Pierce, and Snohomish counties) reached 3.84 million. The 2014 population level represents an increase of +3.92% from 2010 and +17.08% from 2000. Since 2000, Snohomish County experienced the greatest population increase of 22.28%, while King County had the largest increase since 2010. As of 2014, King County accounted for 52.6% of the total population within the four county region. Since 2000, King County’s population grew by 280,250 or 33.80% (2.26% per year). The charts on the following page summarize the region’s population changes.

Current Population ⁷	2000	2010	2014	% Change 2000-2014	% Change 2010-2014
King County	1,737,000	1,931,200	2,017,250	16.13%	4.46%
Kitsap County	232,000	251,100	255,900	10.30%	1.91%
Pierce County	700,800	795,200	821,300	17.19%	3.28%
Snohomish County	606,000	713,300	741,000	22.28%	3.88%
Region Total	3,275,800	3,690,900	3,835,450	17.08%	3.92%

⁶ CBRE Q4 2012 Puget Sound Area Office Market view

⁷ Puget Sound Regional Council; Puget Sound Trends, January 2015

Population Growth Trends (Location & Demographics) ⁸			
Year	Seattle	King County	Central Puget Sound
1980	494,000	1,270,000	2,240,000
1990	516,259	1,507,305	2,748,900
2000	564,092	1,737,000	3,275,800
2010	608,660	1,931,200	3,690,900
2014	640,500	2,017,250	3,835,450

Cities & Towns: About 2,709,660 people live within the incorporated area of the Central Puget Sound region. As of 2014, incorporated cities and towns accounted for 70.6% of the total population. The changing shares reflect not only differences in population growth among locations within the region, but also annexations and new incorporations. At the top of the list of cities with the greatest percentage growth was Kirkland, Kent, and Burien, with reported population growths of 70%, 45% and 31%, respectively.

Top 10 Cities With Greatest Percentage Population Growth (2010 to 2014) ⁹						
Municipality	County	Census 2010	Population 2014	Change 2010-14	% Change 2010-2014	Population Annexed 2010-2014
Kirkland	King	48,787	82,590	33,803	69.3%	31,816
Burien	King	33,313	48,240	14,927	44.8%	14,292
Kent	King	92,411	121,400	28,989	31.4%	25,458
Bothell (all)	King/Snohomish	33,505	41,630	8,125	24.3%	6,789
Port Orchard	Kitsap	11,157	13,150	1,993	17.9%	943
Snoqualmie	King	10,670	12,130	1,460	13.7%	0
Gig Harbor	Pierce	7,126	7,985	859	12.1%	4
DuPont	Pierce	8,199	9,175	976	11.9%	0
Ruston	Pierce	749	830	81	10.8%	0
Bellevue	King	122,363	134,400	12,037	9.8%	5,630

The city with the greatest nominal population growth was Kirkland (33,803), followed by Seattle (31,840), Kent (28,989), Burien (14,927), and Bellevue (12,037). Except for Seattle and Auburn, the cities large growth was a result of major annexations. Like Kirkland, Kent and Burien saw extraordinary growth as a result of major annexations that incorporated a sizable population well over 10,000 people each in 2010 and 2011, respectively. Seattle and Auburn's growth was primary due from real population growth.

⁸ Puget Sound Regional Council; Puget Sound Trends, January 2015; OFM (Seattle)

⁹ Puget Sound Regional Council; Puget Sound Trends, January 2015

Top 10 Cities With Greatest Nominal Population Growth (2010 to 2014) ¹⁰						
Municipality	County	Census 2010	Population 2014	Nominal Change 2010-14	% Change 2010-2014	Population Annexed 2010-2014
Kirkland	King	48,787	82,590	33,803	69.3%	31,816
Seattle	King	608,660	640,500	31,840	5.2%	0
Kent	King	92,411	121,400	28,989	31.4%	25,458
Burien	King	33,313	48,240	14,927	44.8%	14,292
Bellevue	King	122,363	134,400	12,037	9.8%	5,630
Bothell (all)	King/Snohomish	33,505	41,630	8,125	24.3%	6,789
Renton	King	90,927	97,130	6,203	6.8%	757
Auburn (all)	King/Pierce	70,180	74,630	4,450	6.3%	0
Redmond	King	54,144	57,700	3,556	6.6%	149
Sammamish	King	45,780	49,260	3,480	7.6%	906

Regional Economic Summary: The Puget Sound Region has retained a comparatively strong economy, and remains an active environment for startup businesses, and offers a highly educated workforce. The region has generally experienced expanding employment and increasing income levels, as reflected by increasing property values and ongoing residential and commercial development in more recent years. Regional demographic trends favor increasing population growth and in-migration reflecting both a historic and continuing demand for commercial and residential real estate in the area.

Current Economic Conditions: High Tech/High Flex:

Properties within the Tech/Flex Specialty make up a small portion of the overall Industrial Market. Within the Seattle/Puget Sound Region’s broader industrial market, vacancy rates continued to decline throughout 2014 while rental rates remained stable with modest increases in some markets. Strong demand consumed greater than 650,000 SF positive net absorption in the fourth quarter of 2014, ending a year within which 3.4M SF positive net absorption was recorded. With corresponding vacancy dropping to 4.77%, vacancy eclipsed the pre-recession low recorded in 1Q 2008. Currently, there is more than 3.8M SF of industrial space under construction and greater than 9.5M SF proposed.¹¹

Vacancy Rates: Vacancy rates continued to decline in 2014 across the Central Puget Sound region for the general Industrial Sector. However, Tech Flex vacancy improvement was considered modest in comparison. Most neighborhoods in the specialty experienced slight decreased vacancy. The Overlake Bellevue Neighborhood (510-50) was an exception, and showed relative improvement due to locational influences of development under the Overlake Master Plan and similar activity within the Bellevue Core.

Rental Rates: Rental rates remained relatively stable throughout 2014, with modest increases in markets where vacancy rates support this trend.

¹⁰ Puget Sound Regional Council; Puget Sound Trends, January 2015

¹¹ Colliers International; Research and Forecast Report, Q4 2014

Newer, well maintained, properties within preferred locations have benefited as tenants gravitate to these properties. Conversely, older and more outdated properties in less desirable locations continue to face difficulty signing tenants, as reflected by their higher vacancy and extended market exposure time prior to lease.

