Commercial Revalue

2019 Assessment roll

HOTEL

AREA 160

King County, Department of Assessments
Seattle, Washington

John Wilson, Assessor

King County
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John Wilson
Assessor

Dear Property Owners,

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

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

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

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

In Service,

John Wilson
King County Assessor

How Property Is Valued

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

What Are Mass Appraisal Techniques?

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

Are Properties Inspected?

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

How are Commercial Properties Valued?

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

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

How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties based on their unique set of attributes.

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

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

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

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

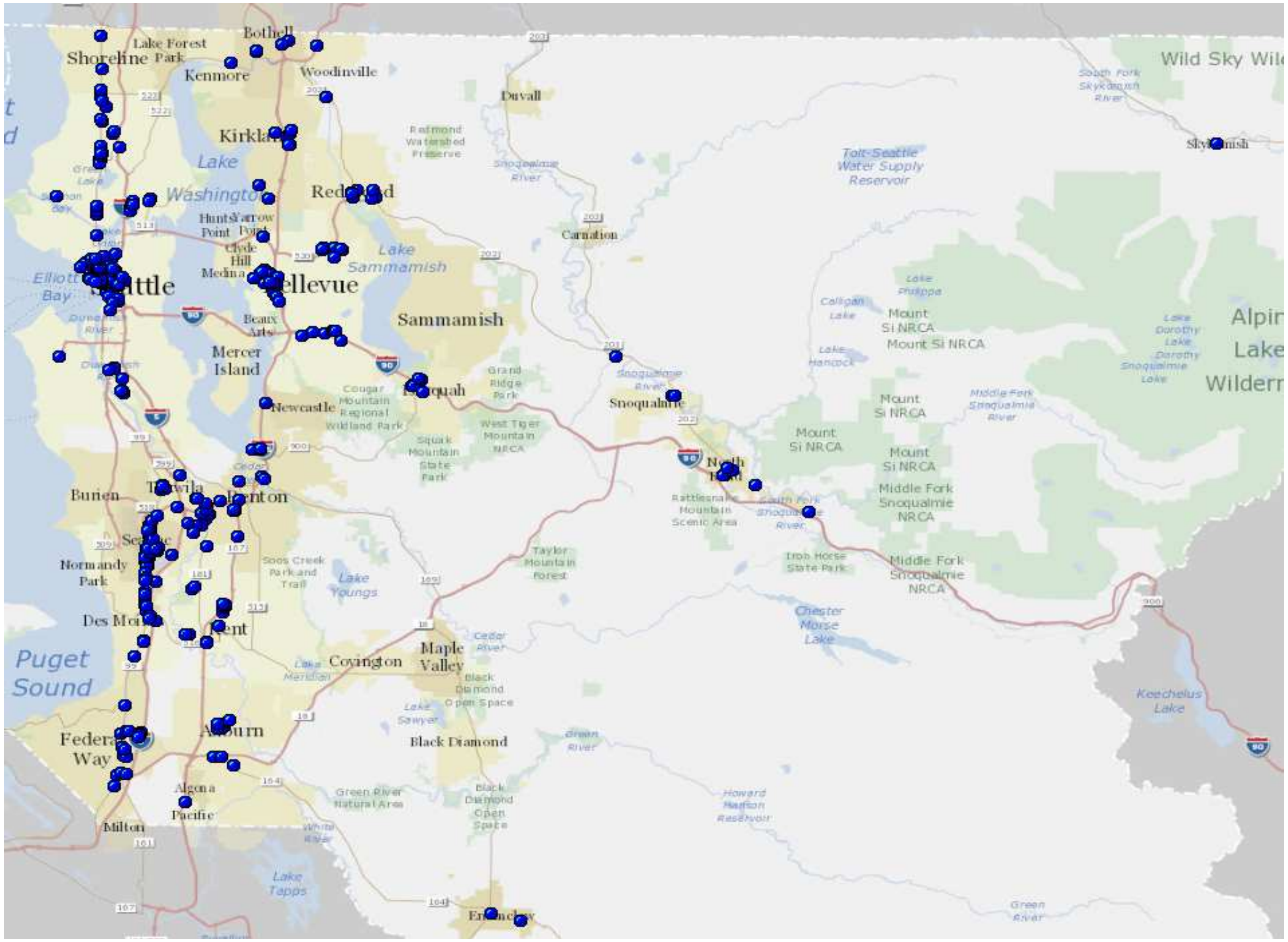
Requirements of State Law

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

Appraisal Area Reports

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

Map of Temporary Lodging Properties in King County
December 31, 2018



Hotel Specialty Area 160

2019 Revalue Report

King County

Department of Assessments

Executive Summary Report

Appraisal Date

- January 1, 2019
- 2020 Tax Roll Year

Specialty Name

- Area 160 - Hotels/Motels

Physical Inspection

- Neighborhood 10

Sales – Analysis Summary

- Number of Sales: 58 Market Transactions
- Date Range: 1/1/2016 to 1/1/2019

Improved Sales – Ratio Study Summary

Improved Sales - Valuation Change Summary				
	Mean Assessed Value	Mean Sales' Price	Weighted Mean Ratio	COD *
2018 Value	$26,157,000	$28,485,400	91.80%	8.75%
2019 Value	$27,841,500	$28,485,400	97.70%	6.84%
Change	$1,684,500		5.90%	-1.91%
% Change	6.44%		6.43%	-21.83%

COD is a measure of uniformity, the lower the number the better the uniformity

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

The results of the above ratio study for temporary lodging property sales in Specialty 160, is based on a wide variety of sales throughout King County. These sales include different classes of temporary lodging properties such as limited service economy motels, full service upscale hotels, etc. And property values vary from class to class as well as on qualitative factors such as location, effective age, quality, condition, and sometimes different amenities.

There were 58 sales coded as being at market during this revalue cycle but four of them were removed from the ratio study analysis, for the reasons previously noted. The large number of sales presents another year where the sample size is larger than typical. This underscores the strength of the King County market; however, because of the variety of lodging properties and their corresponding qualitative factors, the ratio study analysis results should be tempered.

Population – Parcel Summary Data: The number of Improved Parcels in the Ratio Study Population is 328. This figure typically excludes economic land parcels but it may include commercial condominiums and properties currently under construction.

Below is a summary of the overall value change from this revalue.

Total Population - Parcel Summary Data			
	Land	**Improvement**	**Total**
2018	$2,214,372,600	$6,856,049,626	$9,070,422,226
2019	$2,476,608,760	$7,536,414,040	$10,013,022,800
% Change	11.84%	9.92%	10.39%

Specialty Assignment 160, has a total of 384 parcels. (This figure includes economic land parcels, commercial condominiums and may include properties currently under construction)

Conclusion and Recommendation

The total assessed values for the 2019 revalue have increased 10.39% from the 2018 assessment levels. The increase reflects a healthy market for temporary lodging properties in King County. The change in value is driven by the growth in revenue fundamentals. Average daily rates (ADRs) continued to increase and capitalization rates maintained their current levels, although, occupancy rates began to shift downward as of January 1, 2019. However, that downward shift had little effect on the market's upward trajectory.

In the upcoming year the change in occupancy rates are expected to become a more significant factor as more hotels come onto the market. In addition, hotel sales in 2019 appear to be slowing and new construction permits have slowed dramatically. These factors serve as potential indicators that the hotel market is slowing and thus market fundamentals will be closely monitored. It may also be an indication we have a reached a peak in this current business cycle.

However, the assessed values recommended in this report reflect the temporary lodging property market parameters as of the valuation date of 1/1/2019. The recommended values improve uniformity and equity. Therefore it is advised that the values be posted for the 2019 Assessment Year.

Identification of the Area

Name and Designation

- Specialty Area 160 – Hotels & Motels

Specialty Neighborhoods

Six neighborhoods have been established by the Assessor for valuation purposes. The neighborhoods were established to group properties into similar market areas and manage some of the larger neighborhoods parcel count. Having a bit smaller neighborhoods and more specialized data enables better accuracy when creating competitive sets.

- Neighborhood 10 – Seattle Central Business District
- Neighborhood 20 – Bellevue and Surrounding Cities
- Neighborhood 30 – SLU, Northgate and the University District
- Neighborhood 40 – South Seattle, Renton, Tukwila, and SeaTac
- Neighborhood 50 – South King County
- Neighborhood 60 – North Seattle and Northeast King County

Boundaries

All of King County

Maps

A GIS map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building and on the Assessor's website at www.kingcounty.gov/assessor.

Area Overview

Regionally the temporary lodging market continues to perform well. The vast majority of lodging properties in King County have more than surpassed their peak values from the great recession and King County continues to be one of the strongest markets in the nation. Average Daily Rates (ADR's) have increased from their record performance in 2017 while capitalization rates stayed steady. In 2018 the hotel market continued to see increasing average daily rates (ADRs), throughout King County, extending to the outlying areas.

However, we are starting to see occupancy rates inch downward as more lodging properties come onto the market. Also noticeable in early 2019 is the slowdown in sales of temporary lodging properties coupled with the dramatic slowdown of construction permits. As of January 1, 2019, there were 26 hotel projects noted as being under construction. But upon further analysis, seven of those hotels were completed the first half of 2019. Also, of the 26 hotels noted to be built 10 have not been started. This shows a dramatic shift in hotel construction in this current cycle. It may be an indicator the temporary lodging property market has reached its peak for this business cycle. The inching downward in occupancy rates, the slowdown in area sales, and the drop in new construction permits are all factors that lead the Assessor to closely monitor market fundamentals for the next year.

Lodging Property Description: Seattle is considered a first tier market by investors, so King County has most classes of temporary lodging properties. There are currently 384 hotel / motel parcels in this specialty and that number is still growing.

Hotels are categorized by the Assessor based upon property specific and market data to create, competitive sets for valuation purposes. The Assessor used the 2019 Smith Travel Research Host Almanac as a guideline. All of the expense models utilized their models for expenses. The Assessor, like Host, begins by dividing temporary lodging properties into two groups, full service or limited service. There are a number of new types of hotels that blend together the amenities of both limited and full service hotels, such as select service hotels; thus, the determining factor of whether or not a hotel is limited service or select service is based on how much revenue is generated from food and beverage sales. Hotels where 5% or less of their total revenue is from food and beverage sales are in the limited service category, while lodging properties that get more than 5% of their total revenue from food and beverage sales are in the full service category.

Once lodging properties are divided into one of these two groups they are then assigned to a lodging property class which helps create competitive sets within the two groups. There are three classes utilized by the Assessor for limited service hotels: economy, midscale, and upscale; and five classes utilized by the Assessor for full service hotels: economy, midscale, upscale, upper upscale, and luxury. The delineation between the classes of lodging properties can be blurred, but below is a general description of the categories of temporary lodging properties and the eight classes considered for valuation in this cycle:

Limited Service Lodging: Consists of hotels with room operations only (i.e. without food and beverage service, revenue). Many limited-service hotels offer some of the amenities that guests may expect from higher priced hotels such as a complimentary breakfast bar, business center, etc. however, limited-service hotels lack a significant, dedicated, revenue-producing food and beverage component. In other words, they may provide food and beverages but the revenue from those operations will amount to less than 5%. Below is a description of the three categories of competitive sets of limited service hotels / motels:

1. **Economy:** Hotels in this competitive set generally offer minimal amenities, smaller guest rooms, and modest prices. Typically rooms are accessed from outdoor doorways as opposed to insular halls. Budget, limited service hotels / motels can be found throughout King County. Some examples include: Motel 6, Howard Johnson’s, and Econolodge.

2. **Midscale:** Typically these are simple hotels. These hotels have enclosed passageways, and guest rooms that are slightly larger than economy. They often provide the following amenities: a complimentary breakfast, business center, a fitness room, a guest laundry facility, an indoor and/or outdoor pool, and sometimes small meeting rooms. There are many limited service hotels throughout King County such as: Comfort Inn, Red Lion Inn, and Clarion.

3. **Upscale:** These hotels can best be described as hotels with apartment type guest rooms. Typically they have service and amenities similar to midscale hotels such as, complimentary breakfast, a pool, and fitness center. The significant difference is the guest rooms are suites in most cases which often include a separate walled off sleeping quarter. In addition, they usually have a cooking area complete with appliances and are designed for travelers staying longer than a couple of days. There are a number of these hotels in King County including: Homewood Suites, the Residence Inn, and the Silver Cloud Inn.

Full Service Lodging: Full service hotels typically offer better accommodations, along with more and higher quality service. There is also food service on site. Loosely, the definition of a full service hotel by the Assessor is hotels reporting food and beverage revenues and expenses, where those revenues are greater than 5% of the total lodging property revenue. Below are the five classes of full service hotels used to create the competitive sets for valuation:

1. **Economy:** Typically these hotels are very similar to limited service hotels. They generally offer the same amenities as a limited service, midscale hotels and may even have outdoor passageways. However, these hotels have a restaurant on site. There are very few of these in King County.

2. **Midscale:** The competitive set for this group is also small but it is larger than the competitive set of full service economy hotels. Properties in this category tend to offer the fundamentals of limited service properties together with a few amenities characteristic of full service properties. The goal is to keep operating costs down. They typically are older hotels that lack the space for larger meeting rooms and many of the amenities business travelers prefer. The restaurant is generally a lower quality eating establishment and the rooms are similar to a limited service hotel but slightly larger. Some examples include: The Best Western Plus and the Ramada Inn.

3. **Upscale:** These hotels typically have both a restaurant and a lounge. While there are a wide variety of upscale, full service hotels in King County, they have higher quality accommodations and generally offer guest services of higher quality. Room rates at these hotels are higher than at midscale hotels. Some of the amenities found in this class of hotels include: larger meeting space, fitness facilities, concierge services, etc. In order to provide these services they typically need more space, so the buildings may be larger. Some examples of upscale hotels include: the Courtyard by Marriott, The Silver Cloud Inn – full service, and numerous non-franchised hotels.

4. **Upper Upscale:** This class of hotels has well-appointed locations with high quality amenities including spacious guest rooms and bathrooms. The hotels in this competitive set are typically four or five star quality. The guest rooms may be more lavishly decorated than guest rooms in upscale hotels. Generally they're located in prime city center areas in major cities. Most are found in centralized business locations such as downtown Seattle, downtown Bellevue, and SeaTac. Usually these hotels have large meeting spaces, and high quality, often personalized amenities such as: room service, fitness facilities, concierge services, wedding facilities, etc. Some hotels in this class include: Hyatt Regency, Renaissance Hotels, and Sheraton Hotels.

5. **Luxury Hotels:** These hotels are found in both the heart of the city and in the picturesque surrounding areas. They include boutique hotels and resorts. What differentiates these hotels from other full service hotels is they offer luxury accommodations throughout the hotel. The rooms are lavishly decorated, often with period décor' and they typically offer extra services such as valet parking, concierge services, spa services, etc. on site. Some examples of this are the Alexis Hotel, Hotel 1000 in Seattle, and the Willows Lodge in Woodinville.

In general, well located hotels had the largest value increase in revenue per available room, however, all six neighborhoods in King County experienced value increases. The percentage of value increases were similar between neighborhoods. ADRs were high prior to this year and continued to climb throughout the county. But on the east side some new hotels opened in 2017 and 2018, bringing a larger supply of guest rooms onto the market. This caused occupancy in this neighborhood to shift slightly downward. Thus, the percentage increase in neighborhood 20 was not as great as in neighborhoods 10, 30, 40 and 50. The difference is not significant though. The reason there is not a larger difference lies in the fact that the eastside has the highest number of limited service, upscale hotels and these hotels experience the largest increase in value of the eight classes of hotels denoted. Neighborhood 60, experienced the most modest value increase. This neighborhood is largely comprised of limited service, economy and midscale hotels that encompasses the outlying areas in north King County. Hotels there are more modest than most hotels found in major city cores. Thus, they experienced a smaller value increase, but values nonetheless rose here as well.

King County has continued to out-perform forecaster's predictions when comparing market fundamentals. The following is a list of King County market metrics from the 2019 Host Almanac by Smith Travel Research (STR) and Kidder Mathews 2019 4th Quarter Seattle Hotel Report:

- In the US, hotel industry revenues grew to more than $218 billion in 2018
- Nationwide, luxury class hotels showed the greatest profit increase
- Twenty-five US markets surpassed $2 billion in hotel revenues in 2018 and Seattle was one of them
- Seattle is one of the top 10 cities for highest occupancy and revenue per available room
- Pacific Region overall occupancy was 80.1%
- Pacific Region overall ADR was $222.81
- Pacific Region overall EBITDA was 30.4%
- Pacific Region overall full service occupancy was 80.0%
- Pacific Region overall full service ADR was $247.44
- Pacific Region overall full service EBITDA before reserves was 28.4%
- Pacific Region overall limited service occupancy was 80.3%
- Pacific Region overall limited service ADR was $151.66
- Pacific Region overall limited service EBITDA before reserves was 44.4%
- The largest hotel in Seattle , the Hyatt Regency, came onto the market in December 2018

Below is a table, organized by assigned neighborhood, summarizing the overall change in assessed value of lodging properties. The percentage change, demonstrates how property values increased almost evenly throughout King County.

2019 Hotel / Motel Specialty Area Breakdown					
Area	Name	Improved Parcel Count	2018 Neighborhood AV	2019 Neighborhood AV	Percent Changed
160-10	Seattle Central Business District	80	$3,942,095,100	$4,336,478,000	10.00%
160-20	Bellevue & Surrounding Cities	59	$1,923,190,700	$2,095,339,400	8.95%
160-30	SLU, Northgate, and the University District	56	$1,304,070,126	$1,480,977,900	13.57%
160-40	South Seattle, Renton, Tukwila, and SeaTac	85	$1,172,933,700	$1,304,024,900	11.18%
160-50	South King County	62	$454,014,400	$503,651,000	10.93%
160-60	North Seattle and Northeast King County	57	$274,118,200	$292,551,600	6.72%

Analysis Process

Effective Date of Appraisal: January 1, 2019

Date of Appraisal Report: August 5, 2019

Responsible Appraiser: Mary Guballa - Commercial Appraiser II, Hotel Specialist

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 temporary lodging or mixed 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 building(s) 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 value of the entire property in its existing use. The current improvements add value to the property, and are therefore the highest and best use of the property as improved. On those parcels where the property is not at its highest and best use, a token value of $1,000 is assigned to the improvements and the parcel may be removed from this specialty and returned to the geographical appraiser for valuation, unless it is known that owner plans to redevelop the site for future hotel usage.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Published sources were also used when the sale participants were not willing to discuss sale details. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and owner responses to interviews, surveys or appeals.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis. The income approach is the most commonly used approach by market participants when valuing this type of property and appears to be the most reflective of market value. The sales approach, while utilized, often has many unknowns and multiple parties involved in the transactions. Thus, it is noted as a check for reasonableness with regard to the model. The cost approach is seldom utilized, as the value generated does not calculate all the necessary factors in a hotel and more often the value obtained is significantly below market.

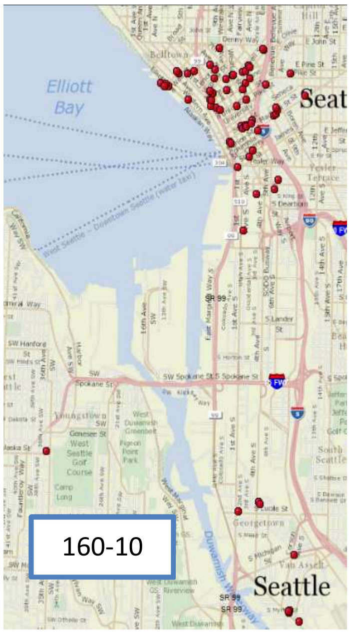
- Sales from 01/01/2016 to 02/15/2019 were considered in the analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6.
- No market trends (market condition or time adjustments) were applied to sales prices. Models were developed without market trends.

- Full Service Hotel sale prices were adjusted downward 10% and Limited-Service Hotel sale prices were adjusted downward 5% to remove the “typical” amount of personal property value (tangible and intangible) included in a sale. See Sale’s Study Analysis in the Addendum

- Personal property was calculated using the hotel valuation method described in “The Valuation of Hotels and Motels for Assessment Purposes” by Stephen Rushmore MAI and Karen Rubin[1]. It is described in more detail in the Hotel Income Capitalization Approach Model Description. The complete article is located in the addendum.

[1] Stephen Rushmore and Karen Rubin. “The Valuation of Hotels and Motels for Assessment Purposes”, The Appraisal Journal (April, 1984); 270-288.

Neighborhood Description



King County has many varieties of temporary lodging properties (hotels / motels) to accommodate both business and travel needs. Most of the inventory is driven by Seattle, Bellevue, and SeaTac. Seattle is considered a first tiered city, therefore their temporary lodging industry attracts local, regional, national and international investors. Seattle is home to Amazon, Bellevue is home to Microsoft, and SeaTac has the area's international airport. These worldwide corporations attract a wide variety of investors and business hotel guests. Seattle is also a major tourist destination. The combination of travel and business is driving the expansion of the temporary lodging market.

Most temporary lodging properties are concentrated in commercial / retail centers; the class and quality of the hotel / motel often depends on the location. For example, the majority of luxury full service hotels are in downtown Seattle or Bellevue or completely outside of the major cities in the picturesque surrounding region. Upscale and Upper Upscale full service hotels are primarily located in the same two downtown commercial business districts. Upscale limited service lodging is typically located close to business centers, such as Redmond (Microsoft), Bellevue (Eastlake), Renton (Boeing and Federal Buildings), etc. And midscale and economy limited service hotel / motels are found throughout the county with a higher density in unincorporated areas in North Seattle, Northeast and South King County. Generally, these hotel / motels are located along State Routes although there are also many along the three major interstate highways.

The Hotel Specialty currently has 384 parcels but that number continues to grow. Approximately 328 parcels are improved and 51 are associated land parcels. Included in the 328 improved parcels are 24 hotel commercial condominium units. All of the properties within this specialty were revalued this year. King County subscribes to a policy of annual revaluation and a six year physical inspection cycle. Valuation models were developed within the eight competitive sets (classes) and this year 58 hotel sales were considered and 54 of those sales were used to test the models for reasonableness.

