Commercial Revalue

2019 Assessment roll

WAREHOUSES

AREA 500

King County, Department of Assessments
Seattle, Washington

John Wilson, Assessor

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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

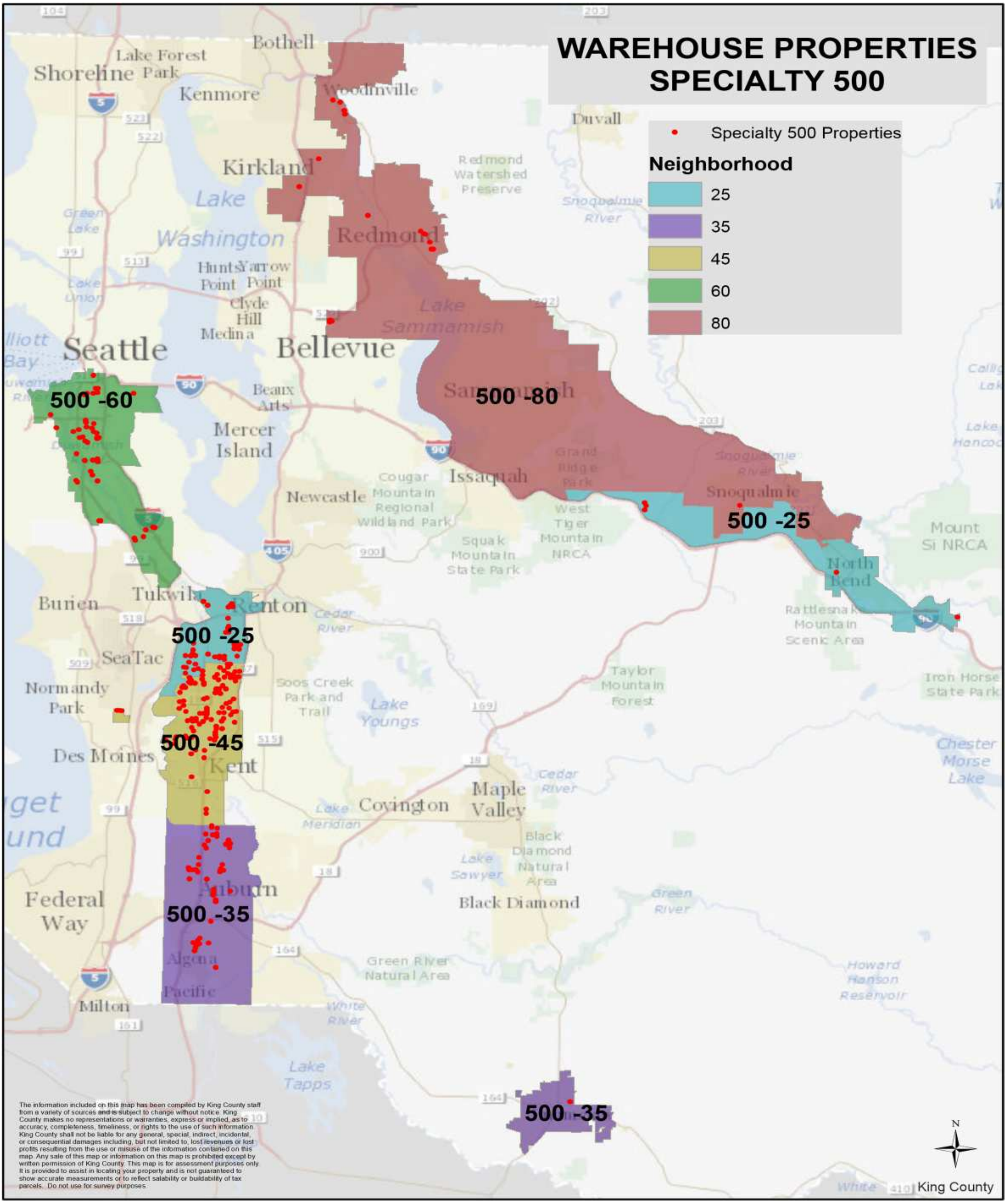
More results of the statistical testing process are found within the attached area report.

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.