The Eastside Tech Flex Market reflects conservative improvement, supported by the economic recovery of the region. Prior sales of distressed high-tech buildings have shown improvement from previous values, based upon lower vacancies and increased cash flow. Credit availability slowly continues to improve for the commercial real estate sector as lending institutions improve their regulatory financial position and real estate lending portfolios. Local and national investment interest continues to increase, as evidenced by general office/industrial construction and sales activity. Sales support investor sentiment in anticipation of positive future benefits, and the Office and Tech/Flex portion of this market is considered to be on an improving trend which is expected to continue into the foreseeable future, as supported by sales, increasing rents, and declining vacancy.

The following chart gives a general overview of the current state of the economic conditions for the High Tech High Flex Specialty (510):

2014 YEAR END			
	OFFICE	HIGH-TECH	INDUSTRIAL
RENTAL RATE	INCREASE	STABLE	STABLE to SLIGHT INCREASE
VACANCY	STABLE to SLIGHT DECREASE	STABLE to SLIGHT DECREASE	STABLE to SLIGHT DECREASE
CAPITALIZATION RATE	DECREASE	STABLE	DECREASE
IMPROVED PROPERTY VALUES	INCREASE	STABLE to SLIGHT INCREASE	INCREASE
LAND VALUES	INCREASE	STABLE to SLIGHT INCREASE	STABLE to SLIGHT INCREASE

Lease Rates

Office: During 2014, surveyed area market reports indicate the eastside market area (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah) experienced increases in overall rent rates and decreases in overall vacancy rates. To retain tenants, however, landlords remain flexible in offering leasing concessions. Surveyed market reports indicate Eastside “Class A” office space (full service) asking rents ranged from \$22.00/sf to \$48.00/sf, while reported “Class B” asking rents (full service) ranged from \$19.00/sf to \$37.00/sf. Bellevue CBD had reported “Class A” asking rents ranging from \$33.00/sf to \$48.00/sf, while the “Class B” office asking rates were reported between \$30.00/sf to \$37.00/sf.

Property Type (Class)	2014 - 4 th Qtr. Asking Rents Total Eastside	2014 - 4 th Qtr. Asking Rents (Bellevue CBD)
Class A	\$22.00 to \$48.00	\$33.00 to \$48.00
Class B	\$19.00 to \$37.00	\$30.00 to \$37.00

Cushman & Wakefield: Office Survey, Q4 2014

Industrial/Flex: For Year 2014, typical flex-tech asking lease rates stabilized and were considered unchanged from the previous year. Surveyed market reports indicate typical industrial/warehouse rents ranged from \$6.60/sf to \$7.80/sf, and flex-tech space (blended - office + industrial space) ranged from \$12.24/sf to \$16.20/sf.

Property Type	2014 - 4 th Qtr. Asking Rents (Bellevue)
Industrial/Warehouse	\$6.60 – \$7.80
Flex-Tech (Blended)	\$12.24 – \$16.20

Vacancy Rates:

Office: During 2014, surveyed area market reports indicate stabilization in overall direct office vacancy rates on the Eastside (Bellevue, Kirkland, Redmond, Woodinville, and Issaquah). Economic market surveys indicate that the overall Eastside Office Market area had direct vacancy rates ranging from 6.77% to 11.10%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield (Suburban)	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Direct	4 th Qtr. 2014	6.77%*	7.80%	10.70%	11.10%	9.09%

*Includes Owner/User

Industrial/Flex: Economic market surveys indicate that the overall Eastside Industrial Market area had direct vacancy rates ranging from 4.40% to 9.30%.

	Eastside 4th Qtr. Vacancy Report	Colliers	Cushman & Wakefield	Jones Lang LaSalle	CBRE	Average of Research Stats
Overall Total	4 th Qtr. 2014	6.86%*	9.30%	4.40%	9.20%	7.44%

*Includes Owner/User

SEATTLE / REGIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
			7.00%	-	-	Suburban Office – Class B
			-	5.00%	-	Industrial – Class A
			-	7.25%	-	Flex Industrial – Class A
			-	-	5.00%	Reg. Mall – Class A
			-	-	6.00%	Community Retail – Class A
			-	-	6.25%	Neighborhood Retail – Class A
		West Region	6.23%	-	-	CBD Office – Class A
			6.79%	-	-	CBD Office – Class B
			6.73%	-	-	Suburban Office – Class A
			7.26%	-	-	Suburban Office – Class B
			-	6.29%	-	Industrial – Class A
			-	7.04%	-	Flex Industrial – Class A
			-	-	6.22%	Reg. Mall – Class A
			-	-	6.52%	Community Retail – Class A
			-	-	6.67%	Neighborhood Retail – Class A
CoStar	Yr. End 2014	King Co.	6.22%	-	-	Sales Price Under \$5 Million
			5.27%	-	-	Sales Price Over \$5 Million
			-	6.24%	-	Sales Price Under \$5 Million
			-	6.57%	-	Sales Price Over \$5 Million
			-	-	5.58%	Sales Price Under \$5 Million
			-	-	5.18%	Sales Price Over \$5 Million