The following is a brief description of each neighborhood along with a neighborhood map, depicting the location of each hotel in the given neighborhood.

Seattle Central Business District – 160-10

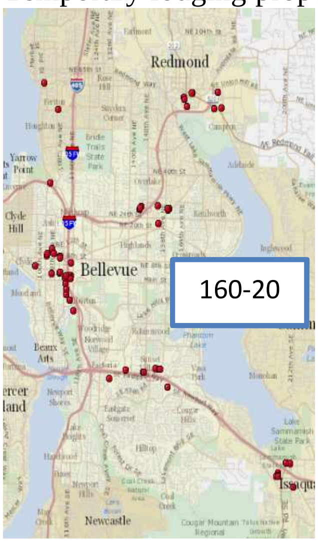
Neighborhood 10 includes all of the temporary lodging properties in the Downtown Seattle Commercial Business District, (CBD). It extends from Denny the Denny Regrade area, south, through Pioneer Square to SoDo and Georgetown and includes a couple of properties in West Seattle. It is bounded on the north by Denny Way and on the south by South Cloverdale. On the east and west sides it has two natural bodies of water to act as boundaries, the Puget Sound and Lake Washington.

The Seattle CBD contains the highest concentration of luxury, upscale, and upper upscale full service hotels, in King County. There are a few limited service hotels but those hotels are found primarily in Pioneer Square and Georgetown. This is a densely populated commercial area and temporary lodging properties are located throughout the neighborhood.

In 2018 this neighborhood had eight hotels come onto the market including the largest hotel in the area, the 1,260 room Hyatt Regency. It has two more hotels currently under construction that should be on the market by the end of 2019. At this time, there are 79 hotel / motel parcels in this neighborhood which comprises 21% of the temporary lodging population. For the 2019 revalue 9 of the 58 sales used, were in this neighborhood. Overall property values in neighborhood 10 increased $349,382,900 or 10.00%.

Bellevue and Surrounding Cities – 160 -20

Temporary lodging properties in Neighborhood 20 are primarily located in Bellevue, Redmond, and Issaquah. In general the neighborhood extends from Bellevue up to Redmond. Specifically, it is bounded on the north by Redmond Way, on the south it includes all hotel properties located on both sides of the I-90 corridor. A natural barrier creates this neighborhood's western boundary, Lake Washington, with Mercer Island included in this neighborhood. The eastern boundary also has a natural barrier, Lake Sammamish. Neighborhood 20 includes three eastside cities Bellevue, Redmond, and Issaquah along with the southern portion of Kirkland.

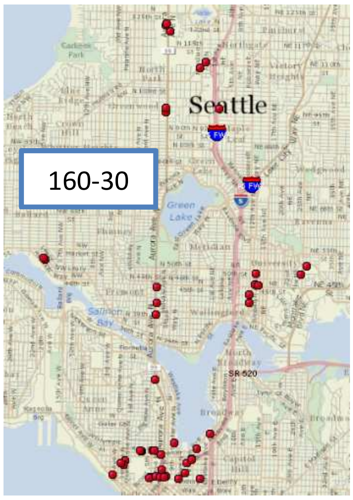


The Bellevue Central Business District, (CBD) contains the second highest concentration of full service hotels and Bellevue overall has the largest number of limited service, upscale hotels of any city in King County. Many Seattle businesses are relocating to the east side because of the favorable business climate and proximity to technology companies such as Microsoft.

Currently there are 58 temporary lodging parcels in this neighborhood. It comprises 15% of the hotel-motel population. In addition, there were three new hotels completed this revalue cycle. This is a significant drop from two years ago and shows that new temporary lodging construction has tapered off this business cycle. Bellevue is also starting to experience declining occupancy rates, and this is something the Assessor will continue to monitor. Of the 58 total sales that occurred this revalue 9 of them or 16% are from this neighborhood. Overall hotel property values increased $172,148,700 or 8.95%.

SLU, Northgate and the University District Hotels & Motels – 160-30

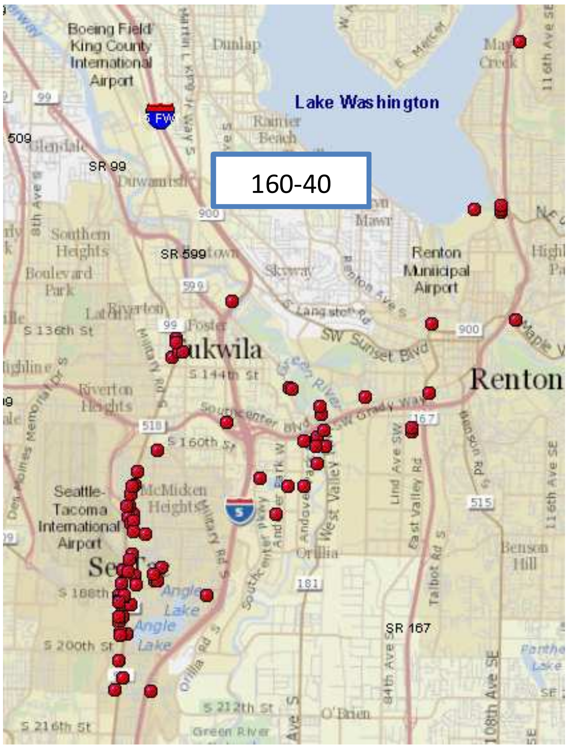
Neighborhood 30 includes all of the temporary lodging properties around South Lake Union, Northgate and the University District. This neighborhood is bounded on the south by Denny Way. Denny Way appears to split Seattle's CBD from the South Lake Union business district; although both areas are home to a number of international businesses. In South Lake Union you will find the Amazon headquarters, the Gate's Grant Foundation, and the Paul Allen Medical Institute, just to name a few. This area is a rapidly developing and its market is one of the strongest in the Pacific Northwest. Continuing on, neighborhood 30 extends north to Northeast 125th Avenue. The northern region encompasses the Northgate area, another area that is seeing more growth. On the west side the neighborhood is bounded by the Puget Sound, so it includes Ballard, an older established area that is currently experiencing some revitalization. And on the east side it is bounded by Lake Washington. The University of Washington is located in east neighborhood 30. The latter two pockets have a smaller number of temporary lodging properties but those numbers will most likely increase in the future.



The prodominant type of temporary lodging properties found in this neighborhood are limited service, with an equal number of all three classes. There are 56 hotel / motel parcels which account for 15% of the total hotel specialty population. This year 9 of the 58 sales were from this neighborhood. This is 16% of the total hotel / motel sales. One new hotel, a Courtyard by Marriott is nearing completion and three more hotels are planned in the future although they have not begun construction. Overall hotel property values in this neighborhood increased $176,907,774 or 13.57%. The larger increase is due in large part to the construction of hotels that occurred on South Lake Union.

South Seattle, Renton, Tukwila, and SeaTac – 160-40

Neighborhood 40 includes the cities of SeaTac, Tukwila and three-quarters of the city Renton. It is bounded on the north by South Cloverdale, although there are no hotels / motels in this area as it is largely residential and industrial. It is bounded on the south along the I-5 corridor by South 210th Street. The southern boundary shifts from South 210th Street in SeaTac to South 180th in Renton along the east side of I-5. Then it shifts north again to SW 27th Street on the east side of State Route 181 or the West Valley Highway. Generally speaking, this neighborhood includes the SeaTac Airport area and wraps around the southern half of Lake Washington.

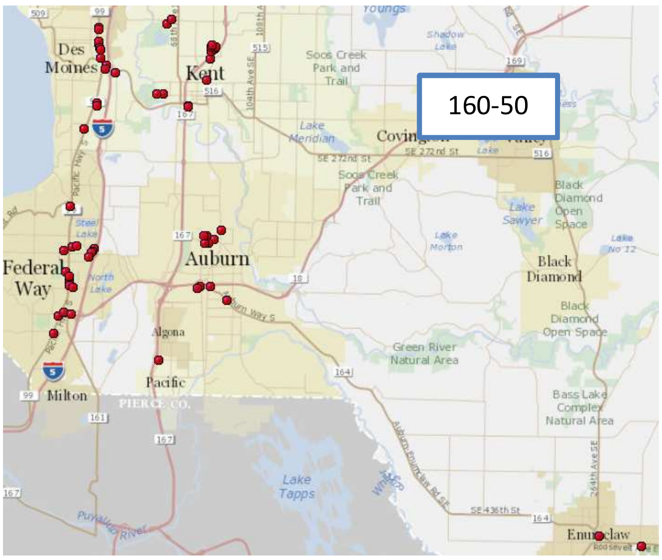


This neighborhood has the largest parcel count of any neighborhood in the hotel specialty. Interestingly, most of the properties from this specialty are not located along I-5 but are instead located along State Route 518 in SeaTac. SeaTac includes the international airport, and many business travelers prefer airport proximity. There are also a significant number of properties clustered around the Westfield Mall area better known as Southcenter. The remaining properties are located in Renton, and Tukwila. While most classes of properties exist in this neighborhood it is predominantly made up of full service upscale, limited service midscale, and limited service economy lodging properties.

At this time there are 85 temporary lodging parcels in this neighborhood that make up 22% of the total hotel - motel population. Five new hotels opened during this last revalue cycle, with one more nearing completion and three more under construction. This neighborhood is also experiencing a lot of growth and that was a significant reason why property values in this neighborhood increased $131,091,200 at 11.18% since last year. This revalue cycle showed that 12 of the 58 hotel properties that sold, or 21%, were from neighborhood 40, underscoring the steady increase in property values.

South King County – 160 -50

The temporary lodging properties in neighborhood 50 are comprised primarily of limited service midscale and limited service economy hotels and motels. This neighborhood is bounded on the north by South 210th Street, on the west by the Puget Sound, on the east by the Cascade Mountains, and on the south by the King County boundary line. The cities included in this neighborhood are: Des Moines, Federal Way, Auburn, Kent and Enumclaw.

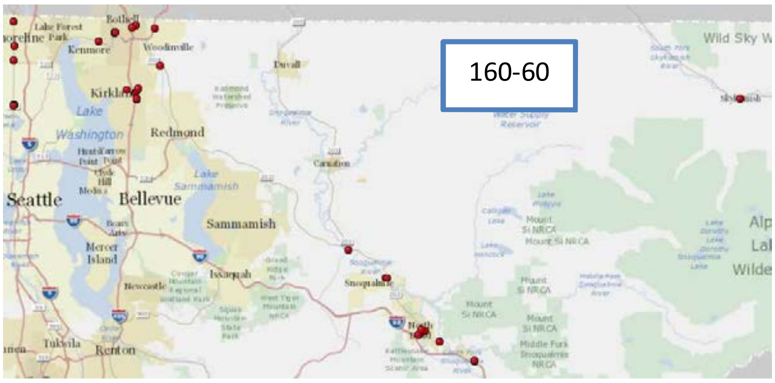


Most properties are situated along State Routes 99, which runs parallel to I-5, and 167, (the Valley Freeway). While the geographic area of neighborhood 50 extends to the King - Pierce and King - Kittitas County lines, there are only two hotels, further east of the downtown areas of Auburn and Kent, and they're both in Enumclaw.

In total there are 63 temporary lodging parcels in this neighborhood which make up 16% of the total hotel - motel population. However, of the 58 hotel properties that sold this last revalue cycle, 19 of them, or 33%, are from this neighborhood, showing the extent of how strong the King County temporary lodging property market is. Two new hotels were completed this last revalue cycle and three more are scheduled to be built, but as of this writing there has been no start. Overall, assessed values in this neighborhood increased $49,636,600 or 10.93%.

North Seattle and Northeast King County – 160-60

Temporary lodging properties are scattered throughout the northern portion of King County which helps create Neighborhood 60. Specifically, this neighborhood extends from the King - Snohomish County Boundary line south to I-90. It is bounded on the east by the county line and the Cascade Mountains. On the west side it is bounded by the Puget Sound. The southern boundary is determined by whether you are on the east or west side of Lake Washington. On the east side, this neighborhood includes the Totem Lake area of Kirkland and all of the smaller towns with a gap where neighborhood 20 was removed. On the west side of Lake Washington, the southern boundary extends down to North 125th Street in north Seattle and includes Shoreline and Kenmore.



Currently there are 43 temporary lodging parcels in this neighborhood which comprises 11% of the total hotel-motel population. One new hotel was completed this revalue cycle, and one more is being planned however there has been no start. Of the 58 total sales that occurred this revalue none one of them were from this neighborhood, so increases in this area are more modest as activity here is slower than elsewhere in the county. Overall hotel property values in this neighborhood increased $18,433,400 or 6.72%.

Physical Inspection Area

WAC 458-07-015 requires each property to be physically inspected at least once during a 6 year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. Property records are updated in accordance with the findings of the physical inspection. Neighborhood 160-10 Seattle Central Business District was physically inspected for the 2019 assessment year. The inspection area was comprised of 79 parcels, or approximately 21% of the 384 total parcels located in Area 160. A list of the physically inspected parcels and an identifying map are included in the addendum of this report

Scope of Data

Land Value Data

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

Improved Parcel Total Value Data

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

Gross sale prices were adjusted to reflect a discount for both intangible and tangible personal property. The adjusted sale price is intended to reflect the taxable selling price. The discounts were arrived at by analyzing the reported personal property amounts listed on sold temporary lodging property's excise tax affidavits. The Assessor analyzed all available excise tax affidavits from 2012 through January 2019 for sales deemed to be arm's length transactions. A downward adjustment of 5% was indicated for limited service hotel / motels and a downward adjustment of 10% was indicated for full service hotels. All sales' prices "used" were adjusted accordingly based upon this analysis.

Preliminary Ratio Analysis

The Assessor uses ratio studies to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales into competitive sets by class and making an allowance for qualitative factors such as: quality, effective age, geographic area, and geographic neighborhood.

The two major aspects of appraisal accuracy are; appraisal level and appraisal uniformity. They are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

Appraisal (Assessment) Level: Estimates of appraisal level are based on measures of central tendency. The weighted mean ratio is the value-weighted average of the arithmetic mean and median ratios in which the weights are proportional to the sales prices. The weighted mean is the sum of the total assessed values divided by the sum of the sales prices. The weighted mean gives equal weight to each dollar of value in the sample, whereas the median and mean give equal weight to each parcel. The weighted mean is an important statistic in its own right and is also used in computing the price related differential (PRD), a measure of uniformity between high and low value properties.

The IAAO performance standards state that the weighted mean ratio should be between 0.9 and 1.10. The preliminary ratio study for Area 160 shows a weighted mean ratio of 91.8% which falls within the lower range of the IAAO guidelines, indicating that the current assessment level, as measured using recent sales, is acceptable but on the lower end of the range. A slight adjustment upward may bring the figures closer to market.

Appraisal (Assessment) Uniformity: Measures of dispersion or variability relate to the uniformity of the ratios. The most generally useful measure of uniformity is the Coefficient of Dispersion (COD). The COD measures the average percentage of deviation between the sale's ratios and the median ratio. The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing properties in smaller rural jurisdictions and between 5.0 and 15.0 for properties in larger, urban market jurisdictions. The ratio study for Area 160 prior to the revalue process shows a COD of 8.75% which is within the IAAO guidelines indicating that the current level of assessment uniformity as measured, using recent sales, is in the acceptable range.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressively in the data where assessment level decreases with increases in sales price. The preliminary ratio study for Area 160 shows a PRD of 1.00 which again is in the IAAO guidelines of an acceptable range.

This study was used along with publications and other data analysis to determine how to adjust values in Area 160. When the new values are implemented the data shows that the weighted mean is now 97.7% which meets the IAAO standards, the COD is now 6.84% which improves upon the previous COD and a PRD remains at 1.00 staying in the acceptable range.

Improved Parcel Total Values

Sales Comparison Approach

The sales comparison approach was not used to develop valuation models for the competitive sets, however, sales data was considered as an additional metric to check for reasonableness of valuation of the selected model's overall value. There were a total of 72 improved sales within the hotel/motel specialty dating from 1/1/2016 to 2/15/2019 and 54 were used for the ratio study analysis, however, 58 were considered fair market transactions and used in overall analysis. The sales were organized by neighborhood, hotel type (limited service or full service), and then by class. There are three limited service classes: economy, midscale, and upscale and five full service classes: economy, midscale, upscale, upper upscale, and luxury. All sales and characteristic data were verified if possible by inspecting the property and calling either the purchaser or seller, inquiring in the field, sending out a questionnaire or calling the broker. Sales used in the analysis are listed in the attached "Sales Used" likewise sales not used in the analysis are listed in the attached "Sales Not Used"

The Assessor utilizes recorded temporary lodging property sales in his analysis of hotel values. Not all hotels report a deduction of intangible and tangible personal property from their gross selling price in order to arrive at a taxable selling price when recording their excise tax affidavit. Likewise, some hotels report an unusually large personal property deduction. Hotel assessed values are intended to reflect the real property value only. In order to compare hotel real property selling prices with real property assessed values, the Assessor has performed an analysis of recorded hotel sales in an effort to determine the typical percentage of actual reported personal property, both intangible and tangible. This analysis suggests on average that recorded sales prices of full service hotels in King County included 10% of the gross sales price allocated to all types of personal property. Recorded limited service hotel sales in King County on average allocate 5% of the gross selling price to all types of personal property. Based upon this analysis, the Assessor adjusted recorded hotel sale prices downward to reflect the removal of both intangible and tangible personal property based on hotel type. The resultant adjusted sale's price is intended to reflect the value of the hotel real property transferred. This value is considered a direct comparison with the Assessor's real property assessed value. *(See sales analysis in addendum)*

Cost Approach Model Description & Calibration

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by the Marshall & Swift Valuation Service. Costs are adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the limited amount of data in place in the Real Property Application. Typically, the cost model is not used as the factors needed to accurately calculate a temporary lodging property's cost are more numerous than the current program can capture. Thus, values generated via in the Assessor's programmed cost model are typically well below market for this type of property.

Hotel Income Capitalization Approach Model Description

The Assessor follows the Rushmore Approach to Hotel valuation in his Direct Capitalization Income Approach to value. The income approach estimates a value for the real property assuming its highest and best use as a hotel. The value estimate does not reflect a specific hotel brand or management group. The value estimate reflects the value of a hotel with the physical attributes described and is based upon the typical income and expense expectancies for the subject's class and market segment. Income variables utilized in the Assessor's income approach are based upon surveyed data and published hotel reports.

Expense ratios utilized in the income approach are based upon information published in the HOST Almanac by Smith Travel Research, (STR). STR, surveys operating statements from more than 10,000 hotels worldwide and enters the results into a database which they utilize to compile information on hotel revenues and expenses. Eight income models were developed for income capitalization of temporary lodging properties. There are three models for limited service hotel / motels and five models for full service hotel / motels, one for each class of hotel.

The HOST Almanac presents information by department, including rooms, food and beverage, etc. They break apart expenses for marketing, utility costs, property and maintenance, administrative and general, as well as selected fixed charges. The HOST Almanac reports

> *"Not all chains and properties report all fixed charges data to STR. Above the Gross Operating Profit (GOP) line, 100 percent of the properties were included. However, below the GOP line the values presented were based on responses from the sample received for each segment. Fixed charges data for those hotels that did report them are presented in the Supplemental Information section. Most hotels, however, do report the selected fixed charges of property taxes and insurance. Therefore, with the large sample of hotel financial statements collected, we believe the selected fixed charges data presented are representative of the total HOST sample."*

As such, these figures reflect the full gamut of hotels rather than just branded or managed hotels.

The Assessor uses the term "diluted expenses" to represent the full gamut of hotels reflected in a hotel class' expenses. The alternative as the HOST Almanac reports above, is their *Supplemental Section* which reports the fixed charges data based only on those hotels that reported them. We refer to these expenses as "undiluted expenses". The undiluted expenses reflect ONLY those fixed charges reported by hotels that experience them. These costs are borne by hotels that have specific branding, franchise fees and management agreements and therefore do **NOT** reflect the full gamut of hotel properties. The Assessor values the real property attributes of a given hotel and does not differentiate between franchised and non-franchised or branded and non-branded hotels, thus, the data represented in the HOST report models is appropriate, for the given class.

The Rushmore method of hotel valuation requires that personal property within a hotel must be isolated and excluded from the real property components. In order to do this, two calculations are necessary: a return "**OF"** personal property and a return **"ON"** personal property. The value attributable to any intangibles is removed via management fees and franchise fee deductions.

Replacement Reserves or FF& E (expense) represents the return **"OF"** the personal property and is reflected in the expense line item. This percentage of gross revenues deduction is based upon the HOST surveyed results reported by all hotels in the given market segment. It is intended to reflect the full gamut of hotels (branded and unbranded; professionally managed and independently managed, etc.).

The second deduction represents the return **"ON"** the tangible personal property and "is based upon the premise that a component of a property is entitled to an annual return equal to its cost of capital comprising that component".[2] The Assessor estimates this component consists of all FF&E currently in use at a hotel considered to be in the particular class or market segment as described in the model. This component is based upon the average value per room of tangible personal property estimated by an analysis of sales in the individual class or market segments. Detail of how that calculation was determined is below.

[2] Ibid, pages 282-285

The formula the Assessor utilizes to capture the return on investment is….

(Room Count) * (Average PP per Room) * (Mortgage Constant + Levy Rate)

The room count and the levy rate is specific to the subject hotel. The mortgage constant utilized by the Assessor is taken from the American Council of Life Insurers (ACLI) report[3] that pertains to subject hotels' area, Seattle-Tacoma Bremerton, WA For example the mortgage constant may be different in the greater in Denver area. The Assessor used the highest rate reported by ACLI for the King County area. The average value of personal property per room for a given class of hotel was obtained by the calculations noted below.