WAREHOUSE PROPERTIES
SPECIALTY 500
Specialty 500 Properties
Neighborhood
25
35
45
60
80
500 -60
500 -80
500 -25
500 -25
500 -45
500 -35
500 -35
Bothell
Lake Forest Park
Shoreline
Kenmore
Woodinville
Duvall
Kirkland
Redmond
Redmond Watershed Preserve
Lake Washington
Lake Sammamish
Hunts Point
Yarrow Point
Clyde Hill
Medina
Seattle
Bellevue
Beaux Arts
Mercer Island
Sammamish
Issaquah
Newcastle
Cougar Mountain Regional Wildland Park
Squak Mountain State Park
West Tiger Mountain NRCA
Snoqualmie
North Bend
Mount Si NRCA
Rattlesnake Mountain Scenic Area
Tukwila
Renton
Burien
SeaTac
Normandy Park
Des Moines
Kent
Soos Creek Park and Trail
Lake Youngs
Taylor Mountain Forest
Iron Horse State Park
Chester Morse Lake
Covington
Maple Valley
Black Diamond
Federal Way
Auburn
Algona
Pacific
Milton
Green River Natural Area
Lake Tapps
Howard Hanson Reservoir
King County

Executive Summary Report

Appraisal Date 1/1/2019 – 2019 Assessment Year – 2020 Tax Roll Year

Specialty Name: Warehouses (100,000 net square feet or larger,) Specialty Area 500

Sales - Improved Summary:

Number of Sales: 15
Number of Sales not included in the ratio: 2
Range of Sale Dates: 1/1/2016 – 12/31/2018

Sales - Improved Valuation Change Summary				
	Mean Assessed Value	Mean Sale Price	Ratio	COD*
2018 Value	$36,958,600	$51,914,500	71.2%	20.79%
2019 Value	$49,685,200	$51,914,500	95.7%	9.31%
Change	$12,726,600		24.5%	-11.48%
	34.43%		34.41%	-55.22%

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

Sales used in analysis: All improved sales that were verified as good sales that did not have characteristic changes, such as change of use, major renovations or repairs, between the date of sale and the date of appraisal were included in the analysis. Examples of sales that are not included in the analysis are properties that sold as a portion of bulk portfolio sales covering multiple geographic areas/neighborhoods; partial interest; leasehold interest; or have been segregated or merged since being purchased.

Total Population – Average Improved Parcel Summary Data

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2018 Value	$1,730,760,000	$4,178,156,900	$5,908,916,900
2019 Value	$1,961,377,200	$5,836,204,900	$7,797,582,100
Percent Change	13.32%	39.68%	31.96%

Number of Parcels in the Ratio Study Population: 280; which includes improved and associated vacant parcels.

Conclusion and Recommendation

The values presented as a result of this report improve uniformity and equity; therefore, it is recommended they should be posted for the 2019 Assessment Year.

Identification of the Area

Name or Designation:

Specialty Area 500 – Warehouse Properties (over 100,000 net square feet)

Area 500 Neighborhoods

- **500-25** Renton, Tukwila, North Bend, Des Moines and Preston
- **500-35** Auburn, Algona, Enumclaw
- **500-45** Kent Valley, Des Moines
- **500-60** Seattle-south of Safeco Field
- **500-85** Eastside of the county (East of Lake Washington)

Maps

A general map of Area 500 neighborhoods is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Warehouse Specialty Description

From a broad perspective, the industrial real estate sector historically has been defined by warehouse, manufacturing and R&D (research and development) properties. Specialty 500 encompasses the classification of properties which broadly fall under the label of "warehouse," including storage, distribution, and transit buildings, and in some cases light industrial facilities, with at least a building area of 100,000 net rentable square feet. In general, these warehouse sub-classifications have commonalities from the standpoint of shared uses and many underlying physical building and spatial attributes.

Storage warehouses are utilitarian facilities that provide a proper environment for the purpose of storing goods and materials requiring protection from the elements. The majority of the building is storage use with office space occupying a small portion of the building, generally between 3% and 12% of the total building area.