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2014					1 st Tier properties are defined as new or newer quality const. in prime to good location
		National	6.90%	-	-	Office CBD – 1 st Tier Properties
			7.40%	-	-	Suburban Office – 1 st Tier Properties
			-	7.20%	-	Warehouse – 1 st Tier Properties
			-	7.60%	-	R&D – 1 st Tier Properties
			-	7.60%	-	Flex – 1 st Tier Properties
			-	-	6.90%	Regional Mall – 1 st Tier Properties
			-	-	7.20%	Power Center – 1 st Tier Properties
			-	-	7.20%	Neigh/Comm. Ctrs. – 1 st Tier Properties
IRR: Viewpoint for 2015	Yr. End 2014	National	7.05%	-	-	<u>Institutional Grade Properties</u> ⁷
			7.84%	-	-	CBD Office – Class A
			7.43%	-	-	CBD Office – Class B
			8.06%	-	-	Suburban Office – Class A
			-	-	-	Suburban Office – Class B
			-	7.11%	-	Industrial – Class A
			-	7.79%	-	Flex Industrial – Class A
			-	-	6.83%	Reg. Mall – Class A
			-	-	7.17%	Community Retail – Class A
			-	-	7.33%	Neighborhood Retail – Class A
ACLI	Yr. End 2014	National	5.90%	6.90%	6.46%	Overall
			7.50%	7.49%	7.17%	Sq.Ft. - <50k
			6.09% - 6.83%	6.96% - 7.49%	6.11% - 6.44%	Sq.Ft. - 50k-200k
			5.67%	6.74%	6.20%	Sq.Ft. - 200K+
PWC / Korpaz	4Q 2014	National	6.16%	-	-	CBD Office - (3.75% - 8.00%)
			6.66%	-	-	Sub. Office - (5.00% - 9.00%)
			7.27%	-	-	Medical Office - (4.25% - 10.00%)
			-	7.53%	-	Flex/R&D - (6.00% - 10.00%)
			-	5.82%	-	Warehouse - (4.50% - 7.00%)
			-	-	6.21%	Mall- A+ = .488%; A = 5.47%; B+ = 6.67%
			-	-	6.60%	Power Center - (5.50% - 8.00%)
			-	-	7.05%	Neigh. Strip Ctrs. - (5.00% - 10.00%)

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
The Boulder Group: Net Lease Market Report	4Q 2014	National	7.31%	8.03%	6.50%	Overall (Average)
			-	-	6.71%	Big Box "Overall"
			-	-	6.00%	Big Box "Investment Grade"
			-	-	7.00%	Big Box "Non-Investment Grade"
			-	-	6.78%	Jr. Big Box - (20,000/SF – 39,999/SF)
			-	-	6.72%	Mid. Big Box - (40,000/SF – 79,999/SF)
		West Region	-	-	6.48%	Mega Big Box - (80,000/SF +)
			-	-	5.75%	Overall (Average)

Ratio Analysis

Ratio studies were included within this report for administrative consistency. Of the thirteen improved sales between 1/31/2012 and 7/31/2014, six occurred in 2012, six occurred in 2013, and one in 2014. Of these sales, three were not included in Ratio Analysis: Two properties were sold in a unique development within significantly larger portfolio sale(s), and one represented triple net investment conditions associated with national tenants which was also a multi-parcel sale. Given the small sample size, particularly in comparison to the recommended minimum for this data set, appraisal ratio and associated distribution analysis was not considered reliable, and de-emphasized for valuation purposes.

The Preliminary Ratio Study was completed just prior to the application of the 2015 recommended values. This study benchmarks the current assessment level using 2014 assessed values. The study was also repeated after application of the 2015 recommended values. The results are included in the validation section of this report showing a change in the level of assessment (weighted mean) from 88.2% to 89.4%, the Coefficient of Dispersion (C.O.D.) from 12.43% to 12.92%, and the Coefficient of Variation (C.O.V.) from 17.03% to 18.66%. The Price-related Differential (P.R.D.) remained unchanged at 1.02.

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. All sales considered were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is

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.

Improved Parcel Total Values

Sales Comparison Approach Model Description

The model for sales comparison was based on five data sources from the Assessor’s records; occupancy codes, age, quality, size, and neighborhood location.

Because of the limited number of sales within this specialty, the Sales Approach was used in support of Income Approach valuation ranges. All “Sales Used” were verified, if possible, by a call or interview with either the purchaser or seller inquires within the field, various publications, or by calling associated real estate broker/agents. Characteristic/building data was also verified, if possible, as of the time of sale. Since 2012, there were thirteen improved sales within the High-Tech Specialty assignment. Of those sales, five were concentrated within the North Creek area of the Bothell/Woodinville neighborhood (510-10), with an indicated range of \$126.08 to \$249.95 per square foot of building area. Two of the sales at the high end of the indicated range were part of several structured portfolio sales within the North Creek Tech Center, and part of a liquidation of the entire development by the seller/developer. The second concentration of four sales occurred in the Redmond/Willows neighborhood (510-30), with an indicated range of \$119.85 to \$240.93. The high sale of this concentration involved a REIT acquisition under a triple net investment structure with a long term lease to a national tenant. In addition to the real property component, the REIT purchase typically reflects a credit premium associated with national corporations, long term leases, and structured cash flows atypical to the High Tech/Flex market of the Seattle Metro area. Two sales occurred within the Issaquah neighborhood (510-60) with an indicated range of \$166.47 to \$193.60 per square foot of net building area, and one sale each in the Redmond (Close In, 510-20) and Kirkland/Totem Lake (510-40) neighborhoods with value indications of \$148.34 and \$177.61, respectively.

The above sales reflect both continued market recovery for valuation purposes, and of national interest for high quality properties/tenants within the Tech Flex market of King County and the greater Puget Sound area.

Sales Comparison Calibration

Calibration of coefficients utilized for the model applied within the Sales Comparison approach is typically established via analysis of sales within each neighborhood. Sales from supporting geographic neighborhoods are also considered in revalue, as they relate to basic property types and/or use categories (single purpose office buildings, and warehouses, for example). Neighborhoods are treated independent of one another as dictated by the market, and individual prices are implied based on various characteristics deemed appropriate within each sub-market. Specific variables and prices for each neighborhood are discussed in more detail above with sales listed under “Sales Used” within this report.

Cost Approach Model Description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based upon annual studies completed by the Marshall Valuation Service. Costs were adjusted to both Western Region and Seattle areas. Marshall & Swift cost calculations are automatically calibrated to data within the Real Property Application of the Assessor's office. The Cost Approach is typically applied in newer high-tech buildings where market indicators support a cost approach for value (new construction, for example).