- **Gross Sales price * 90% or 95% = Taxable Selling Price (See Improved Parcel Total Value Data, supra) and *(See Sales comparison approach)***
- **Reported PP / Taxable Selling Price = Percentage of personal property as a ratio of the Taxable Sales Price**
- **Sum (Percentage of personal property as a percent of Taxable Selling Price) / number of entries = Average percentage of personal property as a ratio of Taxable Sales Price**
- **Average percentage of Personal Property as a percent of Taxable Selling Price * Taxable Selling Price / Room Count = PP Value per Room**
- **Sum (PP Value per Room) / number of entries = Average Personal Property per Room**

Average personal property per room is calculated by grouping all hotel sales by type and class. To begin, the gross hotel sale prices were adjusted downward to remove the average percent of personal property (intangible and tangible) as previously described, *5% for limited service and 10% for full service.* This gave us the resultant "taxable selling price". Next the self-reported tangible personal property value, filed the same year as the sale with the King County Assessor, was divided by the resultant "taxable selling price" to get a percentage or ratio of personal property as a percent of taxable selling price. All of the percentages from the hotels in a given class were averaged together to arrive at an average personal property as a percent of taxable selling price ratio. This average ratio was then applied to each sale in the class and then divided by that sale's room count to arrive at that sale's indicated personal property value per room. These results were averaged to arrive at an average per room tangible personal property value for each hotel class.

The expense information provided by the Host report includes typical property taxes paid by hotels. The Assessor removed the percentage provided in the HOST surveys and instead chose to use the subject hotel's individual levy rate. Thus, the net operating income is capitalized with a "loaded" cap rate. This method mirrors the Rushmore Approach to Hotel Valuation[4] as well as follows the IAAO's direction on how best to account for property taxes[5].

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[3] 2019 American Council of Life Insurers (ACLI). Commercial Mortgage Commitments, Fourth Quarter and Annual 2018, page 59

[4] Stephen Rushmore and Karen Rubin. "The Valuation of Hotels and Motels for Assessment Purposes", The Appraisal Journal (April, 1984); page 278

[5] Property Appraisal And Assessment Administration, International Association of Assessing Officers, (IAAO), 1990 pages 258-259

Income

Income parameters relevant to hotels are first and foremost measured by the hotel's average daily rate, (ADR) and its typical occupancy level. Hotels typically generate other revenues through sources such as food and beverage, telecommunications, banquet services, conventions, etc. Those revenues are captured through the hotel models created by the HOST surveys.

Expenses

The Assessor relies on the Host Almanac by Smith Travel Research for each hotel model's expense percentages.

Capitalization Rates

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

2018 HOTEL/MOTEL CAPITALIZATION RATES				
SOURCE	**DATE**	**TYPE**	**2018 AVERAGE RATE/RANGE**	**2017 AVERAGE RATE/RANGE**
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area CBD: Luxury Hotels	6.25% (6.00% - 6.25%)	6.25% (6.00% - 6.50%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area Suburban: Luxury Hotels	7.25% (6.75% - 7.75%)	7.25% (6.75% - 7.75%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area CBD: Full Service	6.50% (6.25% - 6.75%)	6.50% (6.25% - 6.75%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area Suburban: Full Service	8.125% (7.75% - 8.50%)	8.125% (7.75% - 8.50%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area CBD: Select Service	7.00% (6.75% - 7.25%)	7.00% (6.75% - 7.25%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area Suburban: Select Service	8.125% (7.75% - 8.50%)	8.125% (7.75% - 8.50%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area CBD: Economy	8.625% (8.25% - 9.00%)	8.625% (8.25% - 9.00%)
CBRE Cap Rate Survey	Second Half 2018	Greater Seattle Area Suburban: Economy	9.75% (9.25% - 10.25%)	9.75% (9.25% - 10.25%)
IRR Viewpoint	Year End 2018	National Full Service Hotels	8.1%	
IRR Viewpoint	Year End 2018	National Limited Service Hotels	8.8%	
Situs RERC Real Estate Report	Q4 2018	Hotels – Seattle First-Tier Investment Properties	7.50%	7.20%

Situs RERC Real Estate Report	Q4 2018	Hotels – West Region First-Tier Investment Properties	7.25% (6.00% - 8.50%)	7.25% (6.00% - 8.50%)
Situs RERC Real Estate Report	Q4 2018	Hotels – West Region Second Tier Investment Properties	7.75% (7.00% - 8.50%)	7.75% (6.50% - 9.00%)
Situs RERC Real Estate Report	Q4 2018	Hotels – West Region Third Tier Investment Properties	8.75% (7.50% - 10.00%)	8.50% (7.00% - 10.00%)
ACLI	Q4 2018	U.S. Hotel / Motel	6.84%	6.70%
ACLI	Q4 2018	Pacific Hotel/Motel Fixed Rate Loans	6.16%	7.53%
ACLI	Q4 2018	Washington Hotel/Motel Fixed Rate Loans	5.29%	5.64%
ACLI	Q4 2018	Seattle-Bellevue-Everett Hotel/Motel Fixed Rate Loans	5.19%	5.61%
HVS	Year End 2018	Full Service Incl. Luxury – US	6.90% (3.00% - 11.00%)	7.5% (2.60% - 10.80%)
HVS	Year End 2018	Select Service & Extended Stay – US	8.10% (4.50% - 11.00%)	8.60% (4.00% - 15.20%)
HVS	Year End 2018	Limited Service – US	9.00% (5.00% - 14.30%)	9.00% (5.80% - 12.80%)

Income Approach Calibration

ADR (Average Daily Rate): ADRs are expected to continue to move upward at a slower pace. More rooms just recently entered the market and more are expected in the coming year. However, the slowdown in new building permits shows may be an indicator the market is slowing. Nonetheless, Seattle remains one of the top 10 cities in the United States for highest occupancy and revenue per available room. The majority of temporary lodging properties in all areas in King County saw their ADR and RevPAR (Revenue per available room) increase in 2018.

Occupancy: King County has a very strong occupancy rate but the occupancy rate appears to have started inching downward. Neighborhood 20 is starting to see a decrease in occupancy which may be a result of the number of new hotels coming onto the market.

Cap Rates: In 2018, capitalization rates remained stable. It is unclear at this time which direction they are trending.

The following chart gives a general overview of the metric adjustments used to develop the models for Area 160 for this revalue.

2018 Year End Metrics				
ADR	Occupancy Rate	RevPar	Cap Rate	Values
↗ (slight increase)	↘ (slight decrease)	↗ (slight increase)	↔ (stable)	↗ (slight increase)

The following charts show typical ranges for key metrics for each specialty neighborhood based on type and class of hotel. The two charts are separated into limited and full service and summarize metric fundamentals utilized by the Assessor throughout Area 160. Ranges in parameters are generally due to qualitative measures such as: location, building quality, effective age, and maintenance. Specific properties may deviate from what is noted.

Beginning with limited service hotels:

2019 Typical Income Metrics for Limited Service Hotels			
	Economy	**Midscale**	**Upscale**
160-10	ADR $65-$110 OCC 60-65% CR 8.25-8.75%	ADR $100-$160 OCC 65-75% CR 7.75-8.25%	ADR $160-$215 OCC 75-80% CR 6.5-8%
160-20	ADR $85-$90 OCC 60-65% CR 8.5%	ADR $105-$180 OCC 65-80% CR 7.00-8.5%	ADR $155-$210 OCC 65-75% CR 6.75-7.25%
160-30	ADR $70-$125 OCC 60-70% CR 8.25-8.75%	ADR $120-$175 OCC 70-85% CR 7.25-8.25%	ADR $125-$225 OCC 70-85% CR 6.75-8%
160-40	ADR $60-$80 OCC 60-65% CR 8.5-9.25%	ADR $85-$155 OCC 65-75% CR 8.25-8.75%	ADR $120-$175 OCC 65-75% CR 8.25-8.5%
160-50	ADR $60-$70 OCC 60% CR 8.75-9%	ADR $75-$130 OCC 60-75% CR 8.5-9%	ADR $100-$140 OCC 65-70% CR 8.25-8.5%
160-60	ADR $60-$95 OCC 50-65% CR 8.25-9.75%	ADR $95-$165 OCC 65-75% CR 7-8.25%	ADR $175 OCC 70% CR 7%

Followed by full service hotels:

2019 Typical Income Metrics for Full Service Hotels					
	Economy	**Midscale**	**Upscale**	**Upper Upscale**	**Luxury**
160-10	ADR $110-$120 OCC 65-80% CR 7.00%	N/A	ADR $100-$225 OCC 85-85% CR 6.50-6.75%	ADR $175-$250 OCC 75-80% CR 6.5%	ADR $250-$300 OCC 80-85% CR 6.25-6.5%
160-20	N/A	ADR $135-$150 OCC 65-70% CR 7-7.5%	ADR $165-$175 OCC 65% CR 7-7.5%	ADR $150-$215 OCC 65-75% CR 6.5-7.25%	ADR $235-$250 OCC 75% CR 6.75%
160-30	N/A	ADR $150 OCC 80% CR 7%	ADR $150-$200 OCC 75-80% CR 6.75%	ADR $195 OCC 75% CR 6.75%	ADR $300 OCC 80% CR 6.75%
160-40	N/A	ADR $110-$125 OCC 65-70% CR 8%	ADR $110-$150 OCC 65-70% CR 8.0-8.5%	ADR $160-$185 OCC 50-75% CR 7-8.5%	ADR $190 OCC 65% CR 7.5%
160-50	N/A	ADR $110-$125 OCC 60-65% CR 8.5%	ADR $150 OCC 70-75% CR 7.25-8.25%	N/A	N/A
160-50	N/A	N/A	ADR $110-$175 OCC 60-70% CR 7.00-8.00%	N/A	ADR $325 OCC 75% CR 6.75-7.25%

Temporary Lodging Development: A number of new hotels came on the market this last revalue cycle with the Convention center, Hyatt Regency being the largest. This hotel has 1,260 and is the largest hotel in the Pacific Northwest. However, by the end of 2018 new construction had tapered off. Of all the 26 hotel projects that were under construction of 1/1/2019, seven are completed, four will be complete by the end of 2019, five will be complete in 2020, and 10 have not broken ground. This is a sign that construction has greatly slowed and we may be nearing the end of this business cycle.

Below is the current list of hotel projects planned, organized by neighborhood.

Hotel Projects Under Construction								
No	Nbhd	Parcel Number	Hotel Name	Address	City	Stories	Room Count	Expected Completion
1	10	069600-0015	Arrive	2116 4th Ave.	Seattle	8	151	Complete
2	10	094200-0532	SLS Hotel	801 5th Ave	Seattle	15	189	Complete
3	10	197570-0135	Henry the 8th	1520 5th Ave.	Seattle	17	241	No Start
4	10	198620-0085	Citizen M Hotel	201 Westlake Ave. N	Seattle	7	264	Fall, 2019
5	10	198620-0440	SLU-Marriott	300 Terry Ave. N	Seattle	15	280	Winter, 2020
6	10	713783-0020	Unnanmed - Luxury Hotel	1301 5th Ave.	Seattle	12	163	No Start
7	20	082505-9081	Lakeview Hotel	10850 NE 68th St	Kirkland	3	10	Winter, 2019
8	20	122505-9089	Anderson Park Hotel	16630 Redmond Way	Redmond	6	177	Winter, 2020
9	20	570900-0134	Avenue Bellevue	10300 NE 8th Ave	Bellevue	20	252	No Start
10	20	720241-0040	Archer Hotel	7200 164th Ave. NE	Redmond	7	160	Complete
11	20	939970-0820	Holiday Inn Express / Nuovo Apts	969 118th Ave. SE	Bellevue	6	150	Fall, 2020
12	30	276770-0855	No name Hotel	1766 NW Market St	Seattle	7	124	No Start
13	30	276770-3505	Hotel in Ballard	5244 Leary Ave. NW	Seattle	5	99	No Start
14	30	435870-0230	Courtyard by Marriott	10733 Meridian Ave.N	Seattle	5	140	Winter, 2019
15	30	674670-1275	Unnanmed - Luxury Hotel	4512 11th Ave. NE	Seattle	30	168	No Start
16	40	022340-0070	Element Hotel	515 Industry Dr.	Tukwila	5	177	Winter, 2020
17	40	332304-9141	Wingate by Wyndham	19029 International Blvd	SeaTac	6	157	Complete
18	40	332304-9157	Country Inn & Suites	3100 S 192nd St	SeaTac	3	100	Summer, 2020
19	40	332304-9188	Hilton Garden Inn	3056 S 188th St	SeaTac	5	152	Complete
20	40	334450-0006	Residence Inn by Marriott	1100 Lk WA Blvd N	Renton	5	140	Fall, 2019
21	40	609423-0010	Seatac Hyatt House	17300 International Blvd	Tukwila	16	369	No Start
22	50	132104-9050	Holiday Inn Express	503 C Str. SW	Auburn	5	120	Complete
23	50	733140-0405	Tru Microtel	225 Auburn Way S	Auburn	4	90	No Start
24	50	936060-0010	Wyndham Hotel	4873 Auburn Way N	Auburn	3	63	No Start
25	60	092308-9024	Fairfield Inn & Suites	700 Southfork Ave. SW	North Bend			No Start
26	60	784681-0010	Hampton Inn & Suites	35228 Snoqualmie Pkwy	Snoqualmie	5	97	Complete

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 particular characteristics and conditions as they occur in the valuation area.

The income approach was the primary method used to derive the total value for parcels in this specialty. Land values were determined by the geographic appraisers then subtracted from the total value to arrive at the improvement value. Application of the recommended values for the 2019 Assessment Year (taxes payable in 2020) results in a total year over year change of 10.39%.

	2018 Total	2019 Total	% Change
Total Value	$9,070,422,226	$10,013,022,800	10.39%

USPAP Compliance

Client and Intended Use of the Appraisal

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

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

Definition and Date of Value Estimate

Market Value

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

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

Highest and Best Use

RCW 84.40.030

> All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.
>
> An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

WAC 458-07-030 (3) True and Fair Value -- Highest and Best Use

> Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any

reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.

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

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

Date of Value Estimate

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

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

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

Property Rights Appraised

Fee Simple

Wash Constitution Article 7 § 1 Taxation

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

Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)

> “the entire [fee] estate is to be assessed and taxed as a unit”

Folsom v. Spokane County, 111 Wn. 2d 256 (1988)

> “the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee”

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

Assumptions and Limiting Conditions

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

Scope of Work Performed

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

Certification

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

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

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

Mary Guballa

8/8/2019

Name: Mary Guballa - Commercial Appraiser II Date
Hotel Specialist

The Valuation of Hotels and Motels for Assessment Purposes

by *Stephen Rushmore, MAI, and Karen E. Rubin*

The valuation of hotels and motels is a highly specialized form of real estate appraisal, requiring not only a thorough understanding of the many principles and procedures of general appraising, but also an in-depth knowledge of hotel operations. Appraisers soon learn that lodging facilities are more than land, bricks, and mortar; they are retail-oriented, labor-intensive businesses necessitating a high level of managerial expertise. In addition hostelries require a significant investment in personal property (furniture, fixtures, and equipment) that has a relatively short useful life and is subject to rapid depreciation and obsolescence. All these unusual characteristics must be handled in a proper manner during the hotel valuation process in order to derive a supportable estimate of market value.

Stephen Rushmorc, MAI, is president of Hospitality Valuation Services, Inc. of Mineola, New York. A graduate of the Cornell School of Hotel Administration. Mr. Rushmorc has an M.B.A. from the University of Buffalo. He is the author of two Institute monographs. *The Valuation of Hotels and Motels* and *Hotels, Motels and Restaurants: Valuations and Market Studies,* as well as the Institute's seminar on the valuation of hotels and motels. Mr. Rushmore is currently a member of the editorial board of *The Appraisal Journal.*

Karen E. Rubin is executive vice-president of Hospitality Valuation Services, Inc., of Mineola, New York, a firm specializing in hotel-motel valuations and market studies. A graduate of the Cornell School of Hold Administration, Ms. Rubin specializes in litigation involving hotel property tax matters. She has developed several appraisal guides for both municipal assessing departments and national hold chains.

In most hotel valuations the appraiser is called upon to estimate the market value of the total property, which includes four components: land, improvements, personal property, and the going business. If such an appraisal is considered highly specialized, one can imagine the additional difficulties that present themselves when the valuation is for assessment purposes and only the real property components—land and improvements—can be considered.

REAL ESTATE TAXATION

Real estate taxes are one of the primary revenue sources used by municipalities to obtain capital for public expenditures such as highways, parks, welfare, interest on bonds, and other governmental services. The purpose of real estate taxes is the allocation of the municipal tax burden on the basis of real estate value. The higher the value of the real estate owned by a taxpayer, the larger the proportion of the tax burden he or she will assume. The legal term for real estate tax is *ad valorem tax.* or "in proportion to value."

To establish the proper allocation of the tax burden, municipalities employ assessors to assess all the taxable real estate within their jurisdictions. Theoretically, the assessment bears a definite relationship to market value so that properties of equal market values will have similar assessments and properties of higher and lower values will have proportionately larger and smaller assessments.

Assume that a taxing jurisdiction has just four properties. According to local assessment procedures, the relationship between assessed value and market value is 30%. The following chart shows the assessed values based on the estimate of market values:

Property	Estimated Market Value	Assessed Value (30% ad valorem)
1.	$ 75,000	$ 22.500
2.	100,000	30.000
3.	125,000	37.500
4.	150,000	45,000
Total	$450.000	$135,000

The total assessed value of the taxing jurisdiction is known as the *tax base* and is used to calculate the tax rate. If the annual municipal budget for this taxing jurisdiction is $18,000 the tax rate would be

$$\frac{\$18{,}000}{\$135{,}000} = \$1.333 \text{ per } \$1 \text{ of assessed value}$$

or, $133.33 per $1,000 of assessed value.

Therefore, the total tax burden is allocated as follows:

Property	Assessed Value		Tax Rate		Real Estate Tax Burden
1.	$22.500	X	$.1333	=	$3,000
2.	30,000	X	.1333	=	4,000
3.	37,500	X	.1333	=	5,000
4.	45,500	X	.1333	=	6,000
			Total	=	$18.000

The preceding example shows the mechanics of allocating the municipal budget based on real estate assessed values. From this example, several relationships can be observed:

- The allocation of the tax burden to each property will not change should the relationship between the assessed value and market value be altered. Some municipalities assess at 100% of market value while others employ a percentage of market value.
- Should a fifth property be developed within the taxing jurisdiction, the tax base will increase and the tax rate will decrease, assuming the municipal budget remains constant. Although the assessed value of the properties does not change, the individual tax burden decreases.
- A change in the municipal budget affects only the tax rate.'

The key to establishing the proper assessment is the estimate of market value. The term *market value* is defined by the International Association of Assessing Officers as follows:

> The highest price estimated in terms of money which a property will bring if exposed for sale in the open market, allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used.[2]

APPROACHES TO VALUE

In appraising real estate for market value, the professional appraiser has three approaches from which to select: the cost approach, the sales comparison approach, and the income capitalization approach. While all three valuation procedures are normally given consideration, the inherent strengths of each approach and the nature of the subject property must be evaluated in order to determine which will provide supportable estimates of market value.

1. Stephen Rushmore. "What Can Be Done About Your Hotel's Real-Estate Taxes?" *The Corncll Hotel and Restaurant Administration Quarterly* (May 1977): 78-79.
2. *Assessing and the Appraisal Process*, 5th ed. (Chicago: International Association of Assessing Officers, 1974), 10.

The appraiser is then free to select one or more of the appropriate approaches in arriving at a final value estimate.

THE COST APPROACH

The cost approach is an estimation of market value developed by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence, and economic obsolescence. The value of the land as if vacant and available is then added to the depreciated value of the improvements to produce a total value estimate.

The cost approach may sometimes provide a reliable estimate of value for newly constructed properties; however, as buildings and other forms of improvements increase in age and begin to depreciate, the resultant loss in value becomes increasingly more difficult to quantify accurately.

Knowledgeable buyers of lodging facilities generally base their purchase decisions on economic factors such as forecasted net income and return on investment. Since the cost approach does not reflect any of these income-related considerations, but requires instead a number of highly subjective and unsubstantiable depreciation estimates, this approach is usually given very little weight in the hotel valuation process.

THE SALES COMPARISON APPROACH

The sales comparison approach estimates the value of a property by comparing it with similar properties recently sold in the open market. To obtain a supportable estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarities between it and the subject property.

The sales comparison approach may provide a usable value estimate for simple forms of real estate such as vacant land and single family homes, where the properties are homogeneous and adjustments are few in number and relatively simple to compute. However, for larger and more complex investments such as shopping centers, office buildings, and hotels, where the adjustments are numerous and more difficult to quantify accurately, the market approach quickly loses its reliability.

As with the cost approach, hotel investors typically do not employ the sales comparison approach in reaching their final purchase decisions. Various elements such as the lack of timely comparable hostelry data, the hundreds of unsupportable adjustments, and the general inability to determine the true financial terms and human motivations of comparable transactions, usually make the results of the sales comparison approach highly questionable. Occasionally, sales comparison provides a range of values that may bracket and support the income capitalization approach. However, any reliance beyond the establishment of very broad parameters is not normally justified by the quality of data, The market-derived capitalization rates sometimes utilized by appraisers are also susceptible to the same shortcomings inherent in the sales comparison approach. To substantially reduce the reliability of the income capitalization approach by employing capitalization rates obtained from unsupported market data not only weakens the final estimate of value, but also ignores the normal investment analysis procedures employed by hotel purchasers.

Because appraisers are obligated to mirror the actions of the marketplace rather than create hypothetical valuation procedures, the sales comparison approach is generally given very little weight in the hotel appraisal process.

THE INCOME CAPITALIZATION APPROACH

The income capitalization approach takes a property's forecasted net income before debt service and allocates these future benefits to the mortgage and equity components based on market rates of returns and loan-to-value ratios. Through a discounted cash flow and income capitalization procedure, the value of each component is calculated. The total of the mortgage component plus the equity component equals the value of the property. This approach is often selected as the preferred valuation method for income-producing properties because it most closely reflects the investment thinking of knowledgeable buyers.