Warehouses can range from a general purpose shell providing storage space with minimal lighting, plumbing and office space to complex, specialized operations. The design of the warehouse space should be planned to best accommodate the products to be safely stored and handled, as well as business service requirements. Warehouse design must support the loads of the materials to be stored, the associated handling equipment and software, receiving and shipping operations with associated trucking, and meet the physical and operational requirements of the operating personnel. With a focus on efficiency and functionality, warehouse layout would readily facilitate the present use and optimally have flexibility in adapting to future operations and storage needs.

Economics of modern commercial warehouses dictate a minimal turnaround time in processing goods, thus reducing operating costs. The creation of safe and comfortable working environments can additionally result in increased worker productivity. In a competitive real estate market, considerations reach beyond economics into the realm of building image with aesthetics, such as landscaping, becoming increasingly important, especially for corporate clients.

Many regional warehouse structures can be readily utilized for light industrial uses with minimal modifications. Light manufacturing activities are comprised of a variety of enterprises from assembly, disassembly, fabricating, finishing, manufacturing, packaging, and repairing or reprocessing of materials. A variety of industrial uses and activities can be housed within physical identical buildings. Many characteristics are not visible from the exterior of the building, such as well laid out circulation spaces, power, floor load, and floor levelness. Most structures housing light industrial uses have at least 15% to 20% office build-out. High ceilings heights afford mezzanine build out, generally for office use, while still maintaining adequate heights for warehouse functionality.

The warehouse distribution category is comprised of facilities constructed with the objective to store and distribute goods. In order to support the primary function of the movement of goods at high volumes and/or high frequencies, adequate loading capabilities are a necessity. Building features include dock-high or grade-level doors. Bays adjacent to the loading doors, generally exceeding 5,000 square feet, and clearance heights in excess of 20 feet facilitate the building's primary function. Distribution warehouses typically have more office/sales area than storage warehouses (approximately 15%) to accommodate breakdown and transshipment.

Distribution warehouse facilities may be constructed with refrigeration or cold storage systems that are integrated in the building structure rather than freestanding walk-in units. Warehouses with these features are defined by the basis of climate control service being rendered. Building characteristics may include interior loading and/or weather sealed exterior dock areas for temperature control. The purpose of the facility is to function as a stock warehouse for goods to be redistributed to retailers, wholesalers or shipped directly to consumers. Since the function of this type of warehouse distribution facility is specialized, fewer facilities are needed in each region to accommodate demand. A L:B (land to building) ratio of 2:1 is feasible if percentage of office to building ratio is on the lower end since parking requirements would be diminished with less office space.

"Big-box" properties are warehouse distribution centers larger than 300,000 square feet. Ceiling heights are 28 feet or greater to maximize the building's cubic volume and the buildings are precast or tilt-up concrete construction. This warehouse building type is in high demand by e-commerce retailers, wholesalers and third-party logistic companies.

Buildings within the transit warehouse category are designed for loading, freight segregation and closed storage. Freight forwarding has an integral function in supply chain management. Intermodal methods of freight forwarding include the movement of goods between airplanes, truck, train, and boat. The rectangular shaped building creates a cross-dock configuration for efficient flow-thru of freight. The building layout facilitates temporary closed storage, freight segregation and loading. A high quantity of docks in conjunction with dock high floors facilitates the transfer of cargo rather than the storage of cargo. The specialized design results in a low building to dock square foot ratio, which frequently lacks a warehouse component, additional facilities cater to transient personnel (10% to 20% of the building).

Warehouse Evolution

Two different building materials are primarily used to construct warehouses, concrete tiltwall and prefabricated metal construction. From an architectural standpoint, warehouse design is beginning to evolve from simple box shaped structures to structures with a more polished appearance. Stone and brick are sometimes used as aesthetic features for exterior coverings.

Concrete tilt-wall construction has superior durability, built in noise reduction, and better fire protection. Metal building construction has the advantage of being environmentally friendly and less expensive to construct. Newer metal buildings are nearly 100 percent recyclable.

Developers are starting incorporate LEED BD+C (Building Design and Construction) principles for new warehouse and distribution center construction. For example, the footprint of a large facility makes it difficult to obtain natural light through the facade. Newer structures can incorporate clear story glass in a saw tooth roofline to obtain natural light, similar to the design of historic warehouse buildings.