Cost Calibration

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

Income Capitalization Approach Model Description

The income approach was considered the most reliable approach for the valuation and equalization of High-Tech/Flex properties, as reasonable income, expense, and capitalization rate data is considered available for application of model methodology. During the sales verification process, attempts are made to obtain income and expense data from parties directly involved with the transaction. The information requested includes current and anticipated future rents, operating expense breakdown and assigned responsibility for the expenses, and estimated capitalization rates associated with a sale. In addition, owners, tenants, and agents of non-sale properties are also surveyed to collect similar data. Whereas disclosure of this information is not required by law, it is often difficult to obtain, and often incomplete or inaccurate. As a supplement, lease information is gathered from Costar or other similar websites. In order to calibrate a credible income model, it was also necessary to consider data from recognized published sources to assist in developing capitalization and lease rates. These publications tend to report data considered relevant for institutional-grade CBD and suburban real estate.

The specialty properties are located throughout King County with a concentration falling between Redmond and Bothell, generally referred to as the Technology Corridor. A map showing the respective parcel locations is included within this report.

The income tables within this specialty summary report are included to demonstrate typical income parameters (Rents, Vacancy, Expenses, and Capitalization Rates) in structuring the High-Tech / Flex Income Model. The model is based on the building size parameters specific to the specialty and is also dependent on effective year built, quality, and location. Vacancy rate, expense rate and capitalization rate ranges have been interpolated from market data. The model is additionally meant to reflect general market characteristics, in that the value allocation method is based upon a net lease rent structure as applied to Class B building types typical throughout the specialty.

Income Approach Calibration

The models were calibrated after setting the base rents by using adjustments based on size, effective year built, construction class and quality as recorded in the Assessor's records. Properties were then valued based on the income tables included within this report. Additional factors which may enter into the calculation are excess land, existence of economic units, or other unique features associated to the specific property. Individual property valuation information is available within Assessor records.

Income: Income parameters were derived from the market place through the listed fair market sales as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market. Within the income valuation models, as reflected by the market, the assessor used a triple net lease structure to estimate the assessed value.

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.

Capitalization Rates: Capitalization rates were determined by personal analysis of the sales in the area on sold properties where income information was available, and local and national published market surveys, such as CoStar, The American Council of Insurance Adjustors, Colliers International, Integra Realty Resources among others (tables included above show Seattle/Pacific Northwest & National cap rate sources considered by the assessor).

AREA 510-10 – Bothell / Woodinville

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	6.75% to 8.25%
Industrial Engineering Space	\$9.20 to \$12.70	15%	7.50%	6.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$5.40 to \$8.40	15%	7.50%	6.75% to 8.25%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$12.70 for the Industrial Engineering Space, and \$5.40 to \$8.40 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 6.75% to 8.25%.

AREA 510-20 – Redmond Close-In / Marymoor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.50 to \$17.00	15%	7.50%	7.00% to 8.50%
Industrial Engineering Space	\$9.45 to \$13.00	15%	7.50%	7.00% to 8.50%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.00% to 8.50%

The rental rates per square foot range from \$13.50 to \$17.00 for the office space, \$9.45 to \$13.00 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.00% to 8.50%.

AREA 510-30 – Willows Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	15%	7.50%	7.00% to 8.50%
Industrial Engineering Space	\$9.20 to \$13.50	15%	7.50%	7.00% to 8.50%
Storage Whse. / Mezz. Stor.	\$5.40 to \$10.00	15%	7.50%	7.00% to 8.50%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$9.20 to \$13.50 for the Industrial Engineering Space, and \$5.40 to \$10.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.00% to 8.50%.

AREA 510-40 – Kirkland / Totem Lake

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$10.50 to \$16.00	15%	7.50%	7.50% to 8.75%
Industrial Engineering Space	\$8.25 to \$12.50	15%	7.50%	7.50% to 8.75%
Storage Whse. / Mezz. Stor.	\$6.00 to \$8.75	15%	7.50%	7.50% to 8.75%

The rental rates per square foot range from \$10.50 to \$16.00 for the office space, \$8.25 to \$12.50 for the Industrial Engineering Space, and \$6.00 to \$8.75 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 8.75%.

AREA 510-50 – Overlake / Bellevue

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$13.00 to \$17.00	10%	7.50%	6.75% to 8.25%
Industrial Engineering Space	\$11.03 to \$15.00	10%	7.50%	6.75% to 8.25%
Storage Whse. / Mezz. Stor.	\$5.50 to \$9.00	10%	7.50%	6.75% to 8.25%

The rental rates per square foot range from \$13.00 to \$17.00 for the office space, \$11.03 to \$15.00 for the Industrial Engineering Space, and \$5.50 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 10%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 6.75% to 8.25%.

AREA 510-60 – Issaquah / I-90 Corridor

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Mezz. Office/Whse. Office	\$14.00 to \$18.00	15%	7.50%	7.50% to 9.00%
Industrial Engineering Space	\$9.70 to \$13.50	15%	7.50%	7.50% to 9.00%
Storage Whse. / Mezz. Stor.	\$5.40 to \$9.00	15%	7.50%	7.50% to 9.00%

The rental rates per square foot range from \$14.00 to \$18.00 for the office space, \$9.70 to \$13.50 for the Industrial Engineering Space, and \$5.40 to \$9.00 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.50% to 9.00%.

AREA 510-70 – South King County

Land Use:	Rent Range per Sq.Ft.	Vacancy/Coll. Loss %	Expense Rate/%	Capitalization Rate %
Open Office/Whse. Office	\$12.00 to \$15.50	15%	7.50%	7.25% to 8.75%
Mezz. Office	\$8.10 to \$11.35	15%	7.50%	7.25% to 8.75%
Industrial Engineering Space	\$8.10 to \$11.35	15%	7.50%	7.25% to 8.75%
Storage Whse. / Mezz. Stor.	\$4.20 to \$7.20	15%	7.50%	7.25% to 8.75%

The rental rates per square foot range from \$12.00 to \$15.50 for the office space, \$8.10 to \$11.35 for the mezz. office space, \$8.10 to \$11.35 for the Industrial Engineering Space, and \$4.20 to

\$7.20 per square foot for the warehouse space. Vacancy and Collection Loss was estimated at 15%, with operating expenses estimated at 7.50%, and capitalization rates ranging from 7.25% to 8.75%.

Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach is considered the most reliable indicator of value when comparable sales were available, however the income approach was applied to most parcels in order to better equalize comparable properties. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, along with data from surveys and publications, and applied to the income model.