Nationwide experience indicates that the procedures utilized in estimating market value by the income capitalization approach are comparable to those employed by the hotel and motel investors actually comprising the marketplace. For this reason the income capitalization approach produces the most supportable value estimate and is generally given the greatest weight in the hotel valuation process.

VALUING HOTELS FOR ASSESSMENT PURPOSES

A lodging facility is a unique form of real estate, consisting of four components: land, improvements, going business, and personal property. When valuing hotels and motels for real property assessment purposes, where only the market value of land and improvements is at issue, the appraiser must break down or subdivide the overall property value into its individual components. This procedure requires an understanding of hotel operations as well as the economic relationship of each component to the entire property. Hotels and motels are almost always valued by an income capitalization approach that takes the property's stabilized net income and capitalizes it into an estimate of market value.

STABILIZED NET INCOME

The stabilized net income is intended to reflect the anticipated operating results of the hotel over its remaining economic life, given any or all applicable stages of buildup, plateau, and decline in the life cycle. Therefore, such stabilized net income excludes from consideration any abnormal relation of supply and demand and any transitory or nonrecurring conditions that may result in unusual revenues or expenses of the property. The net income used for property tax appraisals excludes any deductions for real estate taxes since this expense is the issue of the appraisal.

The process of deriving the stabilized net income for a lodging facility requires the appraiser to look into the future and estimate operating revenues and expenses. This is accomplished by forecasting or predicting trends in historical performance based on the hotel's current position in an economic life cycle.

Most types of real estate exhibit a pattern or life cycle in their ability to generate income over a period of time. Usually, a property's net income will start low and rise quickly, reaching a plateau before slowly declining. The length of the life cycle is termed the economic or useful life. A hotel or motel has a life cycle which normally ranges from 20 to 40 years. The growth in real net income will generally peak sometime during the eighth to fourteenth year and slowly decline. Although a hotel's life cycle can sometimes be extended through an infusion of capital for redecorating and upgrading, the appraiser is usually interested in the basic cycle unless upgrading has recently been accomplished.

By determining a hotel's position in its life cycle, the appraiser is able to forecast future income based on historical operating results. Three examples illustrate this procedure.

A new hotel which opened three years ago showed a normal upward growth in occupancy.

Year	Occupancy
1980	55%
1981	67%
1982	69%

It appeared from a market area evaluation that a 70% occupancy represents a stabilized level. Table 1 is a statement of income and expense that shows the three years of actual operating results and the stabilized forecast. When this stabilized estimate of occupancy level is combined with the historical performance of the operation, a stabilized forecast of operating results can be made.

A 10-year-old hotel has shown operating performance that has oscillated up and down.

Year	Occupancy
1980	68%
1981	72%
1982	69%

TABLE 1

A New Hotel: Upward Life Cycle
Statement of Income and Expenses

Year:	1980		1981		1982		Stabilized	
Number of rooms:	300		300		300		300	
Occupancy:	55%	% of	67%	% of	69%	% of	70%	% of
Average rate:	$58.77	Gross	$62.30	Gross	$66.04	Gross	$70.00	Gross
Revenues								
Rooms	$3,540,000	49.8%	$4,571,000	51.9%	$4,989,000	52.2%	$5,366,000	52.4%
Food	2,356,000	33.1	2,792,000	31.7	3,011,000	31.5	3,219,000	31.4
Beverage	1,060,000	14.9	1,256,000	14.3	1,355,000	14.2	1,449,000	14.1
Telephone	115,000	1.6	139,000	1.6	150,000	1.6	161,000	1.6
Other income	40,000	0.6	47,000	0.5	50,000	0.5	54,000	0.5
Total	7,111,000	100.0	8,805,000	100.0	9,555,000	100.0	10,249,000	100.0
Departmental costs & expenses								
Rooms	1,018,000	28.8*	1,171,000	25.6*	1,257,000	25.2*	1,341,000	25.0*
Food & beverage	2,894,000	84.7*	3,272,000	80.8*	3,505,000	80.3*	3,734,000	80.0*
Telephone	127,000	110.4*	142,000	102.2*	151,000	100.7*	161,000	100.0*
Total	4,039,000	56.8	4,545,000	52.1	4,913,000	51.4	5,236,000	51.1
Gross operating income	3,072,000	43.2	4,220,000	47.9	4,642,000	48.6	5,013,000	48.9
Undistributed operating expenses								
Administrative & general	658,000	9.3	723,000	8.2	771,000	8.1	820,000	8.0
Marketing	367,000	5.2	406,000	4.6	434,000	4.5	461,000	4.5
Property operations & maintenance	320,000	4.5	360,000	4.1	385,000	4.0	410,000	4.0
Energy	245,000	3.4	264,000	3.0	280,000	2.9	300,000	2.9
Total	1,590,000	22.4	1,753,000	19.9	1,870,000	19.5	1,991,000	19.4
House profit	1,482,000	20.8	2,467,000	28.0	2,772,000	29.1	3,022,000	29.5
Field expenses								
Insurance	26,000	0.4	27,000	0.3	29,000	0.3	30,000	0.3
Net income	$1,456,000	20.4%	$2,440,000	27.7%	$2,743,000	28.8%	2,992,000	29.2%

*Expressed as a percentage of departmental revenue

This property appears to be at the peak or plateau portion of its life cycle, and continuation at a 70% stabilized occupancy level is reasonable. Table 2 shows the three years of actual operating results plus the stabilized forecast, derived by combining the historical performance with the stabilized estimate of 70% occupancy.

A 15-year-old hotel has shown declining performance over the past three years.

Year	Occupancy
1981	78%
1981	75%
1982	71%

TABLE 2
A Mid-Age Hotel: Plateau Life Cycle Statement of Income and Expenses

Year:	1980		1981		1982		Stabilized	
Number of rooms:	300		300		300		300	
Occupancy:	68%	% of	72%	% of	69%	% of	70%	% of
Average rate:	$58.77	Gross	$62.30	Gross	$66.04	Gross	$70.00	Gross
Revenues								
Rooms	$4,376,000	52.1%	$4,912,000	52.7%	$4,989,000	52.2%	$5,366,000	52.4%
Food	2,657,000	31.6	2,914,000	31.2	3,011,000	31.5	3,219,000	31.4
Beverage	1,196,000	14.2	1,311,000	14.0	1,355,000	14.2	1,449,000	14.1
Telephone	132,000	1.6	146,000	1.6	150,000	1.6	161,000	1.6
Other income	44,000	0.5	48,000	0.5	50,000	0.5	54,000	0.5
Total	8,405,000	100.0	9,331,000	100.0	9,555,000	100.0	10,249,000	100.0
Departmental costs & expenses								
Rooms	1,112,000	25.4*	1,209,000	24.6*	1,257,000	25.2*	1,341,000	25.0*
Food & beverage	3,104,000	80.6*	3,357,000	79.5*	3,505,000	80.3*	3,734,000	80.0*
Telephone	134,000	101.5*	144,000	98.6*	151,000	100.7*	161,000	100.0*
Total	4,350,000	51.7	4,710,000	50.6	4,913,000	51.4	5,236,000	51.1
Gross operating income	4,055,000	48.3	4,621,000	49.4	4,642,000	48.6	5,013,000	48.9
Undistributed operating expenses								
Administrative & general	684,000	8.1	734,000	7.9	771,000	8.1	820,000	8.0
Marketing	385,000	4.6	413,000	4.4	434,000	4.5	461,000	4.5
Property operations & maintenance	341,000	4.1	368,000	3.9	385,000	4.0	410,000	4.0
Energy	249,000	3.0	265,000	2.8	280,000	2.9	300,000	2.9
Total	1,659,000	19.8	1,780,000	19.0	1,870,000	19.5	1,991,000	19.4
House profit	2,396,000	28.5	2,841,000	30.4	2,772,000	29.1	3,022,000	29.5
Field expenses								
Insurance	26,000	0.3	27,000	0.3	29,000	0.3	30,000	0.3
Net income	$2,370,000	28.2%	$2,814,000	30.1%	$2,743,000	28.8%	2,992,000	29.2%

*Expressed as a percentage of departmental revenue

This property is at the downward phase in its life cycle, and a 70% stabilized occupancy level would be appropriate. The statement of income and expenses in table 3 shows the three years of actual operating results plus the stabilized forecast which has been derived from historical performance trended downward to reflect the lower 70% stabilized estimate of occupancy.

Where the possibility of litigation is present for property tax appraisals, many disputes could be settled by using a hotel's actual operating revenues and expenses for either the year prior to or subsequent to the dale of value. As the previous examples demonstrate, most hotels older than eight years are in the plateau or declining stages of their life cycle, and the historic net income docs not significantly understate what can be considered a stabilized level. For example, if the actual 1981 net income of the 10-year-old hotel was

TABLE 3

An Older Hotel: Declining Life Cycle

Statement of Income and Expenses

Year:	1980		1981		1982		Stabilized	
Number of rooms:	300		300		300		300	
Occupancy:	78%	% of	75%	% of	71%	% of	70%	% of
Average rate:	$58.77	Gross	$62.30	Gross	$66.04	Gross	$70.00	Gross
Revenues								
Rooms	$5,020,000	53.4%	$5,116,000	53.0%	$5,134,000	52.5%	$5,366,000	52.4%
Food	2,888,000	30.7	2,988,000	31.0	3,063,000	31.3	3,219,000	31.4
Beverage	1,300,000	13.8	1,345,000	13.9	1,378,000	14.1	1,449,000	14.1
Telephone	146,000	1.6	150,000	1.6	153,000	1.6	161,000	1.6
Other income	48,000	0.5	49,000	0.5	51,000	0.5	54,000	0.5
Total	9,042,000	100.0	9,648,000	100.0	9,779,000	100.0	10,249,000	100.0
Departmental costs & expenses								
Rooms	1,184,000	23.6*	1,232,000	24.1*	1,274,000	24.8*	1,341,000	25.0*
Food & beverage	3,264,000	77.9*	3,409,000	78.7*	3,541,000	79.7*	3,734,000	80.0*
Telephone	139,000	95.2*	146,000	97.3*	152,000	99.3*	161,000	100.0*
Total	4,587,000	48.8	4,787,000	49.6	4,967,000	50.8	5,236,000	51.1
Gross operating income	4,815,000	51.2	4,861,000	50.4	4,812,000	49.2	5,013,000	48.9
Undistributed operating expenses								
Administrative & general	704,000	7.5	740,000	7.7	776,000	7.9	820,000	8.0
Marketing	398,000	4.2	418,000	4.3	437,000	4.5	461,000	4.5
Property operations & maintenance	357,000	3.8	373,000	3.9	388,000	4.0	410,000	4.0
Energy	252,000	2.7	266,000	2.8	281,000	2.9	300,000	2.9
Total	1,711,000	18.2	1,797,000	18.7	1,882,000	19.3	1,991,000	19.4
House profit	3,104,000	33.0	3,064,000	31.7	2,930,000	29.9	3,022,000	29.5
Field expenses								
Insurance	26,000	0.3	27,000	0.3	29,000	0.3	30,000	0.3
Net income	$3,078,000	32.7%	$3,037,000	31.4%	$2,901,000	29.6%	2,992,000	29.2%

'Expressed as a percentage of departmental revenue

used to estimate the stabilized level, it would have understated the profit by 5.9%. The actual 1982 net income understates the stabilized level by 8.3%. An even closer relationship exists for older hotels where the actual 1981 net income of the 15-year-old hotel was 1.5% over the stabilized level and the actual 1982 net income was *3%* below the stabilized level. None of these divergencies can be considered unacceptable, particularly over a period of time where the smoothing impact of averaging tends to minimize the differences.

CAPITALIZATION RATE

The capitalization rate is the weighted cost of the invested capital that takes the form of mortgage debt and equity. For properly tax appraisals the capitalization rate will also include the local tax rate expressed as a percentage of market value. This allows the appraiser to capitalize the net income before real estate taxes by assuming that the ultimate tax burden will equate 10 the municipally mandated relationship to market value.

If the taxing jurisdiction's assessments are based on l00% of market value, then the tax rate is simply added to the overall capitalization rate. If the jurisdiction assesses at less than 100% of market value, the effective tax rate is first calculated by multiplying the assessment ratio by the tax rate. The effective tax rate is then added to the overall capitalization rate.

Occasionally, the stated ratio of assessment used by the assessor differs from the actual or what is called the common level ratio. An assessed value calculated by using a ratio of assessment higher than the common level ratio will overstate a property's assessed value and tax burden. Care must be taken to ensure that the municipally stated assessment ratio is, in fact, being uniformly applied to all properties within the jurisdiction.

The example below demonstrates the procedure for valuing hotels and motels for assessment purposes. The previously cited new 300-room hotel with the upward life cycle showed a 70% stabilized level of occupancy which is expected to continue for the foreseeable future. A forecast of income and expense at the stabilized occupancy level resulted in the following operating data:

	Stabilized
Occupancy	70%
Average rate	$70.00
Rooms revenue	$5,366,000
Total revenue	$10,249,000
Stabilized net income before real estate taxes and mortgage kicker	$2.992,000

The stabilized net income before real estate taxes and mortgage kicker represents the subject's operating income and contains profits generated from the land, improvements, going concern, and personal property components. To isolate and value the real properly components, the following procedure is recommended:

<u>Capitalization Rate Data as of the Date of Value</u>

Mortgage interest	12.5%
Mortgage kicker	2.0% of rooms revenue
Mortgage term	30 years
Mortgage constant	.1280
Loan-to-value ratio	75%
Equity dividend	12%
Assessment ratio	45%
Real estate tax rate	$57.40 per $1,000
	or
	$.0574 per $1

The before-tax overall rate is developed by the band of investment, which is a weighted average of the cost of capital plus an adjustment for the real estate tax rate.

Mortgage	.75	x	.1280	=	.0960
Equity	.25	x	.1200	=	.0300
After-tax overall rate				=	.1260
Tax adjustment:	.45	x	.0574	=	.0258
Before-tax overall rate					.1518

The .126 after-tax overall rate is the average of the mortgage constant and equity dividend rate at a 75%-to-25% weighting. The tax adjustment shows that the property tax burden will equate to 2.58% of the real property's market value. This relationship of the assessment ratio to the real estate tax rate is known as the effective tax rate.

The example further assumes that the mortgage requires a *2%-of-rooms* revenue kicker, which can be expressed as an additional expense deduction.

Stabilized net income before real estate taxes and mortgage kicker	$2,992,000
Less: Mortgage kicker ($5,366,000 x .02)	107,000
Stabilized net income before real estate taxes	$2,885,000

The value of the going business and the personal properly components must now be separated from the total property in order to isolate the pure real property (land and improvements) value. Since the appraisal is based on an income approach, the overall value may be subdivided by ascribing a portion of the income flow to a particular component and deducting that flow from the stabilized net income before real estate taxes.

BUSINESS VALUE ADJUSTMENT

The business component of a hotel's income stream accounts for the fact that a lodging facility is a labor-intensive, retail-type activity that depends upon customer acceptance and highly specialized management skills. In contrast to an apartment or office building where tenants sign leases for one or more years, a hotel experiences a complete turnover of patronage every two to four days. A bad reputation spreads rapidly and can have an immediate effect on occupancy. In addition a hostelry generally offers food and beverage services which further complicate the operation and require additional business and managerial talents.

Another facet of business value is the benefits that accrue from an association with a recognized hotel company through either a franchise or management contract affiliation. Chain hotels generally out-perform independent and the added value created by increased profits is exclusively business related.

Several procedures have evolved to estimate the business value of a lodging facility. The most appropriate theory for today's environment is based on the premise that by employing a professional management agent to take over the day-to-day operation of the hotel—thereby allowing the owner to maintain only a passive interest—the income attributed to the business has been taken by the managing agent in the form of a management fee. Deducting a management fee from the stabilized net income thereby removes a portion of the business component from the income stream.

An additional business value deduction must also be made if the property benefits from a chain affiliation. This is accomplished by either increasing the management fee expense or by adding a separate franchise fee deduction. Hotel management fees, expressed as a percentage of total revenue, range from 2% to 4% for independent, nonchain management companies, and from 4% to 8% for the larger chain and nationally recognized agents. Franchise fees will usually range from 3% to 5% of total rooms revenue. Often hotels will be managed by one of the smaller independent management companies and also maintain a franchise affiliation. The proper business value deduction in this instance would be a management fee expense of *1%* to 4% of total revenue plus a franchise fee of 3% to 5% of rooms revenue. The amount of business value deduction under this set of circumstances should approximate the management fee expense charged by a national hotel chain.

The following calculations show both management assumptions:

Managed by Nationally Recognized Hotel Chain

Total Revenue		Management Fee National Hotel Chain		Business Income
$ 10,249,000	x	.05	=	$512,000

Managed by Independent with Franchise Affiliation

Total Revenue	Management Fee Independent	
$ 10,249,000	x .03 =	$307,000
Rooms Revenue	Franchise Fee	
$5,366,000	x .04 =	215,000
	Business Income =	$522,000

The calculation above demonstrates that the income attributed to the going business is similar under both assumptions. If the subject were an independent hotel without a franchise identity, the proper business value deduction in this instance would be $307,000.

The theory of using a management fee in property tax assessment valuations to separate the income attributed to the going concern from the income attributed to the overall property is further supported by the fact that a large number of hotels are operated by managing agents and their fees have become a normal operating expense that is routinely included in all hotel appraisals.

PERSONAL PROPERTY ADJUSTMENT

The personal property within a hotel is known as furniture, fixtures, and equipment (F F & E). Although some jurisdictions assess and tax personal property separately, it must be isolated and excluded from the real property components. Two calculations are necessary to remove the personal property value from the income flow: a return of personal property and a return on personal properly.

The return of personal property is based on the fact that F F & E has a relatively short useful life and must be replaced on an ongoing basis. The Internal Revenue Service's "Depreciation Guidelines and Rules" state that the life expectancy for hotel furnishings and equipment averages six to ten years. Although the replacement of F F & E is a capital expenditure and is not included on an accountant's income and expense statement, it does represent a reduction in cash flow and equity return, which has a negative effect on a property's market value. Hotel companies and appraisers account for the frequent replacement of F F & E by establishing an expense deduction known as a reserve for replacement. This fund reduces the hotel's cash flow in annual installments by an amount necessary to replace all existing F F & E with new F F & E over an assumed useful life. Two procedures are generally used for calculating the reserve for replacement: straightline and percentage of revenue.

STRAIGHTLINE METHOD

The current cost to furnish and equip the subject property with new F F & E is estimated to be $10,250 per room. This represents guest rooms, lobby, restaurant and lounge furnishings, kitchen, front desk, office equipment, and all other items of F F & E expressed on a per room basis. The useful life is estimated at 10 years. The yearly reserve for replacement or return of personal property is calculated as follows:

Number of Rooms	Replacement Cost	Total Cost
300 x	$10.250 =	$3,075,000
Estimated life		10 years
Yearly return of personal property		$308,000

A somewhat lower yearly return of personal property would result if an interest-bearing sinking fund was established to accumulate the reserve for replacement. In reality, however, hotels are not closed down and totally refurbished once every eight to ten years. The replacement process is ongoing with soft goods lasting one to three years, case goods eight to ten years, and kitchen equipment twelve to fifteen years. The actual reserve fund generally has a minimal balance and any accumulation of interest is insignificant. The use of a sinking fund calculation in establishing a yearly return of personal property would therefore not be appropriate.

PERCENTAGE OF REVENUE

The total stabilized revenue for the subject property is estimated at $10,249,000 and the appropriate reserve for replacement, expressed as a percentage of revenue, has been set at 3%. The yearly reserve for replacement or return of personal property is calculated as follows:

Total Revenue	Percentage of Revenue	Yearly Return of Personal Property
$10,249,000 x	.03	$307,000

The percentage of revenue procedure is well supported and documented by numerous hotel management companies who stipulate specifically in their contracts that a reserve for replacement must be maintained and the formula is to be based on a percentage of total revenue. The industry norm for a reserve for replacement expressed as a constant percentage ranges from 2.5% to 3.5%. Sometimes the formula starts with a lower percentage (l% to 2%) during the initial years of operation and increases in a series of steps to a 4% to 5% level in the seventh to tenth year. For appraisal purposes the constant percentage is the most appropriate.

The return on personal property is the second calculation required to remove the income attributed to personal property from the income stream. It is based on the premise that a component of a property is entitled to an annual return equal to the cost of the capital comprising that component. In this instance the component consists of all F F & E currently in use at the subject property. The value of the F F & E component can be estimated in several ways. A personal property appraiser might inventory and value each item, thereby producing a highly supportable value estimate, but this procedure can be both time-consuming and costly. If the taxing jurisdiction separately assesses personal property, using the current assessed value alleviates many disputes. Occasionally, the book value of the F F & E may be utilized, but this method tends to understate its market value in use.

The percentage rate of return on personal property should reflect the cost of capital commonly used to purchase F F & E. Chattel mortgages, which normally bear interest rates ranging from two to five points over real estate mortgages, demonstrate the perceived risk in personal property investments. Unfortunately, chattel financing is somewhat rare and interest rates for these loans are difficult to document. The current interest rates on hotel mortgages probably understate the required F F & E rate of return, but this readily available data establishes a firm benchmark that is difficult to dispute.

The value of the F F & E currently in use at the subject property was estimated at $4,000 per room and supported by the personal property assessment. The percentage rate of return was based on a 12.5% mortgage interest rate. Since the F F & E is subject to personal properly tax, the personal property tax rate is loaded into the rate of return in the same manner as the real property tax rate is combined with the overall rate. In the subject's jurisdiction F F & E is assessed at 100% of market value and the current personal property tax rate is .015. Combining the personal property rate of return of .125 with the personal property lax rate results in a total personal property rate of .14. The return on personal property is calculated as follows:

Number of Rooms	Value of Existing F F & E	Total Value
300 x	$4,000	$l,200,000
Rate of return and personal property taxes		.14
Return on personal property		$ 168,000

The total income attributed to personal property is the combination of both the return of and on personal property.