Many LEED features supporting sustainability, such as energy efficiency, can be utilized in retrofitting existing structures. Existing buildings can readily integrate energy efficient natural daylight fluorescent tubes into existing ceiling fixtures with occupancy sensors to control lighting for portions of the building only when needed. Vast roof tops of existing buildings make excellent locations for solar panels. Cooling and heating costs can be cut with the installation of integrated HVLS (high volume, low speed fans) to assist in controlling the temperature from floor to ceiling.

Newer warehouse features include sophisticated materials-handling equipment, broadband connectivity access, and more distribution networks. A wide range of storage alternatives, picking alternatives, material handling equipment and software exist to meet the physical and operational requirements of the warehouse.

Changes in utility have occurred between older warehouses and those with more recent modern construction. Warehouses have evolved into taller structures to accommodate high-volume tenants in achieving increased efficiency by providing more cubic volume. During the 1970s, the majority of structures were constructed with clear height of 20 feet. Buildings have grown in clear height up to 32 to 36 feet to provide better utility from a volume standpoint. Specialty warehouses may even exceed 40 feet.

The latest evolution is 36 foot clear heights in distribution markets. Tenant demand would need to justify additional costs associated with building a taller structure. Demand to date has come primarily from consumer product, retail users, and e-commerce tenants. Currently, the decision to construct 36 foot clear height is market dependent. Not only does the developer have to realize an acceptable return on the additional investment to construct a taller building, but the rental rates need to be cost effective for the tenant to increase their volume vertically rather than increasing the floor square footage of their space.

Area Overview

The Puget Sound region is a growing major metropolitan area with a tight industrial market, land constraints affecting future development, and access to intermodal transportation systems.

The warehouse sector continued to experience strong investor demand. Warehouses are playing a key role in portfolios due to their ability to afford long term inflation protection emanating from low-volatility income generation and triple net leasing structures. The less intensive capital nature of warehouse buildings from the standpoints of management, maintenance, relative ease of accommodating tenant turnover with minimal expense, increasing rental rates, and rising sales prices contribute to warehouse properties being considered a prime, sought after real estate investment class. Storage warehouse and distribution properties are considered more efficient from both investment and operational standpoints. Therefore, they are more desirable than other types of industrial uses, such as flex-space (office parks), specialized industrial spaces, and heavy manufacturing.

According to Jones Lang LaSalle's 4^{th} quarter Seattle-Bellevue Industrial Insight, the strong demand within the industrial market has led to a continuing supply and demand imbalance, especially for warehouse spaces over 100,000 square feet. This marks the eighth straight year of positive absorption and growth in the market according to Kidder Mathews 4^{th} quarter 2018 Seattle Industrial Real Estate Market Review. Industrial occupancy drivers remain strong with new construction deliveries in the pipeline.

The limited inventory of newer warehouse buildings (five years old or less) in King County has resulted in increased sales prices. Although quality product is becoming increasingly limited, transaction volume and activity in King County continues to be strong. REITS, which are active players in the Puget Sound market, have started a trend buying smaller and/or lower quality properties due to lack of available product. The Puget Sound's locational desirability based on accessibility through multiple modes of transportation (highway, rail, air, sea and port) contributes to the willingness of buyers to purchase buildings at a premium price despite the need for substantial renovations in order to modernize, modify and/or customize the space for their individual operations.

Well located, quality warehouse space is in high demand, with limited available supply for both renters and investors. Warehouse rents continued to increase in 2018 throughout the Puget Sound area even as the construction pipeline expanded to meet increasing demand. The warehouse segment in King County continues to be strong with the market experiencing low vacancy rates. Although supply slightly outpaced absorption, the market remained tight, only seeing vacancy rates inch up to 3.6%. Published capitalization rates for the area came in as low as 3.75% for Class A properties industrial properties. Finally, rental rates continued to grow seeing a year-over-year increase of 12% in some areas. Due to these factors, many tenants have been forced to compromise quality for location or locate in an inferior market in order to secure rental space.

Seattle's East Duwamish Manufacturing Industrial Center is a high density, high demand industrial area within the King County market. Typical land to building ratios are among the lowest in King County (under 2:1), with many sites under one acre. The availability of vacant, undeveloped land is increasingly rare. In order to obtain viable sites to accommodate new development, functionally obsolesced buildings are frequently considered teardowns. The traditional one-story industrial development is evolving with multi-story solutions due to land size constraints. Prologis, a REIT, is in the process of building what is said to be the first three-story distribution warehouse development in the United States on a site where obsolesced buildings have been removed.