The income approach to value was given the most weight in valuation, as it was considered to be the most reliable indicator of value. In some instances market rents applied to a few properties varied from the model, but fell within an acceptable range of variation from the established guideline. Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. Implicit within this valuation model, is the recognition of a wide valuation range, with associated change of market conditions as they relate to valuation of individual parcels within the High Tech/Flex specialty.

MODEL VALIDATION

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel was reviewed and value allocated based on general and specific data as they relate to the market, and neighborhood of each parcel. The Appraiser determines which available value methodology estimate is appropriate, and may adjust for particular characteristics or conditions as they occur within the valuation area.

The Specialty Appraiser recommends application of the Appraiser selected values, as indicated by the appropriate model or method.

The total assessed value for the 2014 assessment year for Specialty Area 510 was \$3,375,713,000. The total recommended assessed value for the 2015 assessment year is \$3,512,632,700.

Application of these recommended values for the 2015 assessment year resulted in an average total upward adjustment from the 2014 assessment of 4.06%.

	2014 Total Assessed Value	2015 Total Assessed Value	Total Assessed Value Increase	Total % Change in Assessed Value
Total Assessed Values	\$3,375,713,000	\$3,512,632,700	\$136,919,700	4.06%

This total assessed value increase is due in part to local commercial real estate markets improvement within the region. From a High Tech/Flex perspective, the 2015 assessment year reflects a continued movement towards market stabilization, as demonstrated by declining vacancy rates, and by sales which include investment grade properties.

USPAP Compliance

Client and Intended Use of the Appraisal:

This mass appraisal report is intended for use by the public, King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others for other purposes 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

RCW 84.36.005

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.

RCW 36.21.080

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.

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 Dictionary of Real Estate Appraisal, 3rd Addition, 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.

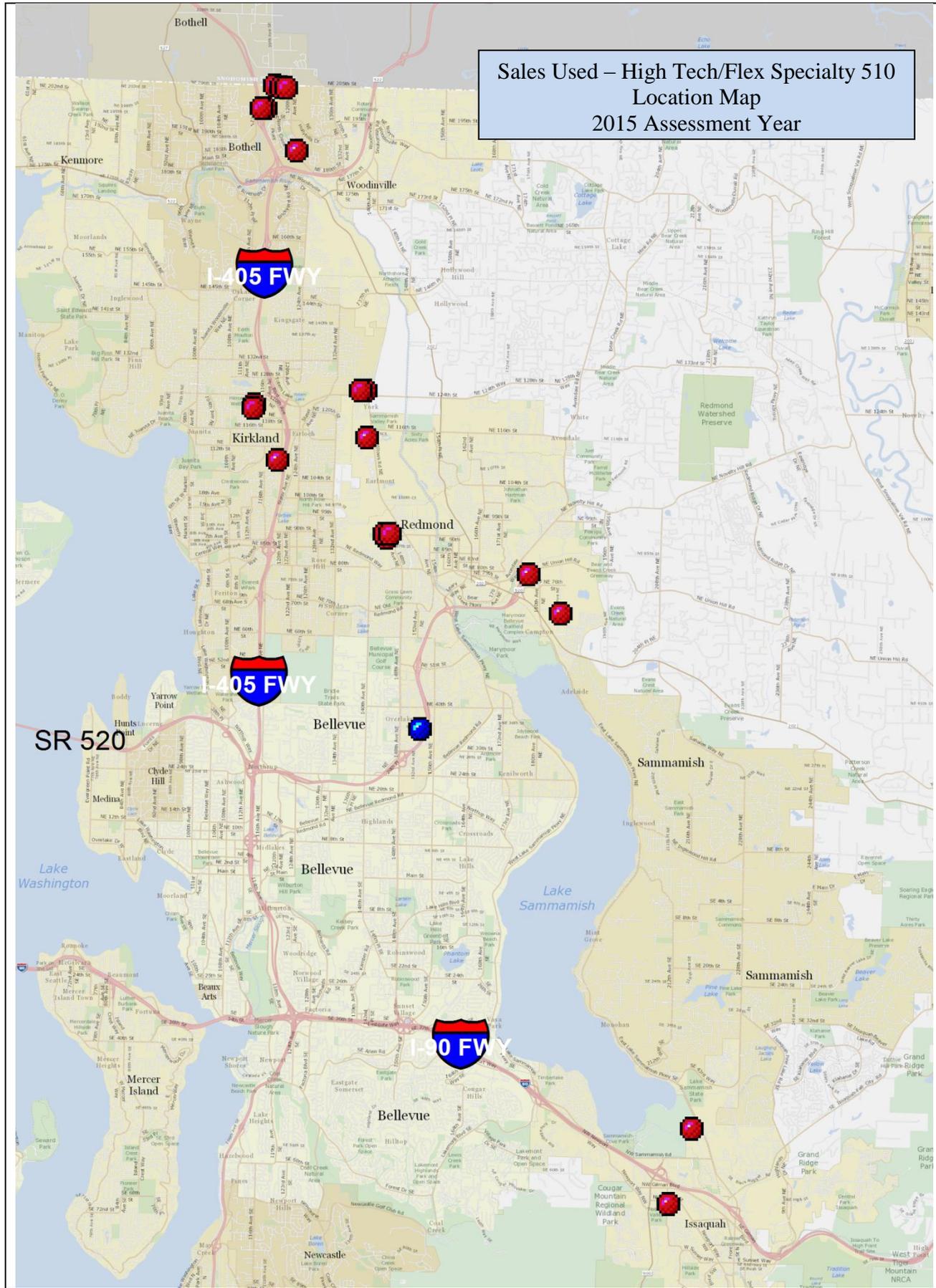
CERTIFICATION:

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.*
- *Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification, and identifying new construction and recording the corresponding data.*

Bruce Zelk
Commercial Appraiser II

Date:



Sales Used – High Tech/Flex Specialty 510
 Location Map
 2015 Assessment Year

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



King County
 Assessments
 8/24/15

Area 510 - High Tech/Flex
2014 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
212406-9132	19,124,800	22,300,000	9/30/2013	0.8576	0.0089
272605-9025	6,744,400	7,320,000	6/22/2012	0.9214	0.0549
272605-9106	10,172,300	8,450,000	8/31/2012	1.2038	0.3374
362930-0020	7,191,800	10,200,000	4/9/2013	0.7051	0.1614
389060-0030	7,174,100	9,500,000	5/24/2013	0.7552	0.1113
392700-0090	8,315,500	9,500,000	4/29/2013	0.8753	0.0089
392700-0090	8,315,500	10,200,000	7/20/2014	0.8152	0.0512
697920-0100	5,980,200	5,452,824	7/13/2012	1.0967	0.2303
697950-0020	11,247,400	12,250,000	12/15/2012	0.9182	0.0517
719895-0080	3,822,900	4,750,000	12/14/2012	0.8048	0.0616

Area 510 - High Tech/Flex
2014 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:												
Central Crew	1/1/2014	6/16/2015	6/22/2012 - 7/20/2014												
Area	Appr ID:	Prop Type:	Trend used?: Y / N												
510	BZEL	Improvement	N												
SAMPLE STATISTICS															
Sample size (n)	10	<p style="text-align: center;">Ratio Frequency</p> <table border="1"> <caption>Ratio Frequency Data</caption> <thead> <tr> <th>Ratio</th> <th>Frequency</th> </tr> </thead> <tbody> <tr> <td>0.85</td> <td>2</td> </tr> <tr> <td>0.90</td> <td>4</td> </tr> <tr> <td>0.95</td> <td>2</td> </tr> <tr> <td>1.00</td> <td>1</td> </tr> <tr> <td>1.05</td> <td>1</td> </tr> </tbody> </table>		Ratio	Frequency	0.85	2	0.90	4	0.95	2	1.00	1	1.05	1
Ratio	Frequency														
0.85	2														
0.90	4														
0.95	2														
1.00	1														
1.05	1														
Mean Assessed Value	8,808,900														
Mean Sales Price	9,992,300														
Standard Deviation AV	4,178,268														
Standard Deviation SP	4,884,853														
ASSESSMENT LEVEL															
Arithmetic mean ratio	0.895	<p>These figures reflect measurements before posting new values.</p>													
Median Ratio	0.866														
Weighted Mean Ratio	0.882														
UNIFORMITY															
Lowest ratio	0.7051														
Highest ratio:	1.2038														
Coefficient of Dispersion	12.43%														
Standard Deviation	0.1525														
Coefficient of Variation	17.03%														
Price-related Differential	1.02														
RELIABILITY															
95% Confidence: Median															
Lower limit	0.755														
Upper limit	1.097														
95% Confidence: Mean															
Lower limit	0.801														
Upper limit	0.990														
SAMPLE SIZE EVALUATION															
N (population size)	206														
B (acceptable error - in decimal)	0.05														
S (estimated from this sample)	0.1525														
Recommended minimum:	32														
Actual sample size:	10														
Conclusion:															
NORMALITY															
Binomial Test															
# ratios below mean:	6														
# ratios above mean:	4														
z:	0.316227766														
Conclusion:	Normal*														
*i.e., no evidence of non-normality															

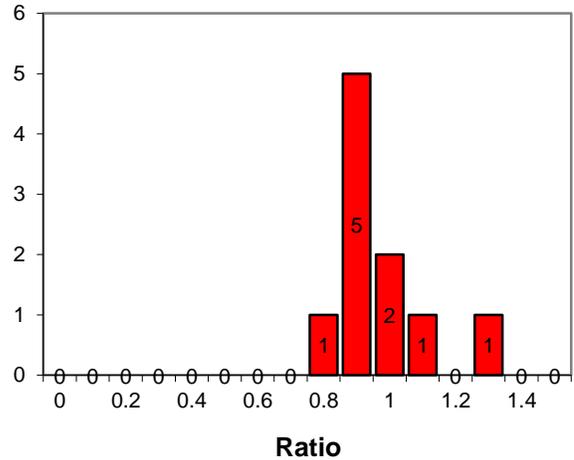
Area 510 - High Tech/Flex
2015 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
212406-9132	19,124,800	22,300,000	9/30/2013	0.8576	0.0089
272605-9025	6,744,400	7,320,000	6/22/2012	0.9214	0.0549
272605-9106	10,922,900	8,450,000	8/31/2012	1.2927	0.4262
362930-0020	7,191,800	10,200,000	4/9/2013	0.7051	0.1614
389060-0030	7,622,500	9,500,000	5/24/2013	0.8024	0.0641
392700-0090	8,315,500	9,500,000	4/29/2013	0.8753	0.0089
392700-0090	8,315,500	10,200,000	7/20/2014	0.8152	0.0512
697920-0100	5,980,200	5,452,824	7/13/2012	1.0967	0.2303
697950-0020	11,247,400	12,250,000	12/15/2012	0.9182	0.0517
719895-0080	3,822,900	4,750,000	12/14/2012	0.8048	0.0616

Area 510 - High Tech/Flex
2015 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
Central Crew	1/1/2015	6/16/2015	6/22/2012 - 7/20/2014
Area	Appr ID:	Prop Type:	Trend used?: Y / N
510	BZEL	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	10		
Mean Assessed Value	8,928,800		
Mean Sales Price	9,992,300		
Standard Deviation AV	4,194,211		
Standard Deviation SP	4,884,853		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.909		
Median Ratio	0.866		
Weighted Mean Ratio	0.894		
UNIFORMITY			
Lowest ratio	0.7051		
Highest ratio:	1.2927		
Coefficient of Dispersion	12.92%		
Standard Deviation	0.1697		
Coefficient of Variation	18.66%		
Price-related Differential	1.02		
RELIABILITY			
95% Confidence: Median	These figures reflect measurements after posting new values.		
Lower limit	0.802		
Upper limit	1.097		
95% Confidence: Mean			
Lower limit	0.804		
Upper limit	1.014		
SAMPLE SIZE EVALUATION			
N (population size)	206		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.1697		
Recommended minimum:	38		
Actual sample size:	10		
Conclusion:			
NORMALITY			
Binomial Test			
# ratios below mean:	6		
# ratios above mean:	4		
z:	0.316227766		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Ratio Frequency