Return of personal property	$307,000
Return on personal properly	168,000
Income attributed to personal property	$475,000

Deducting the income attributed to the business and the income attributed to personal property from the stabilized net income before real estate taxes results in the income attributed to the real property components of land and improvements.

Stabilized net income before real estate taxes	$2,885,000
Less:	
Income attributed to the business	522,000
Income attributed to personal property	475,000
Stabilized net income attributed to real property	$l.888,000

The valuation process using the income capitalization approach takes the stabilized net income attributed to real property, which was calculated before real estate taxes, and divides that amount by the before-tax overall rate.

Stabilized net income attributed to real properly / Before-tax overall rate	= $1,888,000 / .1518	=	$12,437,417
Market value of real property		or,	$12,400,000

PROOF OF VALUE

The value of the real property can be proven by deducting the real and personal property taxes from the stabilized net income before real estate taxes and using an overall rate without the tax adjustment to verify the value of the real property component.

Market value of real property	$12,400,000
Assessment ratio	.45
Assessed value	$ 5,580,000
Tax rate	.0574
Real estate tax	$ 320,000
Stabilized net income attributed	
to real property	$ 1,888,000
Less: Real estate tax	320,000
Stabilized net income	$ 1,568,000
$1,568,000 / .126 =	$12,444,444
or,	$12,400,000

Using a market valuation of the subject's real property of $12,400,000, the above calculation shows that the assessed value would be $5,580,000 and the tax burden amounts to $320,000. Deducting the tax burden from the stabilized net income attributed to real property produces a stabilized net income of $1,568,000. The market value is verified when the stabilized net income is capitalized by the after-tax overall rate of 12.6%.

ALLOCATION OF VALUE

An interesting exercise that shows the relative values among a hotel's components is the allocation of value. The following calculation sets forth the valuation of the subject's four components, which represent the total properly value.

Stabilized net income before real estate taxes	$2,885,000
Less:	
Return of personal property	307,000
Personal property taxes	18,000
Real estate taxes	320,000
Net income attributed to total properly	$2,240,000
$\frac{\$2,240,000}{.126}$ =	$17,777,777
Total properly value	$17,780,000

The value of the total property is calculated by starting with the stabilized net income before real estate taxes and deducting the return of personal property, which represents the reserve for replacement normally charged in all hotel appraisals. Personal property and real estate taxes are then deducted, leaving net income attributed to total property. This amount includes income attributed to real property components and business and personal property components. The value of the total property is calculated by dividing the net income attributed to total property by the after-tax overall rate of 12.6%. The following table shows the allocation of the total property value:

Component	Income Attributed	Rate of Return	Unrounded Component Value	$ of Total Property Value
Real property	$1,568,000	.126	$12,444,444	70%
Personal property	150,000	.125	1,200.000	7
Business	522,000	.126	4,142,857	23
Total properly	$2,240,000		$17.787,301	100%

The subject property's land and improvements comprise 70% of the total property value with personal property and business value representing *7%* and 23%, respectively. A newer hotel would probably have a higher percentage of value allocated to the personal property which would come at the expense of the real property component.

CONCLUSIONS

The procedures for valuing a hotel's real property components are based on current hotel investment structures where management contracts arc prevalent and many hostelry owners assume passive positions while employing companies to handle the day-to-day business activities. Twenty 10 50 years ago, it was normal for a hotel company to lease a lodging facility from a landlord and pay rent for its use. In many instances the company furnished and equipped the hotel, so the rental payment excluded income attributed to the personal property and actually represented a pure income to the real estate. These leases greatly simplified the valuation of hotels for assessment purposes because the value of the real properly could easily be determined from the capitalized value of the stabilized rental payments.

Twenty-five years ago, a typical economic rental formula for a leasehold position in a hotel wherein the landlord owned the land and improvements and was responsible for payment of real estate taxes, and the tenant owned the personal property and paid all operating expenses, was

Source of Revenue	Rental Based on Percentage of Revenue
Rooms	25%
Food	5
Beverage	10
Other Income	20

Based on the forecasted stabilized revenues used in the previous example, the following stabilized economic rent was calculated:

	Stabilized Revenue		Percentage Rent	Stabilized Rent
Rooms	$ 5,366,000	X	.25	$l,342,000
Food	3,219,000	X	.05	161,000
Beverage	1,449,000	X	.10	145,000
Other	54,000	X	.20	11.000
Total	$10,088,000			$1.659.000

A leased-fee capitalization rate of 10.8% was considered appropriate, reflecting a somewhat lower risk and less management involvement than the fee capitalization rate of 12.6% previously used. Since the landlord is responsible for real estate taxes, the .0258 adjusted tax rate must be added to produce a .1338 before-tax overall rate.

Assuming a long-term lease, the value of the leased fee representing the land and improvements can be estimated by capitalizing the total stabilized rent by the before-tax overall rate.

$$\frac{\$1{,}659{,}000}{.1338} = \$12{,}399{,}103$$

Market value of real property $12,400,000

Obviously, the leased-fee procedure set forth above appears far simpler than previous approaches using net income forecasts, management fees, and F F & E deductions. Unfortunately, entire hotels (land and improvements) arc seldom leased any more and justification for an up-to-date economic rental formula and leased-fee capitalization rate is virtually impossible. More importantly, current hotel buyers are not purchasing hotels based on the leased-fee valuation procedure, so an appraiser using this method would not be reflecting the market.

The appraisal of hotels for assessment purposes in which only the real property components are valued can be performed in a manner utilizing the financial and operating structure demonstrated by current hotel transactions. By starting with a stabilized net income representing returns to the four components and deducting income attributed to business and personal property, a pure real property income flow remains to be capitalized into a value estimate. This procedure appears somewhat complicated, but when taken in a step-by-step, logical manner, it can be well supported and documented by actual hotel operational and financial data.

Studies and Other Referenced Materials

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FULL SVC HOTEL ECONOMY MODEL
2019 REVALUE

2019 STR Host Report
Midscale / Economy Class
ADR (Average Daily Rate)
$74.27
Average Occupancy
78.2%

		% of Departl. Incomes	% of Total Income
Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		74.0%
Food	$0		15.4%
Beverage	$0		5.3%
Other Food & Beverage	$0		1.0%
Other Operated Departments	$0		0.7%
Miscellaneous Income	$0		3.6%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	32.5%	#DIV/0!
Food and Beverage	$0	77.0%	#DIV/0!
Other Operated Depts. & Rentals	$0	27.4%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		11.9%
Information & Telecommunications Systems	$0		0.7%
Marketing	$0		4.8%
Franchise Fees	$0		3.1%
Utility Costs	$0		5.6%
Property Operation & Maintenance	$0		6.1%
Total Undistributed Operating Expenses	**$0**		**32.2%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees *	$0		2.1%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		1.10%
EBITDA *	**$0**		**#DIV/0!**
Return On Investment	$0		#DIV/0!
Reserves for Capital Replacement	$0		0.40%
NOI	**$0**		**#DIV/0!**
LOADED CAPITALIZATION RATE	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
ASSESSED VALUE	**#DIV/0!**		

Associated Parcels	
	$0
	$0
	$0
Total	**$0**

Retail	
Square Feet	0
Rents	0
Vacancy	0%
Expenses	0%
Cap Rate	0.00%
Total	***#DIV/0!***

Restaurant Leased Space	
Square Feet	0
Rents	32
Vacancy	6%
Expenses	10%
Cap Rate	7.00%
Total	***0***

Associated Parking	
Value	$0
Total Stalls	0
Value Per Stalls	$0.00
Required Stalls	0
Required Stalls Value	**$0**

Avg PP Room Rate	$2,600
ACLI Mtg Rate	5.08%
Levy Rate	
Capitalization Rate	

EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

Return On Investment is based on Rushmore's approach and accounts for Personal Property. The formula used:
(Room Count)*(Room Rate)*(ACLI Mtg Rate + Levy Rate)

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FULL SERVICE HOTEL MIDSCALE MODEL
2019 ASSESSMENT YEAR

2019 STR Host Report
Upper Midscale Class
ADR (Average Daily Rate)
$139.69
Average Occupancy
72.0%

		% of Departl. Incomes	% of Total Income
Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		78.8%
Food	$0		9.9%
Beverage	$0		3.0%
Other Food & Beverage	$0		1.9%
Other Operated Departments	$0		3.3%
Miscellaneous Income	$0		3.1%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	32.3%	#DIV/0!
Food and Beverage	$0	90.2%	#DIV/0!
Other Operated Depts. & Rentals	$0	41.0%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		8.7%
Information & Telecommunications Systems	$0		1.3%
Marketing	$0		5.6%
Franchise Fees	$0		3.5%
Utility Costs	$0		3.8%
Property Operation & Maintenance	$0		5.1%
Total Undistributed Operating Expenses	**$0**		**28.0%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.4%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		1.30%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment **	$0		#DIV/0!
Reserves for Capital Replacement	$0		1.10%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -	**$0**		
ASSESSED VALUE	**#DIV/0!**		

Associated Parcels	
	$0
	$0
	$0
Total	**$0**

Retail	
Square Feet	0
Rents	0
Vacancy	0%
Expenses	0%
Cap Rate	0.00%
Total	***#DIV/0!***

Restaurant Leased Space	
Square Feet	0
Rents	32
Vacancy	6%
Expenses	10%
Cap Rate	7.00%
Total	***0***

Associated Parking	
Value	$0
Total Stalls	0
Value Per Stalls	$0.00
Required Stalls	0
Required Stalls Value	**$0**

Avg PP Room Rate	$3,500
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

*EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

**Return on investment uses the Rushmore Approach to account for the personal property deduction.
The formula is: (Room Count)*(Room Rate)*(ACLI Mtg Rate + LevyRate)

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FULL SERVICE HOTEL UPSCALE MODEL
2019 ASSESSMENT YEAR

Number of Rooms	**0**		
Average Room Rate	**$0.00**	**% of Departl. Incomes**	**% of Total Income**
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		80.5%
Food	$0		10.1%
Beverage	$0		3.0%
Other Food & Beverage	$0		2.3%
Other Operated Departments	$0		2.1%
Miscellaneous Income	$0		2.0%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	24.5%	#DIV/0!
Food and Beverage	$0	76.3%	#DIV/0!
Other Operated Depts. & Rentals	$0	55.1%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		8.7%
Information & Telecommunications Systems	$0		1.1%
Marketing	$0		7.1%
Franchise Fees	$0		3.5%
Utility Costs	$0		3.5%
Property Operation & Maintenance	$0		4.2%
Total Undistributed Operating Expenses	**$0**		**28.1%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.5%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		1.00%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment	$0		#DIV/0!
Reserves for Capital Replacement	$0		2.20%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments = / -			
ASSESSED VALUE	**#DIV/0!**		

2019 STR Host Report
Upscale Class
ADR (Average Daily Rate)
$145.68
Average Occupancy
73.1%

Associated Parcels	
	$0
	$0
	$0
Total	**$0**

Retail	
Square Feet	0
Rents	0
Vacancy	0%
Expenses	0%
Cap Rate	0.00%
Total	***#DIV/0!***

Restaurant Leased Space	
Square Feet	0
Rents	32
Vacancy	6%
Expenses	10%
Cap Rate	7.00%
Total	***0***

Associated Parking	
Value	$0
Total Stalls	0
Value Per Stalls	$0.00
Required Stalls	0
Required Stalls Value	**$0**

Avg PP Room Rate	$4,200
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

** Return On Investment uses uses the Rushmore approach to account for the personal property deduction.
The formula is (Room Count)*(Room Rate)*(ACLI Mtg Rate + Levy Rate)

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FULL SERVICE HOTEL UPPER UPSCALE MODEL
2019 ASSESSMENT YEAR

2019 HOST REPORT by STR
Upper Upscale Class
ADR (Average Daily Rate)
$193.39
Average Occupancy
75.20%

		% of Departl. Incomes	% of Total Income
Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		63.7%
Food	$0		18.0%
Beverage	$0		5.2%
Other Food & Beverage	$0		6.5%
Other Operated Departments	$0		3.2%
Miscellaneous Income	$0		3.4%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	26.4%	#DIV/0!
Food and Beverage	$0	68.2%	#DIV/0!
Other Operated Depts. & Rentals	$0	75.1%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		7.3%
Information & Telecommunications Systems	$0		1.6%
Marketing	$0		7.0%
Franchise Fees	$0		1.4%
Utility Costs	$0		3.0%
Property Operation & Maintenance	$0		4.1%
Total Undistributed Operating Expenses	**$0**		**24.4%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.5%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		0.80%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment**	**$0**		
Reserves for Capital Replacement	$0		2.30%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -			
ADJUSTED REAL PROPERTY VALUE	**#DIV/0!**		

Associated Parcels	
	$0
	$0
	$0
Total	**$0**

Retail	
Square Feet	0
Rents	0
Vacancy	0%
Expenses	0%
Cap Rate	0.00%
Total	***#DIV/0!***

Restaurant Leased Space	
Square Feet	0
Rents	32
Vacancy	6%
Expenses	10%
Cap Rate	7.00%
Total	***0***

Associated Parking	
Value	$0
Total Stalls	0
Value Per Stalls	$0.00
Required Stalls	0
Required Stalls Value	**$0**

Avg PP per Room Rate	$5,900
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

* EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

**Return on Investment is based on Rushmore's approach and accounts for personal property. The formula used
(Room Count) * (Room Rate) * (ACLI Mtg Rate + Levy Rate)

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FULL SERVICE HOTEL LUXURY MODEL
2019 REVALUE

Number of Rooms	**0**		
Average Room Rate	**$0.00**	**% of Departl.**	**% of Total**
Occupancy Rate	**0.00%**	**Incomes**	**Income**
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		56.5%
Food	$0		19.1%
Beverage	$0		7.4%
Other Food & Beverage	$0		6.1%
Other Operated Departments	$0		7.5%
Miscellaneous Income	$0		3.4%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	27.9%	#DIV/0!
Food and Beverage	$0	75.8%	#DIV/0!
Other Operated Depts. & Rentals	$0	81.8%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		7.9%
Information & Telecommunications Systems	$0		1.5%
Marketing	$0		6.3%
Franchise Fees	$0		0.4%
Utility Costs	$0		2.6%
Property Operation & Maintenance	$0		4.2%
Total Undistributed Operating Expenses	**$0**		**22.9%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.3%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		1.20%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment **	$0		#DIV/0!
Reserves for Capital Replacement	$0		2.80%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -			
ASSESSED VALUE	**#DIV/0!**		

2019 STR Host Report
Luxury Class
ADR (Average Daily Rate)
$339.87
Average Occupancy
73.5%

Associated Parcels	
	$0
	$0
	$0
Total	**$0**

Retail	
Square Feet	0
Rents	0
Vacancy	0%
Expenses	0%
Cap Rate	0.00%
Total	***#DIV/0!***

Restaurant Leased Space	
Square Feet	0
Rents	32
Vacancy	6%
Expenses	10%
Cap Rate	7.00%
Total	***0***

Associated Parking	
Value	$0
Total Stalls	0
Value Per Stalls	$0.00
Required Stalls	0
Required Stalls Value	**$0**

Avg PP Room Rate	$8,400
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

*EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

**Return on Investment uses the Rushmore Approach to account for the personal property deduction.
The formula: (Room Count)*(Room Rate)*(ACLI Mtg Rate + Levy Rate)

000000-0000

LIMITED SERVICE HOTEL/MOTEL ECONOMY MODEL
2019 ASSESSMENT YEAR

2019 HOST REPORT by STR
Midscale / Economy Class
ADR (Average Daily Rate)
$78.50
Average Occupancy
71.7%

Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		98.3%
Other Operated Departments	$0		1.4%
Miscellaneous Income	$0		0.3%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	21.4%	#DIV/0!
Other Operated Depts. & Rentals	$0	37.4%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		9.6%
Information & Telecommunications Systems	$0		1.1%
Marketing	$0		4.7%
Franchise Fees	$0		2.9%
Utility Costs	$0		4.8%
Property Operation & Maintenance	$0		5.8%
Total Undistributed Operating Expenses	**$0**		**28.9%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		1.9%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		1.50%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment **	$0		#DIV/0!
Reserves for Capital Replacement	$0		0.40%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -	**$0**		
ASSESSED VALUE	**#DIV/0!**		

Associated Parcels	
Parcel #	***Amount***
000000-0000	
Total	

Avg PP Room Rate	$1,100
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

*EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

**Return on Investment uses the Rushmore Approach to account for the personal property deduction.
Formula: (Room Count)*(Room Rate)*(ACLI Mtg Rate + Levy Rate)

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LIMITED SERVICE HOTEL/MOTEL MIDSCALE MODEL
2019 ASSESSMENT YEAR

2019 HOST REPORT by STR
Upper Midscale Class
ADR (Average Daily Rate)
$132.56
Average Occupancy
75.10%

Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		95.9%
Other Operated Departments	$0		1.7%
Miscellaneous Income	$0		2.4%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	27.3%	#DIV/0!
Other Operated Depts. & Rentals	$0	72.8%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		7.9%
Information & Telecommunications Systems	$0		1.3%
Marketing	$0		5.3%
Franchise Fees	$0		6.3%
Utility Costs	$0		3.6%
Property Operation & Maintenance	$0		4.5%
Total Undistributed Operating Expenses	**$0**		**28.9%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.4%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.3%
Insurance	$0		1.0%
EBITDA *	**$0**		**#DIV/0!**
Return On Investment **	$0		
Reserves for Capital Replacement	$0		2.0%
NOI	**$0**		**#DIV/0!**
LOADED Capitaliazation Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -			
ASSESSED VALUE	**#DIV/0!**		

Associated Parcels	
000000-0000	$0
	$0
	$0
Total	**$0**

Avg PP Room Rate	$2,200
ACLI Mtg Rate	5.08%
Levy Rate	0.00%
Capitalization Rate	0.00%

*EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

** Return on Investment uses the Rushmore Approach to account for the personal property deduction.
Formula: (Room Count)*(Room Rate)*(ACLI Mtg Rate + Levy Rate)

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LIMITED SERVICE HOTEL UPSCALE MODEL
2019 ASSESSMENT YEAR

2019 HOST REPORT by STR
Upscale Class Hotel
ADR (Average Daily Rate)
$156.76
Average Occupancy
80.0%

Number of Rooms	**0**		
Average Room Rate	**$0.00**		
Occupancy Rate	**0.00%**		
RevPAR	**$0.00**		
REVENUE			
Rooms	$0		95.7%
Other Operated Departments	$0		2.9%
Miscellaneous Income	$0		1.4%
Total Revenue	**$0**		**100.0%**
DEPARTMENTAL EXPENSES			
Rooms	$0	24.4%	#DIV/0!
Other Operated Depts. & Rentals	$0	63.0%	#DIV/0!
Total Departmental Expenses	**$0**		**#DIV/0!**
Total Departmental Profit	**$0**		**#DIV/0!**
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	$0		7.9%
Information & Telecommunications Systems	$0		1.0%
Marketing	$0		5.0%
Franchise Fees	$0		5.1%
Utility Costs	$0		3.3%
Property Operation & Maintenance	$0		4.1%
Total Undistributed Operating Expenses	**$0**		**26.4%**
GROSS OPERATING PROFIT	**$0**		**#DIV/0!**
Management Fees	$0		3.7%
INCOME BEFORE FIXED CHARGES	**$0**		**#DIV/0!**
SELECTED FIXED CHARGES			
Municipal Taxes	$0		0.25%
Insurance	$0		0.80%
EBITDA *	**$0**		**#DIV/0!**
Return on Investment **	$0		
Reserves for Capital Replacement	$0		2.40%
NOI	**$0**		**#DIV/0!**
LOADED Capitalization Rate	0.00%		
HOTEL VALUE	**#DIV/0!**	**#DIV/0!**	**price per room**
Adjustments + / -	**$0**		
ASSESSED VALUE	**#DIV/0!**		

Associated Parcels	
000000-0000	$0
	$0
	$0
Total	**$0**

Avg PP Room Rate	$	4,900
MCLI Mtg Rate		5.08%
Levy Rate		0.00%
Capitalization Rate		0.00%

*EBITDA - Earnings before interest, taxes,depreciation, and amortization, however taxes have been deducted

** Return on investments uses the Rushmore approach to account for the personal property deduction
Formula: (Room Count) * (Room Rate) * (ACLI Mtg Rate + Levy Rate)