The industrial sector's popularity with investors in part stems from industrial tenants searching to lease higher quality properties with modern features including high-dock doors with wider loading capabilities, 28 to 32 foot clear-height ceilings, and state of the art sprinkler systems. Building features can impact the turnaround time for inventory, which in turn increases the bottom line. Therefore, tenants are willing to pay higher rent for properties that fit their criteria. An investor advantage of industrial properties is that typically expensive renovations or build-outs during tenant's turnover are not required concessions in this market. Developers and investors are taking note, and pushing up sales prices for both land and improvements, including warehouses which are smaller than 100,000 square feet.

In this low inventory environment, transactions are increasingly occurring via word of mouth, cold calling, offering properties to a select group of buyers with calls for bids, and open listings offering properties without a stated asking price rather than traditionally marketed listings. Investors want a solid foot hold in the Puget Sound market and have made a strong impact in the overall market in King County, especially in the Kent Valley market. Newer, modern existing warehouses are more plentiful in the Kent Valley since land is more readily available for development. South King County and Kent Valley, in particular, is considered a highly desirable location within proximity to multi-modal transport, with the operating ports of Tacoma and Seattle (Northwest Seaport Alliance,) the Seattle-Tacoma Airport, and rail. Kent also has a large pool of blue-collar and white-collar workers and a proximity to the headquarters of the huge players in this market like Costco and Amazon.

South King County contains the largest amount of industrial space in the entire state of Washington, with many new businesses coming to the Puget Sound relocating to this area. Helping to fuel growth in Puget Sound warehouse development is the fact that King County continues to be home to some of the largest, most recognized companies in the world. Many companies want and need to be near these giants either as competitors or to serve them directly.

E-commerce is continuing to drive industrial space absorption. Millennials are emerging as a potent economic force and as a contributing factor behind the creation of new ways to distribute goods to consumers. Increased online shopping activity brought about by the steadily improving economic conditions and improving favorable economic outlooks from consumers, further drives growth in the construction and sale of distribution centers in the region. E-commerce fulfillment is one of the strongest dynamics driving demand for industrial real estate.

Amazon remains at the forefront of internet retailing and continues to exert a profound effect on industrial property construction and retailer strategies. The movement of more retail sales online and through warehouses and fulfillment centers is also creating potentially new strategies in the investment market for owners of properties near major population centers. According to a CNBC report, Amazon's growing e-commerce business, which accounted for 40% of all U.S. e-commerce sales in 2018 or 5% of all U.S. retail sales. In the U.S. Census Bureau release for 2018, e-commerce sales account for 14.3% of total sales up 5.4 points over 2017.

E-commerce retail is increasingly competing for customers on the basis of shipping time. In order to meet on-demand expectations, distribution centers need to be close to the larger population hubs like King County. Even outside the e-commerce realm, businesses live in age of need it now goods and services. Despite significant automation, the e-commerce industry's effect on demand for labor has been magnified by its heavy employee counts and severe seasonal spikes resulting in labor shortages, as compared to traditional warehouse operations. As a result, e-commerce-focused leasing drives local demand for labor at a rate two or three times that of traditional warehousing operations. Traditional warehouse facilities typically function with an employee count of one per 1,500 to 3,000 square feet. E-fulfillment operations typically have an employee count of one per 700 to 1,000 square feet. The dwindling supply of labor has forced employers to compete with e-commerce fulfillment operations.

The surge in shipments from e-commerce retailers has impacted long-term freight planning and economic development, as well as warehousing near and within urban areas. From 2010 to 2014, e-commerce was the third most active industrial sector, accounting for 16.1 percent of all "big-box" transactions nationally, just behind traditional retail and consumer non-durables. By 2016, not only had e-commerce become the most active sector (22.5 percent), but the gap among the top three had widened significantly, with traditional retail dropping to fourth place.