Improvement Sales for Area 510 with Sales Used

06/16/2015

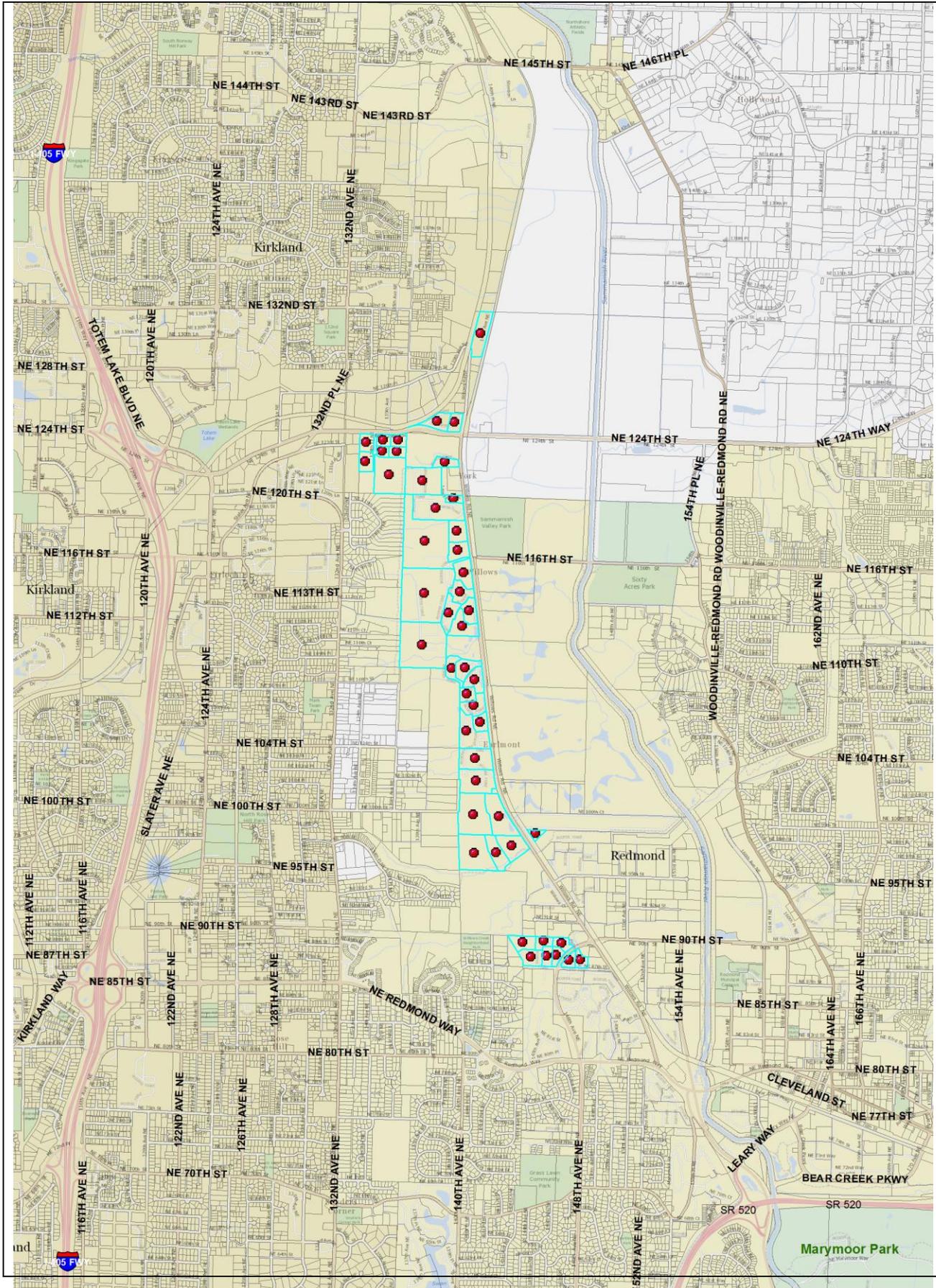
Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	010	392700	0020	38,643	2635837	\$9,658,716	10/15/13	\$249.95	NORTH CREEK TECH CTR - BLDG	R-AC, OF	1	Y	Portfolio Sale - Not in Ratio
510	010	392700	0030	156,087	2588155	\$25,800,000	02/07/13	\$165.29	NORTH CREEK TECH CTR BLDG #	R-AC, OF	3	Y	Portfolio Sale - Not in Ratio
510	010	392700	0090	75,773	2682198	\$10,200,000	07/20/14	\$134.61	NORTH CREEK BUSINESS CENTE	R-AC, OF	1	Y	
510	010	392700	0090	75,773	2602011	\$9,500,000	04/29/13	\$125.37	NORTH CREEK BUSINESS CENTE	R-AC, OF	1	Y	
510	010	697920	0100	43,248	2554658	\$5,452,824	07/13/12	\$126.08	VIXEL	R-AC, OF	1	Y	
510	020	719895	0080	32,022	2580689	\$4,750,000	12/14/12	\$148.34	SUMMIT VISTA CORPORATION	MP	1	Y	
510	030	272605	9025	61,077	2549895	\$7,320,000	06/22/12	\$119.85	WILLOWS 124 BLDG B	TL 7	1	Y	
510	030	272605	9106	70,082	2562038	\$8,450,000	08/31/12	\$120.57	WILLOWS 124 BLDG A	TL 7	1	Y	
510	030	697950	0020	62,856	2580708	\$12,250,000	12/15/12	\$194.89	Quadrant Willows Corporate Ctr - Bld	BP	1	Y	
510	030	928690	0110	166,024	2528278	\$40,000,000	01/31/12	\$240.93	WEST WILLOWS - SEAMED	MP	3	Y	Portfolio Sale - Not in Ratio
510	040	389060	0030	53,488	2607717	\$9,500,000	05/24/13	\$177.61	KIRKLAND 405 CORP CTR BLDG B	TL 10A	1	Y	
510	060	212406	9132	133,960	2633290	\$22,300,000	09/30/13	\$166.47	Siemens Medical Systems	MU	1	Y	
510	060	362930	0020	52,686	2598459	\$10,200,000	04/09/13	\$193.60	12TH & NEWPORT BLDG (APPLIED	R	1	Y	