Sales Study Analysis 2016-2018

Neigh	Type	Account #	Hotel Name	Sale Date	Gross Selling Price	Gross Deduction	gross deduction as a % of GSP	Taxable Selling Price
10	Full	347000-0010, 0020	Hotel 1000	1/28/16	$83,500,000	$1,217,372	1%	$82,262,372
10	Full	066000-2680	Springhill Suites - Seattle	5/24/2016	$74,100,000	$0	0%	$74,100,000
10	Full	780292-0010	Seattle Hilton	9/1/2016	$62,000,000	$1,724,000	3%	$60,276,000
10	Full	872974-0030	Pan Pacific Hotel (unit H of co	2/21/17	$79,000,000	$25,458,700	32%	$53,541,300
10	Full	337440-0010	Hilton Garden Inn	3/24/17	$88,000,000	$22,850,000	26%	$65,150,000
10	Full	197460-0025,35	Alexis Hotel	3/27/17	$71,625,000	$9,311,250	13%	$62,313,750
10	Full	197570-0255	Motif	1/30/18	$145,000,000	$12,200,000	8%	$132,800,000
20	Full	808760-0035	Marriott Hotel Bellevue	1/20/2016	$175,000,000	$11,640,687	7%	$163,359,313
20	Full	322505-9119	Sheraton Bellevue	3/15/2016	$42,700,000	$950,000	2%	$41,750,000
20	Full	322505-9061	Hilton Hotel Bellevue	12/6/2016	$87,250,000	$3,058,941	4%	$84,191,059
20	Full	154410-0322	Marriott AC - Bellevue	3/8/2018	$87,000,000	$3,510,000	4%	$83,490,000
20	Full	720241-0080	Redmond Marriott - TC	2/28/2018	$70,000,000	$4,400,000	6%	$65,600,000
30	Full	773360-0020	Hotel Deca	1/19/17	$55,000,000	$10,400,000	19%	$44,600,000
40	Full	342304-9098	Seattle Airport Marriott	6/23/2016	$92,000,000	$920,000	1%	$91,080,000
50	Full	092104-9291	Clarion Hotel-Federal Way	6/28/2016	$10,250,000	$1,300,000	13%	$8,950,000
50	Full	775780-0010	Ramada Inn - Kent	9/13/2018	$12,600,000	$400,000	3%	$12,200,000
10	Lmtd	408880-3586	Courtyard Lake Unon	7/1/16	$84,500,000	$9,630,000	11%	$74,870,000
10	Lmtd	066000-1195	Residence Inn	12/20/18	$111,625,000	$24,679,900	22%	$86,945,100
20	Lmtd	222505-9318	Fairfield Inn & Suites	2/4/2016	$34,273,703	$1,741,633	5%	$32,532,070
20	Lmtd	282605-9136	Comfort Inn Kirkland	3/17/2016	$12,800,000	$0	0%	$12,800,000
20	Lmtd	152308-9095	Mt Si Motel	10/19/2016	$615,000	$0	0%	$615,000
30	Lmtd	525430-0015	Shoreline Motel	5/23/2016	$1,800,000	$150,000	8%	$1,650,000
30	Lmtd	282710-0025	America's Best Value Inn	7/22/2016	$5,550,000	$575,000	10%	$4,975,000
30	Lmtd	302604-9070	Seals Motel	8/2/2016	$3,400,000	$100,000	3%	$3,300,000
30	Lmtd	302604-9070	Seals Motel	3/17/2017	$3,340,000	$0	0%	$3,340,000
30	Lmtd	525430-0015	Shoreline Motel	10/11/2017	$2,350,000	$50,000	2%	$2,300,000
30	Lmtd	643000-0810	Everspring Inn	10/24/2017	$4,200,000	$50,000	1%	$4,150,000
30	Lmtd	614970-0055	Comfort Inn & Suites - North S	2/152017	$10,700,000	$700,000	7%	$10,000,000
30	Lmtd	926670-0955	The Georgian Motel	2/28/2018	$1,450,000	$0	0%	$1,450,000
40	Lmtd	736060-0400	Econo Lodge-Airport	2/26/2016	$3,200,000	$220,000	7%	$2,980,000
40	Lmtd	883650-0030	Home2 Suites Hilton	8/1/2016	$28,750,000	$4,600,000	16%	$24,150,000
40	Lmtd	213620-0607	Aero Motel	9/27/2016	$1,900,000	$10,000	1%	$1,890,000
40	Lmtd	302305-9117	Clarion Hotel-Renton	11/30/2016	$11,800,000	$300,000	3%	$11,500,000
40	Lmtd	359700-0005	America's Best Value Inn	5/24/2017	$8,250,000	$8,800	0%	$8,241,200
40	Lmtd	334330-1120	Econo Lodge	7/14/2017	$9,000,000	$150,000	2%	$8,850,000
40	Lmtd	242304-9014	Hampton Inn-SoCenter	7/20/2017	$17,000,000	$370,000	2%	$16,630,000
40	Lmtd	346880-0455	Airlane Hotel	10/6/2017	$1,850,000	$120,000	6%	$1,730,000

Sales Study Analysis 2016-2018

40	Lmtd	161000-0355,-0335	Knight's Inn	12/6/2017	$4,250,000	$0	0%	$4,250,000
40	Lmtd	344500-0132	Sleep Inn-SeaTac	3/12/2018	$17,600,000	$200,000	1%	$17,400,000
40	Lmtd	526330-0025, -0055	Star Motel	3/28/2018	$1,500,000	$0	0%	$1,500,000
40	Lmtd	736060-0400	Econo Lodge-Airport	5/14/2018	$3,425,000	$425,000	12%	$3,000,000
50	Lmtd	215640-0220	The Legend Motel-DesMoines	3/24/2016	$1,680,000	$25,000	1%	$1,655,000
50	Lmtd	885600-2346	Quality Inn & Suites-Pacific	5/20/2016	$7,800,000	$1,000,000	13%	$6,800,000
50	Lmtd	000080-0048	Comfort Inn-Auburn	7/26/2016	$3,900,000	$0	0%	$3,900,000
50	Lmtd	000660-0036	Red Lion Inn & Suites- Kent	1/12/2017	$6,600,000	$200,000	3%	$6,400,000
50	Lmtd	000080-0049	Clarion (Econolodge Inn & Sui	2/22/2017	$5,925,000	$198,000	3%	$5,727,000
50	Lmtd	212104-9078	Red Lion Inn & Suites Federal	2/24/2017	$8,800,000	$175,000	2%	$8,625,000
50	Lmtd	202104-9045	Days Inn	5/13/2017	$3,600,000	$80,000	2%	$3,520,000
50	Lmtd	000080-0045	Guesthouse Inn-Auburn	6/20/2017	$6,200,000	$0	0%	$6,200,000
50	Lmtd	797820-0020	Eastwind Motel	6/22/2017	$2,900,000	$250,000	9%	$2,650,000
50	Lmtd	797820-0070	Ridgecrest Motel	8/15/2017	$1,170,000	$0	0%	$1,170,000
50	Lmtd	112204-9082	Hawthorne Suites - Kent	2/1/2018	$17,000,000	$250,000	1%	$16,750,000
50	Lmtd	192105-9007	Auburn Motel	4/17/2018	$2,000,000	$30,000	2%	$1,970,000
50	Lmtd	092104-9185	Hampton Inn-FW	10/17/2018	$33,500,000	$383,400	1%	$33,116,600
50	Lmtd	797820-0020	Eastwind Motel	8/9/2018	$3,225,000	$225,000	7%	$3,000,000
			Full Srv Avg Ded	**9%**				
			Lmtd Svc Avg Ded	**4%**				
			Total Full Svc Sales		**$1,235,025,000**		**Total Lmtd Svc Sales**	**$489,428,703**
			Total Full Svc Ded's		**$109,340,950**		**Total Lmtd Svc Ded's**	**$46,896,733**
					9%		**Percent**	**10%**

2012-2019 Sales Study Analysis

Neigh	Type	Account #	Hotel Name	Sale Date	Gross Selling Price	Gross Deduction	gross deduction as a % of GSP	Taxable Selling Price
10	Full	094200-0265	Hotel Vintage	7/9/12	$32,500,000	$773,000	2%	$31,727,000
10	Full	197570-0240	Hilton Hotel - Seattle	9/11/12	$63,000,000	$5,828,740	9%	$57,171,260
10	Full	197570-0255	Motif	6/19/14	$130,700,000	$3,766,022	3%	$126,933,978
10	Full	347000-0010,0020	Hotel 1000 hotel and garage	7/1/14	$62,000,000	$33,140,210	53%	$28,859,790
10	Full	197670-0010	Roosevelt Hotel	3/11/2015	$37,000,000	$500,000	1%	$37,000,000
10	Full	347000-0010, 0020	Hotel 1000	1/28/16	$83,500,000	$1,217,372	1%	$82,262,372
10	Full	066000-2680	Springhill Suites - Seattle	5/24/2016	$74,100,000	$0	0%	$74,100,000
10	Full	780292-0010	Seattle Hilton	9/1/2016	$62,000,000	$1,724,000	3%	$60,276,000
10	Full	872974-0030	Pan Pacific Hotel (unit H of condo 2200)	2/21/17	$79,000,000	$25,458,700	32%	$53,541,300
10	Full	337440-0010	Hilton Garden Inn	3/24/17	$88,000,000	$22,850,000	26%	$65,150,000
10	Full	197460-0025,35	Alexis Hotel	3/27/17	$71,625,000	$9,311,250	13%	$62,313,750
10	Full	197570-0255	Motif	1/30/18	$145,000,000	$12,200,000	8%	$132,800,000
20	Full	322505-9036	Red Lion Bellevue (405 corridor)	2/8/2015	$35,400,000	$741,093	2%	$34,658,907
20	Full	124450-0300	The Heathman Kirkland Hotel	2/12/2015	$17,478,374	$1,047,374	6%	$16,431,000
20	Full	808760-0035	Marriott Hotel Bellevue	1/20/2016	$175,000,000	$11,640,687	7%	$163,359,313
20	Full	322505-9119	Sheraton Bellevue	3/15/2016	$42,700,000	$950,000	2%	$41,750,000
20	Full	322505-9061	Hilton Hotel Bellevue	12/6/2016	$87,250,000	$3,058,941	4%	$84,191,059
20	Full	154410-0322	Marriott AC - Bellevue	3/8/2018	$87,000,000	$3,510,000	4%	$83,490,000
20	Full	720241-0080	Redmond Marriott - TC	2/28/2018	$70,000,000	$4,400,000	6%	$65,600,000
20	Full	232900-0020	Embassy Suites	1/23/2019	$59,126,214	$2,214,765	4%	$56,911,449
30	Full	773360-0020	Hotel Deca	1/19/17	$55,000,000	$10,400,000	19%	$44,600,000
40	Full	282304-9180, 9135,	Crowne Plaza - Airport	7/31/2012	$28,000,000	$1,400,000	5%	$26,600,000
40	Full	342304-9098	Seattle Airport Marriott	6/23/2016	$92,000,000	$920,000	1%	$91,080,000
50	Full	775780-0010	Ramada Inn	5/14/2014	$8,350,000	$250,000	3%	$8,100,000
50	Full	092104-9328	Courtyard By Marriott-Federal Way	11/17/2014	$25,980,129	$0	0%	$25,980,129
50	Full	092104-9291	Clarion Hotel-Federal Way	6/28/2016	$10,250,000	$1,300,000	13%	$8,950,000
50	Full	775780-0010	Ramada Inn - Kent	9/13/2018	$12,600,000	$400,000	3%	$12,200,000
10	Lmtd	199120-0730	Quality Inn & Suites	11/5/2014	$19,000,000	$0	0%	$19,000,000
10	Lmtd	066000-0435	La Quinta Inn & Suites	4/27/2015	$16,500,000	$150,000	1%	$16,350,000
10	Lmtd	408880-3586	Courtyard Lake Union	7/1/16	$84,500,000	$9,630,000	11%	$74,870,000
20	Lmtd	112405-9082	Day's Inn Bellevue	9/20/2013	$7,400,000	$0	0%	$7,400,000
20	Lmtd	322505-9069	Residence Inn by Marriott I-405 Corridor	10/31/2013	$73,200,000	$2,255,980	3%	$70,944,020
20	Lmtd	720241-0060	Residence Inn by Marriott Redmond Tov	8/12/2014	$49,326,595	$1,620,000	3%	$47,706,595
20	Lmtd	112405-9082	Day's Inn Bellevue	7/16/2015	$11,350,000	$700,000	6%	$10,650,000
20	Lmtd	222505-9318	Fairfield Inn & Suites	2/4/2016	$34,273,703	$1,741,633	5%	$32,532,070
20	Lmtd	282605-9136	Comfort Inn Kirkland	3/17/2016	$12,800,000	$0	0%	$12,800,000
20	Lmtd	152308-9095	Mt Si Motel	10/19/2016	$615,000	$0	0%	$615,000
30	Lmtd	525430-0015	Shoreline Motel	5/31/2012	$1,500,000	$100,000	7%	$1,400,000
30	Lmtd	525430-0015	Shoreline Motel	8/14/2014	$1,630,000	$430,000	26%	$1,200,000

2012-2019 Sales Study Analysis

Neigh	Type	Account #	Hotel Name	Sale Date	Gross Selling Price	Gross Deduction	gross deduction as a % of GSP	Taxable Selling Price
30	Lmtd	525430-0015	Shoreline Motel	5/23/2016	$1,800,000	$150,000	8%	$1,650,000
30	Lmtd	282710-0025	America's Best Value Inn	7/22/2016	$5,550,000	$575,000	10%	$4,975,000
30	Lmtd	302604-9070	Seals Motel	8/2/2016	$3,400,000	$100,000	3%	$3,300,000
30	Lmtd	302604-9070	Seals Motel	3/17/2017	$3,340,000	$0	0%	$3,340,000
30	Lmtd	525430-0015	Shoreline Motel	10/11/2017	$2,350,000	$50,000	2%	$2,300,000
30	Lmtd	643000-0810	Everspring Inn	10/24/2017	$4,200,000	$50,000	1%	$4,150,000
30	Lmtd	614970-0055	Comfort Inn & Suites - North Seattle	2/152017	$10,700,000	$700,000	7%	$10,000,000
30	Lmtd	926670-0955	The Georgian Motel	2/28/2018	$1,450,000	$0	0%	$1,450,000
40	Lmtd	526330-0025, -0055	Star Motel	4/19/2012	$1,000,000	$250,000	25%	$750,000
40	Lmtd	004100-0335	Travelodge Airport North Motel	10/2/2014	$3,400,000	$100,000	3%	$3,300,000
40	Lmtd	332304-9142	Quality Inn SeaTac	2/27/2015	$6,750,000	$0	0%	$6,750,000
40	Lmtd	282304-9114	Red Roof Inn Seattle Airport	5/8/2015	$14,437,200	$851,200	6%	$13,586,000
40	Lmtd	346880-0455	Airlane Hotel	8/5/2015	$1,300,000	$258,000	20%	$1,042,000
40	Lmtd	332304-9157	Super 8-SeaTac	9/8/2015	$8,500,000	$25,000	0%	$8,475,000
40	Lmtd	344500-0132	Sleep Inn-SeaTac	12/22/2015	$12,350,000	$0	0%	$12,350,000
40	Lmtd	736060-0400	Econo Lodge-Airport	2/26/2016	$3,200,000	$220,000	7%	$2,980,000
40	Lmtd	883650-0030	Home2 Suites Hilton	8/1/2016	$28,750,000	$4,600,000	16%	$24,150,000
40	Lmtd	213620-0607	Aero Motel	9/27/2016	$1,900,000	$10,000	1%	$1,890,000
40	Lmtd	302305-9117	Clarion Hotel-Renton	11/30/2016	$11,800,000	$300,000	3%	$11,500,000
40	Lmtd	359700-0005	America's Best Value Inn	5/24/2017	$8,250,000	$8,800	0%	$8,241,200
40	Lmtd	334330-1120	Econo Lodge	7/14/2017	$9,000,000	$150,000	2%	$8,850,000
40	Lmtd	242304-9014	Hampton Inn-SoCenter	7/20/2017	$17,000,000	$370,000	2%	$16,630,000
40	Lmtd	346880-0455	Airlane Hotel	10/6/2017	$1,850,000	$120,000	6%	$1,730,000
40	Lmtd	161000-0355,-0335	Knight's Inn	12/6/2017	$4,250,000	$0	0%	$4,250,000
40	Lmtd	344500-0132	Sleep Inn-SeaTac	3/12/2018	$17,600,000	$200,000	1%	$17,400,000
40	Lmtd	526330-0025, -0055	Star Motel	3/28/2018	$1,500,000	$0	0%	$1,500,000
40	Lmtd	736060-0400	Econo Lodge-Airport	5/14/2018	$3,425,000	$425,000	12%	$3,000,000
40	Lmtd	042204-9069	Comfort Inn - SeaTac	3/22/2019	$17,850,000	$350,000	2%	$17,500,000
40	Lmtd	182305-9077	West Wind Motel	6/23/2019	$2,150,000	$150,000	7%	$2,000,000
50	Lmtd	797820-0070	Happy Motel	2/3/2012	$400,000	$2,800	1%	$397,200
50	Lmtd	112204-9082	Hawthorne Suites - Kent	1/14/2013	$9,108,750	$0	0%	$9,108,750
50	Lmtd	797880-0140	New Horizon Motel	7/23/2013	$2,395,000	$495,000	21%	$1,900,000
50	Lmtd	775780-0010	Ramada Inn	5/14/2014	$8,350,000	$250,000	3%	$8,100,000
50	Lmtd	172104-9078	EconoLodge-Federal Way	6/27/2014	$2,350,000	$40,000	2%	$2,310,000
50	Lmtd	885600-2346	Quality Inn & Suites-Pacific	10/17/2014	$6,220,000	$0	0%	$6,220,000
50	Lmtd	092104-9328	Courtyard By Marriott-Federal Way	11/17/2014	$25,980,129	$0	0%	$25,980,129
50	Lmtd	132104-9113	Best Western Plus Peppertree Auburn In	10/5/2015	$14,750,000	$1,750,000	12%	$13,000,000
50	Lmtd	212204-9059	Extended Stay	12/8/2015	$8,276,014	$133,000	2%	$8,143,014
50	Lmtd	215640-0220	The Legend Motel-DesMoines	3/24/2016	$1,680,000	$25,000	1%	$1,655,000

2012-2019 Sales Study Analysis

Neigh	Type	Account #	Hotel Name	Sale Date	Gross Selling Price	Gross Deduction	gross deduction as a % of GSP	Taxable Selling Price
50	Lmtd	885600-2346	Quality Inn & Suites-Pacific	5/20/2016	$7,800,000	$1,000,000	13%	$6,800,000
50	Lmtd	000080-0048	Comfort Inn-Auburn	7/26/2016	$3,900,000	$0	0%	$3,900,000
50	Lmtd	000660-0036	Red Lion Inn & Suites- Kent	1/12/2017	$6,600,000	$200,000	3%	$6,400,000
50	Lmtd	000080-0049	Clarion (Econolodge Inn & Suites)-Aubur	2/22/2017	$5,925,000	$198,000	3%	$5,727,000
50	Lmtd	212104-9078	Red Lion Inn & Suites Federal Way	2/24/2017	$8,800,000	$175,000	2%	$8,625,000
50	Lmtd	202104-9045	Days Inn	5/13/2017	$3,600,000	$80,000	2%	$3,520,000
50	Lmtd	000080-0045	Guesthouse Inn-Auburn	6/20/2017	$6,200,000	$0	0%	$6,200,000
50	Lmtd	797820-0020	Eastwind Motel	6/22/2017	$2,900,000	$250,000	9%	$2,650,000
50	Lmtd	797820-0070	Ridgecrest Motel	8/15/2017	$1,170,000	$0	0%	$1,170,000
50	Lmtd	112204-9082	Hawthorne Suites - Kent	2/1/2018	$17,000,000	$250,000	1%	$16,750,000
50	Lmtd	192105-9007	Auburn Motel	4/17/2018	$2,000,000	$30,000	2%	$1,970,000
50	Lmtd	092104-9185	Hampton Inn-FW	10/17/2018	$33,500,000	$383,400	1%	$33,116,600
50	Lmtd	797820-0020	Eastwind Motel	8/9/2018	$3,225,000	$225,000	7%	$3,000,000
50	Lmtd	092104-9146	Comfort Inn - FW	1/3/2019	$15,000,000	$400,000	3%	$14,600,000
50	Lmtd	250060-0085	Garden Suites	7/2/2019	$3,500,000	$0	0%	$3,500,000
50	Lmtd	282204-9214	Travel Inn Motel	7/3/2019	$2,500,000	$0	0%	$2,500,000
			Full Srv Avg Ded	**9%**				
			Lmtd Svc Avg Ded	**4%**				
			Total Full Svc Sales		**$1,734,559,717**		**Total Lmtd Svc Sales**	**$724,277,391**
			Total Full Svc Ded's		**$159,002,154**		**Total Lmtd Svc Ded's**	**$32,527,813**
					9%		**Percent**	**4%**

Summary of Average Personal Property per Room

Full Service

All FS Sale Ratios	GSP*90%
FS ALL	$6,331
FS-E	$2,572
FS-UP	$4,118
FS-UU	$5,043
FS-L	$8,361

Limited Service

All Limited Sale Ratios	GSP*95%
LS-All	$1,801
LS-E	$1,027
LS-M	$2,100
LS-U	$4,862

Full Service Average Personal Property per Room

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price (SP*.9)	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (all FS-FE)
50	Full	F-E	092104-9291	30270961	Clarion Hotel-Federal \	1983	06/28/16	$10,250,000	$9,225,000	$186,070	$186,070	2.02%	115	$1,618	$2,679
50	Full	F-E	775780-0010	02008589	Ramada Inn - Kent	1987	05/14/14	$8,350,000	$7,515,000	$250,000	$402,070	5.35%	125	$3,217	$2,008
50	Full	F-E	775780-0010	02008589	Ramada Inn - Kent	1987	09/13/18	$12,600,000	$11,340,000	$125,544	$301,705	2.66%	125	$2,414	$3,030
												3.34%		$2,416	$2,572

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price (SP*.9)	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (all FS-FL)
10	Full	F-L	197460-0025,35	06132971	Alexis Hotel	1904	03/27/17	$71,625,000	$64,462,500	$997,193	$997,193	1.55%	121	$8,241	$9,323
10	Full	F-L	197570-0255	06161582	Motif	1973	01/31/18	$145,000,000	$130,500,000	$2,760,264	$2,760,264	2.12%	319	$8,653	$7,159
10	Full	F-L	197570-0255	06161582	Motif	1973	06/19/14	$130,700,000	$117,630,000	$2,954,343	$3,207,345	2.73%	319	$10,054	$6,453
10	Full	F-L	347000-0010, 0020	24721755	Hotel 1000 hotel and g	2006	07/01/14	$62,000,000	$55,800,000	$1,096,805	$1,096,805	1.97%	120	$9,140	$8,138
10	Full	F-L	347000-0010, 0020	24721755	Hotel 1000 hotel and g	2006	01/28/16	$83,500,000	$75,150,000	$1,096,805	$1,096,805	1.46%	120	$9,140	$10,959
10	Full	F-L	872974-0030	08781668	Pan Pacific Hotel (unit	2006	02/21/17	$79,000,000	$71,100,000	$200,000	$479,863	0.67%	153	$3,136	$8,132
												1.75%		$8,061	$8,361