E-commerce is also a driver of industrial absorption and creating robust demand for bigbox building in core industrial markets. As a result, big-box distribution centers have become one of the most sought after investment properties in the country. Owners of warehouse and distribution centers that can be adapted to the rapid movement of goods required in e-commerce may increasingly seek to test the new market demand. Repurposing older assets by development-minded parties may help fill the need for appropriate warehouse space. Distribution centers are increasingly challenged to keep pace with consumer expectations for faster and accurate delivery.

The growth of e-commerce within the grocery sector has created a greater need for cold storage space. Given the combination of Washington State's ports, high population count and farming centers, there is an estimated 11.3 million square feet of cold storage space statewide.

Third-party logistics (abbreviated 3PL, or sometimes TPL) in logistics and supply chain management is defined as a company's use of third-party businesses to outsource elements of their distribution and fulfillment services. Strong tenant demand persists in the region for last mile distribution centers. Smaller urban infill locations near major metropolitan areas assist in filling the demand of retailers by supplying facilities along their delivery routes to hit next-day and same-day delivery goals. Some of the larger distribution warehouses in King County, especially in Seattle, are multi-tenant facilities housing “last mile” logistics companies looking to locate next to the population center, to be nimble to ship pallets to stores and direct to consumers. The efficiency of the ecommerce supply chain is dependent on both location and the functionality of the warehouse.

Sale prices in King County are routinely above $100 per square foot, with better quality buildings garnering up to $250 per square foot.

According to Kidder Mathews, typical warehouse sales fall into the following ranges:

South King County	$125-$200	per square foot
Seattle	$200-$300	per square foot (better quality buildings)
Eastside	$180-$230[1]	per square foot

[1] Kidder Mathews, 4th Quarter 2018, page 2.

Analysis Process

Effective Date of Appraisal: January 1, 2019

Date of Appraisal Report: July 22, 2019

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of $1,000.00 is assigned to the improvements.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent, or tenant when possible. Current data was verified and corrected when necessary via field inspection.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this appraisal.

- Sales from 01/01/2016 to 12/31/2018 were considered in all analyses.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 5 & 6 (USPAP compliant).

Neighborhood Descriptions

The 294 parcels comprising the warehouse specialty have been segmented into five distinct neighborhood regions. The regions are referred to by their geographic location.

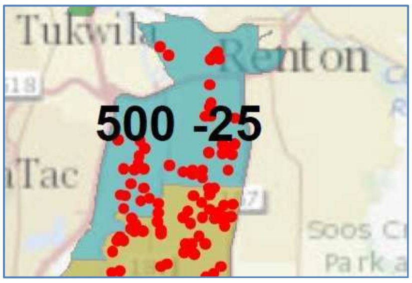
South King County

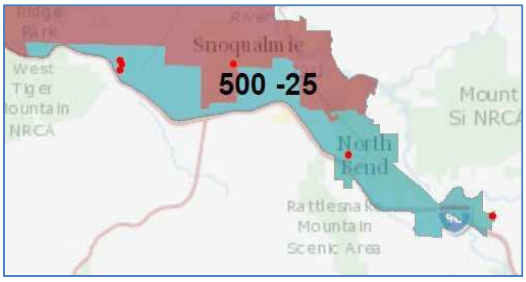
South King County houses the largest concentration of warehouse properties in both King County and Washington State. Seventy-five percent of the county's warehouse specialty properties are located within the three warehouse sub-markets in the south end, neighborhoods 25, 35, and 45. Kent, neighborhood 45, is the biggest submarket due to the valley's level topography and the availability of larger sized vacant pieces of land. Considering the locational benefits and parcel sizes available, industrial land in the Kent valley is among the least expensive in King County.

The South King County warehouse real estate market remains very active with over 1 million sf (7 buildings) under construction at the end of 2018. It had significant absorption in 2018; however, vacancy rates have risen slightly in some portions of South King County despite the increasing rental rates. The inventory of larger warehouses on the market at this time is still limited. Many institutional investors favor South King County due to its proximity to the major ports of Tacoma and Seattle, as well as the Seattle-Tacoma Airport.

Specialty Area 500-25

Specialty Area 500-25 includes Tukwila, Renton, North Bend, and Preston. Tukwila and Renton are just south and East of Seattle and the Port of Seattle. North Bend and Preston are further to the east along Interstate 90. Forty-nine parcels are in Area 500-25, with distribution warehouses dominating this area.