Improvement Sales for Area 510 with Sales not Used

05/26/2015

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
510	020	943050	0130	49,765	2603202	\$3,450,000	04/29/13	\$69.33	95 RIVERSIDE PARK "BLDG. B"	MP	1	61	Financial institution resale
510	030	697950	0040	53,000	2566588	\$6,206,386	09/28/12	\$117.10	Quadrant Willows Corporate Ctr - Bldg D	BP	1	11	Corporate affiliates
510	030	697950	0040	53,000	2546267	\$6,095,000	05/31/12	\$115.00	Quadrant Willows Corporate Ctr - Bldg D	BP	1	60	Short sale
510	050	282505	9141	38,143	2584179	\$8,700,000	01/10/13	\$228.09	ICOM AMERICA INC	LI	2	16	Gov't to gov't
510	060	785180	0080	176,609	2564134	\$13,875,000	09/13/12	\$78.56	Phillips	MU	1	46	Non-representative sale
510	070	172280	0285	40,029	2647877	\$4,590,000	12/26/13	\$114.67	HATHAWAY BLDG	IG2 U/85	3	12	Estate administrator, guardian, or e

2015 Inspection Area – Specialty 510



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



King County
Assessments
8/24/15

2015 Inspection Area – Specialty 510

2015 Physical Inspection Specialty 510-30 Parcel List

Major	Minor	PropName	SitusAddress
272605	9002	ASTRONICS (Buildings A & B)	12950 141ST AVE NE
272605	9022	VACANT - (ECON. UNIT FOR #9023) - PHYSIO	NE 124TH ST
272605	9023	PHYSIO CONTROL NORTH BLDG	11811 WILLOWS RD NE
272605	9025	WILLOWS 124 BLDG B	12413 WILLOWS RD NE
272605	9037	QUADRANT TECH CENTER BLDG #C	12226 134TH CT NE
272605	9039	QUADRANT TECH CENTER BLDG #B	12341 134TH CT NE
272605	9041	QUADRANT TECH CENTER BLDG #A	12310 NE 124TH ST
272605	9106	ICOM BUILDING	12421 WILLOWS RD NE
272605	9114	ZETRON HEADQUARTERS	12034 134TH CT NE
272605	9115	WILLOWS RIDGE TECH CTR - BLDG A	12335 134TH CT NE
272605	9116	WILLOWS RIDGE TECH CTR - BLDG B	12277 134TH CT NE
272605	9128	QUADRANT TECH CENTER BLDG #D	12208 134TH CT NE
342605	9002	PRIMEX AEROSPACE CO.	11441 139TH PL NE
342605	9037	INTERPOINT BLDG	10301 WILLOWS RD NE
342605	9094	INTERPOINT- KISTLER-MORSE BLDG	10201 WILLOWS RD NE
342605	9113	VACANT	No Situs Address
697950	0010	Quadrant Willows Corporate Ctr - Bldg A	11431 WILLOWS RD NE
697950	0020	Quadrant Willows Corporate Ctr - Bldg B	11351 WILLOWS RD NE
697950	0030	Quadrant Willows Corporate Ctr - Bldg C	11241 WILLOWS RD
697950	0040	Quadrant Willows Corporate Ctr - Bldg D	11261 WILLOWS RD NE
697950	0050	Quadrant Willows Corporate Ctr - Bldg E	11121 WILLOWS RD NE
697950	0060	SIXTY ACRES CORPORATE - Bldg F	11601 WILLOWS RD NE
697950	0070	SIXTY ACRES CORPORATE - Bldg G	11611 WILLOWS RD NE
928690	0010	WEST WILLOWS TECH CENTER - BLDG A	14710 NE 87TH ST
928690	0020	WEST WILLOWS TECH CENTER - BLDG B	8700 148TH AVE NE
928690	0030	WEST WILLOWS TECH CENTER - BLDG C	8739 148TH AVE NE
928690	0040	WEST WILLOWS TECH CENTER - BLDG D	8705 148TH AVE NE
928690	0050	WEST WILLOWS TECH CENTER - BLDG E	8801 148TH AVE NE
928690	0110	WEST WILLOWS - SEAMED	14500 NE 87TH ST
928690	0120	WEST WILLOWS - SEAMED	14520 NE 87TH ST
928690	0130	WEST WILLOWS - SEAMED	14560 NE 87TH ST
942810	0010	Willow Creek Corp. Center - Building G	10525 WILLOWS RD NE
942810	0020	Willow Creek Corp. Center - Building #2	10545 WILLOWS RD NE
942810	0030	Willow Creek Corp. Center - Building #3	10675 WILLOWS RD NE
942810	0040	Willow Creek Corp. Center - Building #4	10735 WILLOWS RD NE
942810	0050	Willow Creek Corp. Center - Building #5	10785 WILLOWS RD NE
942810	0060	Willow Creek Corp. Center - Building #6	10915 WILLOWS RD NE
942810	0070	Willow Creek Corp. Center - Building #7	10865 WILLOWS RD NE
943005	0010	WILLOWS COMMERCE PARK - BLDG E	9931 WILLOWS RD
943005	0020	WILLOWS COMMERCE PARK - BLDG A	9845 WILLOWS RD
943005	0030	WILLOWS COMMERCE PARK - BLDG B	9825 WILLOWS RD
943005	0040	WILLOWS COMMERCE PARK - BLDG C	9805 WILLOWS RD
943005	0050	WILLOWS COMMERCE PARK - BLDG D	9911 WILLOWS RD
943050	0010	WILLOWS RUN BUILDING	9840 WILLOWS RD
983630	0130	PRIMEX AEROSPACE CO.	11441 139TH PL NE
983630	0450	VACANT - (ECON. UNIT FOR MINOR #0452) -	11845 140TH AVE NE
983630	0452	PHYSIO CONTROL-SOUTH BLDG	11811 WILLOWS RD