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price (SP*.9)	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (all FS-UP)
10	Full	F-Up	197670-0010	06046783	Roosevelt Hotel	1930	03/11/15	$37,000,000	$33,300,000	$742,030	$742,030	2.23%	151	$4,914	$4,102
10	Full	F-Up	780292-0010	28202828	Seattle Hilton	1969	09/01/16	$62,000,000	$55,800,000	$1,408,807	$1,408,807	2.52%	239	$5,895	$4,343
20	Full	F-Up	232900-0020	29509445	Embassy Suites	1990	01/23/19	$59,126,214	$53,213,593		$1,918,490	3.61%	240	$7,994	$4,124
50	Full	F-Up	092104-9328	26761361	Courtyard By Marriott-	1999	11/17/14	$25,980,129	$23,382,116	$323,980	$323,980	1.39%	160	$2,025	$2,718
10	Full	F-Up	066000-2680	34141622	Springhill Suites - Seatt	2001	05/24/16	$74,100,000	$66,690,000	$230,956	$230,956	0.35%	234	$987	$5,301
												2.02%		$4,363	$4,118

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price (SP*.9)	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (all FS-UU)
30	Full	F-UU	881740-0055	08201923	Hotel Deca	1931	01/19/17	$55,000,000	$49,500,000	$742,210	$983,404	1.99%	158	$6,224	$7,582
20	Full	F-UU	322505-9036	11782901	Red Lion Bellevue (405	1969	02/08/15	$35,400,000	$31,860,000	$621,422	$621,422	1.95%	181	$3,433	$4,260
20	Full	F-UU	322505-9119	33588344	Sheraton Bellevue	1979	03/15/16	$42,700,000	$38,430,000	$162,463	$527,897	1.37%	178	$2,966	$5,225
40	Full	F-UU	342304-9098	10295897	Seattle Airport Marriot	1980	06/23/16	$92,000,000	$82,800,000	$70,934	$70,934	0.09%	459	$155	$4,365
20	Full	F-UU	322505-9061	07189491	Hilton Hotel Bellevue	1981	12/06/16	$87,250,000	$78,525,000	$2,401,455	$2,401,455	3.06%	353	$6,803	$5,383
20	Full	F-UU	720241-0080	11131562	Redmond Marriott	2003	02/28/18	$70,000,000	$63,000,000	$874,019	$874,019	1.39%	262	$3,336	$5,819
20	Full	F-UU	124450-0300	34391870	The Heathman Kirklan	2007	02/12/15	$17,478,374	$15,730,537	$840,416	$840,416	5.34%	91	$9,235	$4,183
20	Full	F-UU	808760-0035	28962314	Marriott Hotel Bellevu	2015	01/20/16	$175,000,000	$157,500,000	$6,592,364	$6,592,364	4.19%	384	$17,168	$9,926
												2.42%		$6,165	$5,843

Limited Service Economy - Average Personal Property per Room

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price *.95	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (L-E)
20	Lmtd	L-E	112405-9082	28773786	Day's Inn Bellevue	1981	07/16/15	$11,350,000	$10,782,500	$296,238	$296,238	2.75%	106	$2,795	$1,373
30	Lmtd	L-E	525430-0015	09023748	Shoreline Motel	1948	08/14/14	$1,630,000	$1,548,500	$0	$27,750	1.79%	22	$1,261	$950
30	Lmtd	L-E	525430-0015	09023748	Shoreline Motel	1948	05/23/16	$1,800,000	$1,710,000	$0	$18,650	1.09%	22	$848	$1,049
30	Lmtd	L-E	302604-9070	01609320	Seals Motel	1947	08/02/16	$3,400,000	$3,230,000	$10,066	$10,066	0.31%	40	$252	$1,090
30	Lmtd	L-E	302604-9070	01609320	Seals Motel	1947	03/17/17	$3,340,000	$3,173,000	$24,300	$24,300	0.77%	40	$608	$1,071
30	Lmtd	L-E	525430-0015	09430828	Shoreline Motel	1948	10/11/17	$2,350,000	$2,232,500	$15,150	$15,150	0.68%	22	$689	$1,370
30	Lmtd	L-E	643000-0810	09016742	Everspring Inn	1996	10/24/17	$4,200,000	$3,990,000	$50,000	$50,000	1.25%	33	$1,515	$1,632
30	Lmtd	L-E	926670-0955	29865227	Georgian Motel	1953	02/09/18	$1,450,000	$1,377,500	$33,395	$33,395	2.42%	19	$1,758	$979
40	Lmtd	L-E	004100-0335	13412606	Travelodge Airport Nor	1979	10/02/14	$3,400,000	$3,230,000	$77,760	$77,760	2.41%	72	$1,080	$606
40	Lmtd	L-E	332304-9142	19591619	Quality Inn SeaTac	1981	02/27/15	$6,750,000	$6,412,500	$144,841	$144,841	2.26%	102	$1,420	$849
40	Lmtd	L-E	346880-0455	29951829	Airlane Hotel	1919	08/05/15	$1,300,000	$1,235,000	$5,640	$5,640	0.46%	20	$282	$834
40	Lmtd	L-E	736060-0400	11348505	Econo Lodge-Airport	1985	02/26/16	$3,200,000	$3,040,000	$40,500	$40,500	1.33%	47	$862	$873
40	Lmtd	L-E	736060-0400	11348505	Econo Lodge-Airport	1985	05/14/18	$3,425,000	$3,253,750	$47,470	$47,470	1.46%	47	$1,010	$935
40	Lmtd	L-E	359700-0005	18623652	America's Best Value Ir	1967	05/24/17	$8,250,000	$7,837,500	$18,117	$18,117	0.23%	85	$213	$1,245
40	Lmtd	L-E	334330-1120	07437676	Econo Lodge	1987	07/14/17	$9,000,000	$8,550,000	$44,609	$44,609	0.52%	116	$385	$995
40	Lmtd	L-E	346880-0455	29951829	Airlane Hotel	1919	10/06/17	$1,850,000	$1,757,500	$5,905	$5,905	0.34%	20	$295	$1,186
40	Lmtd	L-E	161000-0355,-03	02324309	Knight's Inn	1977	12/06/17	$4,250,000	$4,037,500	$47,557	$47,557	1.18%	62	$767	$879
50	Lmtd	L-E	215640-0220	12038576	The Legend Motel-Des	1959	03/24/16	$1,680,000	$1,596,000	$23,274	$23,274	1.46%	30	$776	$718
50	Lmtd	L-E	212104-9078	25275454	Red Lion Inn & Suites F	1982	02/24/17	$8,800,000	$8,360,000	$402,935	$402,935	4.82%	90	$4,477	$1,254
50	Lmtd	L-E	202104-9045	06771257	Days Inn	1994	05/13/17	$3,600,000	$3,420,000	$10,000	$10,000	0.29%	54	$185	$855
50	Lmtd	L-E	797820-0020	06811251	Eastwind Motel	1950	06/22/17	$2,900,000	$2,755,000	$18,470	$18,470	0.67%	42	$440	$886
50	Lmtd	L-E	797820-0020	06811251	Eastwind Motel	1950	08/09/18	$3,225,000	$3,063,750	$18,470	$18,470	0.60%	42	$440	$985
50	Lmtd	L-E	797820-0070	09178757	Ridgecrest Motel	1947	08/15/17	$1,170,000	$1,111,500	$6,967	$6,967	0.63%	13	$536	$1,154
50	Lmtd	L-E	192105-9007	09176751	Auburn Motel	1968	04/17/18	$2,000,000	$1,900,000	$51,339	$51,339	2.70%	29	$1,770	$884
												1.35%		$1,028	$1,027 Ave L-E

Limited Service Midscale - Average Personal Property per Room

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price *.95	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (L-M)
10	Lmtd	L-M	199120-0730	23624505	Quality Inn & Suites	1959	11/05/14	$19,000,000	$18,050,000	$80,724	$80,724	0.45%	159	$508	$2,270
10	Lmtd	L-M	066000-0435	03721495	La Quinta Inn & Suites	1960	04/27/15	$16,500,000	$15,675,000	$550,001	$550,001	3.51%	72	$7,639	$4,354
20	Lmtd	L-M	282605-9136	16760415	Comfort Inn Kirkland	1982	03/17/16	$12,800,000	$12,160,000	$226,552	$226,552	1.86%	97	$2,336	$2,507
30	Lmtd	L-M	614970-0055	36612265	Comfort Inn & Suites -	1990	02/15/17	$10,700,000	$10,165,000	$102,918	$102,918	1.01%	71	$1,450	$2,863
40	Lmtd	L-M	282304-9114	26358176	Red Roof Inn Seattle Ai	1979	05/08/15	$14,437,200	$13,715,340	$482,988	$482,988	3.52%	152	$3,178	$1,805
40	Lmtd	L-M	332304-9157	25271958	Super 8-SeaTac	1981	09/08/15	$8,500,000	$8,075,000	$196,832	$196,832	2.44%	120	$1,640	$1,346
40	Lmtd	L-M	344500-0132	36941649	Sleep Inn-SeaTac	1999	12/22/15	$12,350,000	$11,732,500	$28,890	$28,890	0.25%	105	$275	$2,235
40	Lmtd	L-M	344500-0132	36941649	Sleep Inn-SeaTac	1999	03/12/18	$17,600,000	$16,720,000	$300,000	$300,000	1.79%	105	$2,857	$3,185
50	Lmtd	L-M	885600-2346	06941256	Quality Inn & Suites-Pa	1998	10/17/14	$6,220,000	$5,909,000	$77,150	$77,150	1.31%	115	$671	$1,028
50	Lmtd	L-M	132104-9113	05611322	Best Western Plus Pep	1999	10/05/15	$14,750,000	$14,012,500	$319,534	$319,534	2.28%	125	$2,556	$2,242
50	Lmtd	L-M	212204-9059	18831826	Quality Inn & Suites	1998	12/08/15	$8,276,014	$7,862,213	$121,491	$121,491	1.55%	134	$907	$1,173
50	Lmtd	L-M	885600-2346	06941256	Quality Inn & Suites-Pa	1998	05/20/16	$7,800,000	$7,410,000	$79,906	$79,906	1.08%	115	$695	$1,289
50	Lmtd	L-M	000080-0048	07651698	Comfort Inn-Auburn	1997	07/26/16	$3,900,000	$3,705,000	$102,356	$102,356	2.76%	53	$1,931	$1,398
50	Lmtd	L-M	000660-0036	04161550	Red Lion Inn & Suites-I	1998	01/12/17	$6,600,000	$6,270,000	$155,789	$155,789	2.48%	60	$2,596	$2,090
50	Lmtd	L-M	000080-0045	32632762	Red Lion Inn-Auburn	1990	06/20/17	$6,200,000	$5,890,000	$202,380	$202,380	3.44%	96	$2,108	$1,227
50	Lmtd	L-M	000660-0036	04161550	Red Lion Inn & Suites-I	1998	09/10/18	$7,200,000	$6,840,000	$195,021	$243,621	3.56%	60	$4,060	$2,280
50	Lmtd	L-M	092104-9146	06711253	Comfort Inn - FW	1998	1/3/2019	$15,000,000	$14,250,000		$105,256	0.74%	118	$892	$2,415
												2.00%		$2,135	$2,100 Ave L-M

Limited Service Upscale - Average Personal Property per Room

Neigh	Type	Exp Cat	Parcel #	Account #	Hotel Name	Yr Built	Sale Date	Gross Sale Price	Taxable Selling Price *.95	Amount of PP declared efile for sale's year	Total all accts	PP/Taxable Sales Price	Room Count	Value per Room Declared PP (e-list)	Value per Room Using % Mean (L-U)
10	Lmtd	L-U	408880-3586	09248758	Courtyard Lake Union	1998	07/01/16	$84,500,000	$80,275,000	$775,183	$775,183	0.97%	250	$3,101	$6,294
10	Lmtd	L-U	066000-1195	N/A	Residence Inn	2017	12/20/18	$111,625,000	$106,043,750	see PP tax from	$4,239,494	4.00%	302	$14,038	$6,882
20	Lmtd	L-U	720241-0060	09012741	Residence Inn by Marri	1998	08/12/14	$49,326,595	$46,860,265	$1,022,111	$1,022,111	2.18%	180	$5,678	$5,103
20	Lmtd	L-U	222505-9318	08183717	Fairfield Inn & Suites	1997	02/04/16	$34,273,703	$32,560,018	$504,024	$504,024	1.55%	144	$3,500	$4,432
40	Lmtd	L-U	242304-9014	14054480	Hampton Inn-SoCenter	1990	07/20/17	$17,000,000	$16,150,000	$425,291	$425,291	2.63%	153	$2,780	$2,069
50	Lmtd	L-U	092104-9185	06261655	Hampton Inn-Federal \	2010	10/17/18	$33,500,000	$31,825,000	$144,941	$144,941	0.46%	142	$1,021	$4,393
												1.96%		$5,020	$4,862 Ave L-U

Commercial Mortgage Commitments - Annual 2018

Table 11A - by Consolidated Metropolitan Statistical Area

FIXED RATE MORTGAGES ONLY				Weighted Average										
Consolidated Metropolitan Statistical Area	Number of Loans	Total Amount ($000)	Distribution by Amount (%)	Loan Amount ($000)	Contract Interest Rate (%)	Bond Equivalent Yield (%)	Gross Spread	Net OAS	Debt Coverage Ratio	Loan Value (%)	Capitalization Rate (%)	Mortgage Constant (%)	Maturity (years)	Average Life (years)
Boston-Worcester-Lawrence, MA-NH-ME-CT	49	2,709,609	4.77	55,298	4.24	4.29	143	138	1.79	57.73	4.63	4.80	9.74	9.43
Chicago-Gary-Kenosha, IL-IN-WI	98	2,545,806	4.48	25,978	4.39	4.45	151	147	1.84	59.23	5.08	5.24	12.52	10.79
Cincinnati-Hamilton, OH-KY-IN	31	219,959	0.39	7,095	4.51	4.54	166	164	1.63	65.37	6.24	6.63	14.54	10.81
Cleveland-Akron, OH	26	159,903	0.28	6,150	4.48	4.53	163	162	1.93	59.79	7.10	6.49	14.80	10.38
Dallas-Fort Worth, TX	118	2,364,726	4.16	20,040	4.30	4.36	155	149	1.80	63.30	5.33	5.59	11.66	10.13
Denver-Boulder-Greeley, CO	87	1,775,889	3.13	20,413	4.17	4.21	146	144	2.12	59.31	5.31	4.94	9.12	8.41
Detroit-Ann Arbor-Flint, MI	33	380,355	0.67	11,526	4.37	4.42	152	148	1.94	61.58	7.00	6.52	16.30	11.49
Houston-Galveston-Brazoria, TX	94	1,723,685	3.03	18,337	4.34	4.39	158	155	1.93	57.95	6.06	5.68	11.72	9.22
Los Angeles-Riverside-Orange County, CA	266	6,054,090	10.66	22,760	4.18	4.22	140	136	1.85	56.28	5.11	5.39	11.47	10.07
Miami-Fort Lauderdale, FL	30	685,600	1.21	22,853	4.20	4.26	145	139	2.09	57.57	4.55	5.21	9.77	8.74
Milwaukee-Racine, WI	15	115,635	0.20	7,709	4.47	4.52	164	162	1.34	66.24	6.49	7.38	15.33	9.73
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	169	6,660,852	11.72	39,413	4.21	4.26	148	144	2.04	53.21	4.78	5.26	12.30	11.05
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	56	1,320,708	2.32	23,584	4.40	4.45	154	149	1.70	61.47	5.83	6.65	14.82	11.29
Portland-Salem, OR-WA	85	1,121,189	1.97	13,190	4.27	4.31	156	154	1.81	58.79	5.86	7.63	12.08	9.50
Sacramento-Yolo, CA	21	209,255	0.37	9,965	4.65	4.70	167	166	1.80	60.42	6.32	6.20	14.40	8.57
San Francisco-Oakland-San Jose, CA	117	3,282,419	5.78	28,055	4.16	4.23	145	139	2.04	57.71	5.19	5.31	12.40	10.81
Seattle-Tacoma-Bremerton, WA	105	2,570,744	4.52	24,483	4.28	4.35	152	147	1.89	57.58	5.14	5.08	9.74	9.02
Washington-Baltimore, DC-MD-VA-WV	109	2,202,395	3.88	20,205	4.38	4.43	172	167	1.92	58.41	5.81	5.74	14.27	11.04

Notes: Participating companies represented 73% of the industry's mortgage holdings.

Categories are mutually exclusive.

Fixed Rate Loans include only fixed rate mortgages with no other return provisions, also include rate loans.

All Others category includes: second mortgages, purchased money mortgages, wrap arounds, mezzanine and construction loans.

- Not applicable.

* Data not shown for a limited number of loans.

** Less than 0.05%.

Averages are weighted by dollar amounts. Averages for debt coverage ratio, Capitalization rate and mortgage constant may represent a fewer number of loans than the total for the specified category.

See appendix for Scope and Methodology of the Survey

Before-Tax Cash Flow

Debt service (and property taxes if they have not already been subtracted) are subtracted from net operating income to derive before-tax cash flow, also known as cash throw-off, equity dividend, or cash flow. It represents the amount an owner receives from the property each year, before any deduction for income taxes.

Taxable Income

Income taxes, an owner expense that does not affect the property's operating expense, are excluded from calculation of property value. However, appraisers should be aware of the changing effects of income taxation on price and value. For example, in the United States in the early 1980s, real estate prices went up sharply as investors took advantage of tax shelter benefits. The Tax Reform Act of 1986 then eliminated most tax benefits of real estate ownership, and the price increase slowed or stopped.

Taxable income from a real estate investment is computed by deducting operating expenses, property taxes, interest, and depreciation from actual rental income. The amount of tax is usually a percentage of that income.

Another method of computing taxable income is to add back reserves to net operating income, then subtract interest and depreciation to derive taxable income, and apply a tax rate to the income or loss to derive the tax payment or saving. Under the 1986 law, a tax loss from rental real estate may not be used to offset active income (such as salary) or portfolio income (such as interest and dividends). However, a loss from rental property can offset the current year's passive income from other rental property; if there is no income, the loss may be carried forward to offset future passive income from the property or gain on its sale.

The Tax Reform Act mandates straight-line depreciation on most buildings bought after 1986. The life used is 31½ years for nonresidential property and 27½ years for apartments and other dwellings. This limited tax depreciation allowance removes most potential tax shelter from real estate.

After-Tax Cash Flow

After-tax cash flow is before-tax cash flow adjusted for current income taxes and is calculated by subtracting income taxes from before-tax cash flow. The Tax Reform Act of 1986 neutralized the effect of taxes on real estate values by eliminating tax shelter from most real estate investments and by limiting depreciation and preventing the offset of rental property losses against other types of income.

Improper Expenses

For appraisal purposes, the income approach relies on an accurate estimate of net operating income and thus on an accurate estimate of expenses to be deducted from effective gross income. Owners' operating statements often show improper expenses, that is, those not to be used in the income approach. ("Improper" does not imply fraud or deceit.) Some such expenses are described below.

Property Taxes Property taxes are sometimes considered proper expenses for the income approach. To avoid circularity, however, property taxes are accounted for in valuations for assessment purposes by adjusting the capitalization rate. Otherwise, the amount of tax affects the estimate of value used to calculate the tax.

Economic and Tax Depreciation Depreciation, defined as a loss in value from any source, is considered in the income approach as recapture and treated as part of the capitalization rate rather than as an operating expense. Another type of depreciation, that claimed for income tax purposes, is usually shown on the owner's financial records. It is not the same as the recapture provision in the capitalization rate, nor is it an operating expense for appraisal purposes.

Debt Service Debt service, the interest and principal payments required to amortize a loan, is a financing expense, not an operating expense. Although financing, whether good or poor, affects price, it should not affect the value of real estate. When estimating value, an appraiser assumes typical financing for that kind of property. The influence of atypical financing should be removed. Transactions need not be in cash as long as what the seller receives is measured by its cash value. Any other standard of measurement would create inconsistencies from property to property.

Income Taxes Income tax is not an operating expense, but a tax on personal income, which may be affected by items other than the subject property.

Capital Improvements Capital improvements are long-lasting additions to the property that usually increase income, total value, or economic life. They should not be considered operating expenses.

Owner's Business Expenses Any business expenses not necessary or reasonable for generating income from the property are not operating expenses of the property.

Leasing and Financing

Leases

Rental income from real estate is received in accordance with the lease. A typical lease requires base rent to be paid each month at the beginning of the month. Additional rent may be based on gross sales, net operating income, a consumer price index, or other adjustment. Variations of lease terms and lease features are numerous. Because of these, and the potential influence of a lease on value, an appraiser should read and highlight significant portions of the lease. Some common lease provisions are described below.

Net Versus Gross Leases Leases are usually referred to as *net* or *gross*, although many are not completely one or the other. A net lease is the most straightforward approach for a single-tenant structure. The tenant pays all taxes, insurance, and operating expenses such as maintenance (repairs, alterations, replacements, improvements, ordinary or extraordinary repairs whether interior or exterior, and so on). The owner is not involved with property operations. The terms *triple-net lease* or *net-net-net lease* are often used for the complete net lease.

In a gross lease, the landlord (lessor) pays all operating expenses. Some leases have clauses that reduce or raise the rent under specific conditions, for example, a clause that limits a landlord's responsibility for certain expenses to a negotiated amount. The tenant pays any excess. When a gross lease is used, the landlord is responsible for controlling operating expenses and ensuring that money spent to comply with the lease is spent prudently.