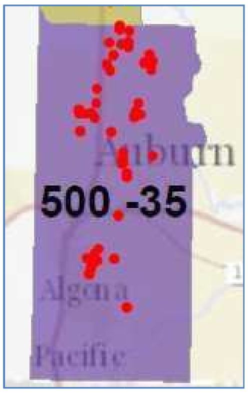




A number of warehouses located within close proximity to Westfield Southcenter Mall in Tukwila have warehouse showrooms with retail merchandise, such as Macy's and JR Furniture.

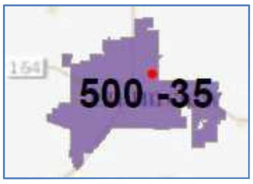
The airport has 2 new developments in the area. Seattle Gateway Center 1 is nearing completion and estimated to be 98% complete on July 31st, 2019. This 323,950 sf distribution warehouse with a 36' clear height is located in Des Moines. Seattle Gateway Center 2 is now complete. It is a 133,200 sf distribution warehouse located in Burien.

The Port of Seattle completed Des Moines Creek North in 2019 as well. It is a 436,880 sf warehouse located in Des Moines.



Specialty Area 500-35

Specialty Area 500-35 includes predominantly Auburn, as well as Algona and one property in Enumclaw. Fifty parcels are in Area 500-35. This area is populated by a large number of industrial parks offering a customized space to meet specific tenant needs. Property types include incubator space, major cold storage space, and product distribution facilities. One of the largest warehouse parcels located in Auburn is the Safeway Distribution complex, comprised of nine buildings with over 1,150,100 square feet.



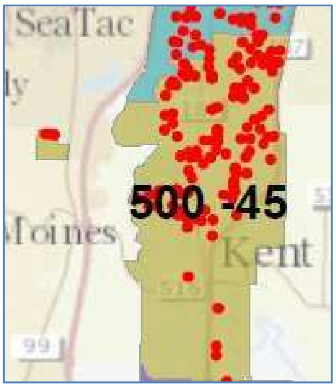
West Valley Highway North:
Panattoni Development, one of the largest commercial real estate development companies globally having developed over 175 million square feet, purchased tax parcel #352204-9024 along the West Valley Highway North at South 287th Street in Auburn on November, 2016. Construction of the 260,000 square foot distribution warehouse was completed in 2018. DCT Hudson Distribution Center was completed in 2019. The 283,832 sf warehouse has a 32' clear height.

Specialty Area 500-45

Specialty Area 500-45 is comprised primarily of the Kent Valley and Des Moines to the west of Kent. The new development in Burien, outlined below, is a new addition to this neighborhood. This is the largest of the sub-areas with one hundred twenty-five parcels. Level topography, good freeway and rail access, and the availability of a large labor pool contribute to distribution warehouses dominating this area. Light industrial manufacturing facilities, food service and cold storage warehouses are also located in this neighborhood.

Des Moines Creek Business Park:

The Port of Seattle had chosen Panattoni Development from a field of four companies to develop the Des Moines Creek Business Park project on 87 acres south of Seattle-Tacoma International Airport in the city of Des Moines. The development was hailed as the most important single economic development project in the city's fifty-five year history. The vision of the development was to create a business park that will be well-positioned for large-scale airport-related commercial and light industrial users seeking a close-in location to the airport and seaport. The Port negotiated a long-term ground lease with Panattoni Development. The three-phase development includes flexible-use, manufacturing, office, distribution and industrial business park buildings. The city of Des Moines estimates the project will create more than 1,000 permanent jobs. This project also supports the Port's agenda to grow for the benefits of Sea-Tac Airport by increasing the volume of air cargo and expanding local business.



Phase I was completed in 2016, was comprised of three buildings totaling over 550,000 square feet with storage, warehouse distribution, industrial and office uses. Panattoni Development sold the leasehold improvements on December, 2016 ($46,500,000 or $84.24/SF).

Phase II is a Class A, 300,000 square foot office building for the Federal Aviation Authority. This building falls within the scope of the Office Specialty.

Phase III includes two industrial buildings with approximately 150,000 square feet and 350,000 square feet. The buildings were 95% leased at the time of completion during the first quarter of 2017.