Area 160 Hotels

Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

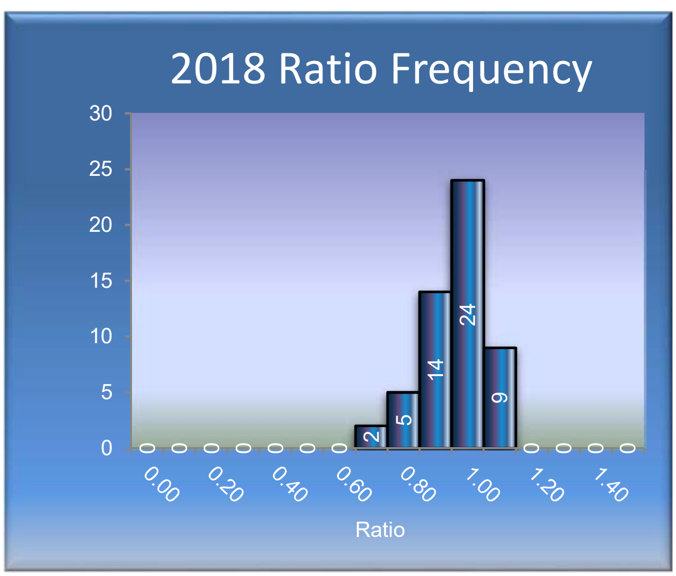
Pre-revalue ratio analysis compares sales from 2016 through 2018 in relation to the previous assessed value as of 1/1/2018.

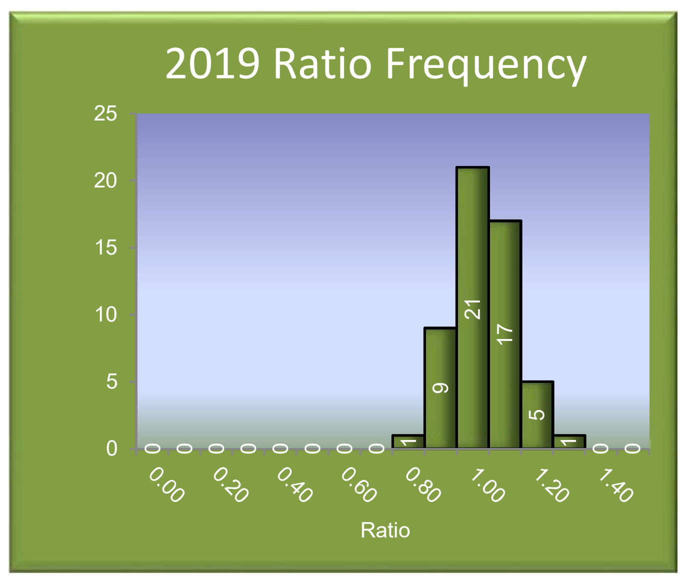
PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	54
Mean Assessed Value	26,157,000
Mean Adj. Sales Price	28,485,400
Standard Deviation AV	33,264,498
Standard Deviation SP	35,956,398
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.916
Median Ratio	0.945
Weighted Mean Ratio	0.918
UNIFORMITY	
Lowest ratio	0.6083
Highest ratio:	1.0787
Coefficient of Dispersion	8.75%
Standard Deviation	0.1077
Coefficient of Variation	11.76%
Price Related Differential (PRD)	1.00

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2016 through 2018 and reflects the assessment level after the property has been revalued to 1/1/2019.

POST REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	54
Mean Assessed Value	27,841,500
Mean Sales Price	28,485,400
Standard Deviation AV	34,955,802
Standard Deviation SP	35,956,398
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.981
Median Ratio	0.993
Weighted Mean Ratio	0.977
UNIFORMITY	
Lowest ratio	0.7011
Highest ratio:	1.2023
Coefficient of Dispersion	6.84%
Standard Deviation	0.0934
Coefficient of Variation	9.52%
Price Related Differential (PRD)	1.00





No	Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
1	160	010	066000	1195	179,528	2967476	$106,043,750	12/20/18	$590.68	RESIDENCE INN - DENNY L-U	DMC 340/290	3	70	Building Only; not in ratio
2	160	010	066000	2680	96,001	2798838	$66,690,000	05/24/16	$694.68	SPRINGHILL SUITES - SEATTLE	DMC 240/290	2	Y	
3	160	010	197460	0025	178,914	2856804	$64,462,500	03/27/17	$360.30	ALEXIS HOTEL (ARLINGTON BLDG	DMC-160	2	Y	
4	160	010	197570	0255	272,787	2913236	$130,500,000	01/30/18	$478.40	MOTIF SEATTLE	DRC 85-170	1	Y	
5	160	010	337440	0010	143,152	2854934	$79,200,000	03/24/17	$553.26	HILL7 - Hilton Garden Inn & Office Bu	DMC 340/290	1	Y	
6	160	010	347000	0020	266,322	2778117	$75,150,000	01/28/16	$282.18	HOTEL 1000	DMC 240/290	2	Y	
7	160	010	408880	3586	153,315	2807267	$80,275,000	07/01/16	$523.60	COURTYARD MARRIOTT - SLU	SM-85	1	Y	
8	160	010	780292	0010	126,240	2819899	$60,276,000	09/01/16	$477.47	HILTON SEATTLE HOTEL	DOC1 U/450/	1	Y	
9	160	010	872974	0030	107,237	2849740	$71,100,000	02/21/17	$663.02	PAN PACIFIC HOTEL	DMC 240/290	1	Y	
10	160	020	152308	9095	4,180	2829217	$584,250	10/19/16	$139.77	MT SI MOTEL	NB	1	Y	
11	160	020	154410	0322	107,322	2918248	$78,300,000	03/08/18	$729.58	MARRIOTT AC HOTEL BELLEVUE (	DNTN-MU	1	Y	
12	160	020	222505	9318	74,562	2780155	$32,560,018	02/04/16	$436.68	FAIRFIELD INN by MARRIOTT - EAS	OLB	1	Y	
13	160	020	232900	0020	195,956	2971521	$53,213,593	01/23/19	$271.56	EMBASSY SUITES HOTEL EASTGA	OLB2	2	Y	
14	160	020	282605	9136	36,281	2785158	$12,160,000	03/17/16	$335.16	COMFORT INN - KIRKLAND	TL 4A	1	Y	
15	160	020	322505	9061	324,133	2838371	$78,525,000	12/06/16	$242.26	HILTON HOTEL - BELLEVUE	OLB	1	Y	
16	160	020	322505	9119	122,369	2784747	$38,430,000	03/15/16	$314.05	SHERATON BELLEVUE HOTEL	DNTNOLB	2	Y	
17	160	020	720241	0080	159,508	2917306	$63,000,000	02/28/18	$394.96	REDMOND MARRIOTT TOWN CEN	TWNC	1	Y	
18	160	020	808760	0035	247,334	2778794	$157,500,000	01/20/16	$636.79	MARRIOTT HOTEL BELLEVUE	DNTN-MU	2	Y	
19	160	030	282710	0025	23,800	2811568	$5,272,500	07/22/16	$221.53	AMERICA'S BEST VALUE INN - SHO	MB	1	Y	
20	160	030	302604	9070	12,897	2813516	$3,230,000	07/29/16	$250.45	SEALS MOTEL - SEATTLE NORTH	C1-65	1	Y	
21	160	030	302604	9070	12,897	2854870	$3,173,000	03/17/17	$246.03	SEALS MOTEL - SEATTLE NORTH	C1-65	1	Y	
22	160	030	525430	0015	8,876	2798103	$1,710,000	05/23/16	$192.65	SHORELINE MOTEL	MB	1	Y	
23	160	030	525430	0015	8,876	2895160	$2,232,500	10/11/17	$251.52	SHORELINE MOTEL	MB	1	Y	
24	160	030	614970	0055	41,704	2849157	$10,165,000	02/15/17	$243.74	COMFORT INN & SUITES - SEATTL	C2-65	1	Y	
25	160	030	643000	0810	18,678	2898572	$3,990,000	10/24/17	$213.62	EVERSPRING INN	C1-40	1	Y	
26	160	030	881740	0055	106,860	2845292	$49,500,000	01/19/17	$463.22	HOTEL DECA	NC3-85	3	Y	
27	160	030	926670	0955	7,935	2914458	$1,377,500	02/09/18	$173.60	THE GEORGIAN MOTEL	C1-40	1	Y	
28	160	040	161000	0355	38,528	2909660	$4,037,500	12/06/17	$104.79	KNIGHTS INN - TUKWILA EAST	MDR	2	Y	
29	160	040	213620	0607	6,524	2825027	$1,805,000	09/27/16	$276.67	AERO MOTEL	IG2 U/85	1	Y	
30	160	040	242304	9014	62,670	2878324	$16,150,000	07/20/17	$257.70	HAMPTON INN SEATTLE/SOUTHCE	TUC	1	Y	
31	160	040	302305	9117	49,260	2837312	$11,210,000	11/30/16	$227.57	CLARION HOTEL - RENTON	CA	1	Y	
32	160	040	334330	1120	35,608	2877648	$8,550,000	07/14/17	$240.11	ECONO LODGE - RENTON	CA	1	Y	
33	160	040	342304	9098	298,150	2805166	$82,800,000	06/23/16	$277.71	SEATTLE AIRPORT MARRIOTT	CB-C	1	Y	
34	160	040	344500	0132	40,410	2919176	$16,720,000	03/12/18	$413.76	SLEEP INN - SEATAC	CB-C	1	Y	
35	160	040	346880	0455	6,116	2895365	$1,757,500	10/06/17	$287.36	AIRLANE MOTEL	C1-40	1	Y	
36	160	040	359700	0005	57,996	2866879	$7,837,500	05/25/17	$135.14	AMERICA'S BEST VALUE INN & SU	RCM	1	Y	
37	160	040	736060	0400	18,630	2929929	$3,253,750	05/14/18	$174.65	ECONO LODGE - AIRPORT	RC	1	Y	
38	160	040	736060	0400	18,630	2782583	$3,040,000	02/26/16	$163.18	ECONO LODGE - AIRPORT	RC	1	Y	
39	160	040	883650	0030	77,578	2814739	$27,312,500	08/01/16	$352.07	HOME2 SUITES BY HILTON	TUC	1	Y	
40	160	050	000080	0045	40,072	2872398	$5,890,000	06/20/17	$146.99	GUESTHOUSE INN - AUBURN	C3	1	26	Imp changed after sale; not in ratio
41	160	050	000080	0048	27,870	2811937	$3,705,000	07/26/16	$132.94	COMFORT INN AUBURN	C3	1	Y	
42	160	050	000660	0036	34,577	2952824	$6,840,000	09/10/18	$197.82	RED LION INN & SUITES KENT L-M	M1-C	1	Y	

No	Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
43	160	050	000660	0036	34,577	2844530	$6,270,000	01/12/17	$181.33	RED LION INN & SUITES KENT	M1-C	3	Y	
44	160	050	092104	9146	55,147	2971962	$14,250,000	01/03/19	$258.40	COMFORT INN FEDERAL WAY - SE	CC-C	1	Y	
45	160	050	092104	9185	86,999	2957642	$31,825,000	10/17/18	$365.81	HAMPTON INN & SUITES - FEDERA	CC-C	1	Y	
46	160	050	092104	9291	65,629	2806144	$9,225,000	06/28/16	$140.56	CLARION HOTEL - FEDERAL WAY	CC-C	1	26	Imp changed after sale; not in ratio
47	160	050	112204	9082	152,295	2913438	$16,150,000	02/01/18	$106.04	HAWTHORN SUITES - KENT	M1-C	1	Y	
48	160	050	182105	9253	37,426	2927926	$11,162,500	05/01/18	$298.26	LA QUINTA AUBURN L-M	C3	1	Y	
49	160	050	192105	9007	8,814	2925005	$1,900,000	04/17/18	$215.57	AUBURN MOTEL	C1	1	Y	
50	160	050	202104	9045	18,160	2870467	$3,420,000	06/13/17	$188.33	DAYS INN FEDERAL WAY	CE	1	Y	
51	160	050	212104	9078	58,600	2850355	$8,360,000	02/24/17	$142.66	RED LION INN & SUITES FEDERAL	CE	1	Y	
52	160	050	215640	0220	15,124	2786447	$1,596,000	03/24/16	$105.53	THE LEGEND MOTEL - DES MOINE	PR-C	1	Y	
53	160	050	236150	0070	26,643	2783865	$2,150,000	03/04/16	$80.70	PARK CENTER HOTEL - ENUMCLA	CB2	1	70	Building Only; not in ratio
54	160	050	775780	0010	62,211	2952556	$11,340,000	09/13/18	$182.28	RAMADA KENT SEATTLE AREA F -	M1-C	1	Y	
55	160	050	797820	0020	11,544	2872709	$2,755,000	06/22/17	$238.65	EASTWIND MOTEL - FEDERAL WA	BC	1	Y	
56	160	050	797820	0020	11,544	2946677	$3,063,750	08/09/18	$265.40	EASTWIND MOTEL - FEDERAL WA	BC	1	Y	
57	160	050	797820	0070	3,396	2883515	$1,111,500	08/15/17	$327.30	RIDGECREST MOTEL - FEDERAL V	RM3600	1	Y	
58	160	050	885600	2346	63,788	2797177	$7,410,000	05/20/16	$116.17	QUALITY INN & SUITES - PACIFIC	HC	1	Y	

No	Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
1	160	010	197720	1140	60,087	2949004	$3,929,660	08/23/18	$65.40	PALLADIAN HOTEL	DMC 240	1	30	Historic property
2	160	010	197720	1140	60,087	2949005	$5,608,350	08/23/18	$93.34	PALLADIAN HOTEL	DMC 240	1	30	Historic property
3	160	020	866327	0010	43,720	2884538	$100,000	08/14/17	$2.29	TOTEM LAKE HOTEL	TL 8	2	24	Easement or right-of-way
4	160	020	866327	0010	43,720	2912000	$10,000	01/05/18	$0.23	TOTEM LAKE HOTEL	TL 8	1	24	Easement or right-of-way
5	160	030	099300	0495	7,238	2880538	$1,250,000	07/26/17	$172.70	OAKTREE MOTEL	C1-65	1	15	No market exposure
6	160	030	322604	9130	100,142	2930489	$5,150,000	05/16/18	$51.43	HAMPTON INN & SUITES - NORTH(	NC3-65	1	15	No market exposure
7	160	040	042204	9069	50,994	2778446	$12,800,000	01/21/16	$251.01	COMFORT INN & SUITES - SEATAC	CB-C	6	63	Sale price updated by sales id group
8	160	040	042204	9092	37,104	2914476	$1,000	02/08/18	$0.03	former ECONO LODGE SANDSTON	CB-C	2	52	Statement to dor
9	160	040	172305	9100	47,029	2887803	$6,600,000	08/21/17	$140.34	QUALITY INN - RENTON	CA	1	15	No market exposure
10	160	040	344500	0226	73,947	2967881	$18,110	12/20/18	$0.24	BEST WESTERN AIRPORT EXECU	CB-C	1	24	Easement or right-of-way
11	160	040	526330	0055	7,280	2922452	$1,425,000	03/28/18	$195.74	STAR MOTEL - S.BENNETT	C1-65	2	51	Related party, friend, or neighbor
12	160	050	000080	0025	25,388	2777098	$1,037,500	01/21/16	$40.87	DAYS INN AUBURN	C3	1	51	Related party, friend, or neighbor
13	160	050	000080	0040	12,960	2887045	$2,099,000	08/28/17	$161.96	RODEWAY INN - AUBURN	C3	1	51	Related party, friend, or neighbor
14	160	050	000080	0049	43,233	2850264	$5,628,750	02/22/17	$130.20	TRAVELODGE INN & SUITES - AUB	C3	1	5	Full sales price not reported

Physical Inspection

Major	Minor	Hotel Name	Address	# Rooms
066000	2680	SPRINGHILL SUITES	1800 YALE AVE	234
197920	0270	SORRENTO HOTEL F-Up	900 MADISON ST	76
066000	1832	HOMEWOOD SUITES BY HILTON - CAPITOL HILL L-U	1011 PIKE ST	195
197820	1320	SILVER CLOUD INN - BROADWAY F-Up	1100 BROADWAY	179
880490	0365	BOYLSTON HOTEL L- E	1517 BOYLSTON AVE	39
066000	0825	WORLDMARK BY WYNDHAM (CAMLIN)	1619 9TH AVE	95
065900	0220	PARAMOUNT HOTEL F-UU	724 PINE ST	146
197670	0010	HOTEL THEODORE (former ROOSEVELT HOTEL) F-Up	1531 7TH AVE	151
065900	0445	MAYFLOWER PARK HOTEL (ASSOC W/065900-0445)	405 OLIVE WAY	160
872974	0030	PAN PACIFIC HOTEL	2200 WESTLAKE AVE	153
066000	0435	LA QUINTA SEATTLE	2224 8TH AVE	72
066000	1195	RESIDENCE INN - DENNY L-U	924 HOWELL ST	302
066000	0708	HYATT REGENCY SEATTLE F-UU	808 HOWELL ST	1264
065900	0640	HOTEL MAX	620 STEWART ST	163
228513	0010	HYATT at OLIVE 8	1615 8TH AVE	346
619500	0030	ELLIOTT GRAND HYATT	721 PINE ST	457
197670	0095	SHERATON HOTEL - SEATTLE F-UU	1400 6TH AVE	1236
197570	0025	THE WAC	1325 6th AVE	109
337440	0010	HILTON GARDEN INN	1821 BOREN AVE	222
069700	0170	HOTEL 5 F-M	2200 5TH AVE	120
066000	0010	KINGS INN L-E	2106 5TH AVE	68
069600	0015	SOUND HOTEL / ARRIVE APTS	2116 4th AVE	142
065900	0970	WARWICK HOTEL SEATTLE F-Up	401 LENORA ST	231
065900	0475	WESTIN HOTEL	1900 5TH AVE	891
094200	0510	RAINIER CLUB	810 4th AVE	6
197720	1035	MOORE HOTEL & THEATRE L-E	1926 2ND AVE	119
197720	0960	THOMPSON SEATTLE HOTEL F-L	110 STEWART ST	155
094200	0610	DOUBLETREE ARCTIC CLUB HOTEL - SEATTLE F-Up	700 3RD AVE	120
859090	1030	BARONESS HOTEL L-U	1005 SPRING ST	59
859090	1105	INN AT VIRGINIA MASON L-U	1006 SPRING ST	79
065600	0290	BELLTOWN INN L-M	2301 3RD AVE	165
065500	0050	CITY HOSTEL SEATTLE (FMR WILLIAM TELL APTS) L-E	2327 2ND AVE	47
065300	0160	EL GAUCHO RESTAURANT/INN AT EL GAUCHO/BIG PICTURE CINEMA L-U	2501 1ST AVE	17
065300	0100	THE ACE HOTEL & RETAIL.CYCLOPS/RUDYS L-E	2423 1ST AVE	28
766620	2310	EDGEWATER INN HOTEL	2411 ALASKAN WAY	223
766620	2345	SEATTLE MARRIOTT WATERFRONT	2100 ALASKAN WAY	361
197720	0050	INN AT THE MARKET F-L	86 PINE ST	76
094200	0120	HOTEL SEATTLE L-E	315 SENECA ST	79
094200	0145	HOTEL MONACO F-UU	1101 4TH AVE	189
094200	0165	W HOTEL - SEATTLE	1112 4TH AVE	424
094200	0210	EXECUTIVE HOTEL PACIFIC F-Up	400 SPRING ST	155
094200	0235	CROWNE PLAZA F-Up	1113 6TH AVE	416
094200	0265	HOTEL VINTAGE F-Up	1100 5TH AVE	125
094200	0430	RENAISSANCE SEATTLE HOTEL F-UU	515 MADISON ST	557
197570	0255	MOTIF SEATTLE F-L	1415 5TH AVE	319
197570	0600	PALIHOTEL L - E	107 PINE ST	96
197570	0645	STATE HOTEL	1501 2ND AVE	91
713783	0020	FAIRMONT OLYMPIC HOTEL	411 UNIVERSITY ST	450
768389	0020	THE CHARTER	1610 2nd AVE	229
780292	0010	HILTON HOTEL	1301 6th AVE	239
093900	0080	COURTYARD MARRIOTT PIONEER SQUARE (ALASKA BLDG)	612 2ND AVE	262
524780	0005	BEST WESTERN PLUS PIONEER SQUARE HOTEL L-U	77 YESLER WAY	75
160450	0010	HOTEL ANDRA	2000 4th AVE	119
197720	1140	PALLADIAN HOTEL F-UU	2000 2ND AVE	97
609467	0030	FOUR SEASONS HOTEL	1321 1st AVE	147
197460	0025	ALEXIS HOTEL (ARLINGTON BLDG) F-L	1007 1ST AVE	60
197460	0035	ALEXIS HOTEL F-L	1007 1ST AVE	61
524780	1635	AMERICAN HOTEL (HOSTEL) L-E	520 S KING ST	89
524780	1965	PANAMA HOTEL L-E	605 S MAIN ST	106

347000	0020	HOTEL 1000	1000 1st AVE	120
766620	4878	EMBASSY SUITES PIONEER SQUARE F-UU	255 S KING ST	282
766620	6720	SILVER CLOUD INN - STADIUM	1046 1ST AVE S	211
095200	8175	THE GROVE WEST SEATTLE INN L-E	3512 SW ALASKA ST	45
213620	0607	AERO MOTEL L-E	7240 EAST MARGINAL WAY	27
346880	0455	AIRLANE MOTEL L-E	7070 EAST MARGINAL WAY	20
346880	0465	MUNSON MOTEL L-E	7060 EAST MARGINAL WAY	14
526330	0025	STAR MOTEL - SEATTLE SOUTH L-E	5216 4TH AVE S	12
526330	0055	STAR MOTEL - S.BENNETT L-E	411 S BENNETT ST	16
526330	0826	LA HACIENDA MOTEL L-E	5414 1ST AVE S	34
692070	0025	GEORGETOWN INN L-M	6100 CORSON AVE S	52