The project has expanded to include Phase IV. However, this phase is outside the purview of the Port of Seattle. Panattoni development acquired sites to the west of the preceding phases that were privately held, in 2017. The 22 acre site housing two new warehouse buildings, with over 500,000 square feet of rentable space, was reported as 93% preleased. The improvements were completed in 2018.

Western Distribution Services:

Bridge Development Partners is the first private developer in Burien's Northeast Development Area (NERA). The NERA was created to bring suitable developers and end users to spur economic development in Burien with airport-compatible development and create a synergy between the goals of the private sector and public sectors, the city of Burien and the Port of Seattle. This is the first building to be developed in the NERA and the first facility within the warehouse specialty to be located in Burien.

The tenant, Western Distribution Services, believes the location is an opportunity to serve the growing needs of an increasingly regulated food services sector. The proximity to the Seattle and Tacoma seaports and Sea-Tac Airport was essential to Western Distribution Services interest in Burien. The new 241,000 square foot cold storage facility, with both chill and freeze capabilities, was completed in 2017.

Amazon Fresh:

Amazon Fresh relocated to 20202 84th Avenue South, Kent from the Bellevue Spring District, which is undergoing a transition from a warehouse district to a 36 acre mixed use development in the Bel-Red corridor east of downtown Bellevue. Their new grocery fulfillment center is located under two miles from Amazon's new Kent fulfillment center. The former Office Max warehouse was purchased in December 2015 for $14,875,000 ($93.20/square foot). The 1982 building was extensively remodeled to accommodate state-of-the-art technology incorporated into the Amazon fulfillment process, office space, refrigerated storage and dry storage areas, as well as updated amenities such as an expanded break room and locker room. The new facility launched operations in 2017.

234 Distribution Center:

The 234 Distribution Center was completed in 2019 and has 125,440 sf of distribution warehouse space. It has 30' of clear height and remained vacant at the time of inspection.

Specialty Area 500-60

Specialty Area 500-60 is located in Seattle and the northern portion of unincorporated King County. The majority of the fifty parcels are located within the well-established, high demand industrial district referred to as the Duwamish Manufacturing Industrial Center (MIC) along both sides of the Duwamish Waterway, which accounts for seventy-seven percent of Seattle's industrial zoned land. The buildings contain a mixture of industrial processing facilities, distribution warehouses, and truck terminals.

The close-in market of Seattle is the most established submarket. Historically building ownership was predominantly comprised of owner/user or local investor ownership. More recently, institutional investors have been gaining a foothold in this market. This high demand, dense area has a shortage of undeveloped land. Therefore, institutional investors have expanded their typical niche to purchase obsolesced buildings to tear down and redevelop.

The Duwamish MIC represents the oldest industrial location in the Puget Sound region, and is located adjacent to the southern portions of historic Pioneer Square (the original section of downtown Seattle) and the International District, both of which harken back to the 1800's. Industrial development started close to downtown Seattle near the turn of the twentieth century and over the years expanded to the south, incorporating what are now the Port of Seattle and the areas surrounding the Duwamish Waterway.

Consequently, in the northern portion of this industrial district, many older properties are in need of renovation and redevelopment. Moving southbound, the properties consist of more recently constructed manufacturing and warehouse facilities ranging in age from new to 60 years old.

The buildings in this area are generally 50 to 100 years old and typically have lower ceilings and limited truck loading facilities because the sites are smaller, and land is very expensive. Despite some of the buildings obsolescence due to age, the close proximity to freeways and waterways has helped this area thrive even during difficult economic times. Demand for industrial space in this area has remained high with influence from the Port of Seattle and the proximity to the I-5 freeway, Highways 99 and 509. Due to the lack of available land in this neighborhood, there has been little new warehouse development, and as a result, vacancies, currently below 2%, are the lowest in King County. This neighborhood also has higher lease rates due to the proximity to the Port of Seattle, trains, and freeway.

6050 East Marginal Way South:

Prologis is a San Francisco based company that is an owner, operator and developer of industrial real estate focused on both global and regional markets across the Americas and Europe. They purchased this extraordinarily rare, large developable site of almost 14 acres in May, 2015 for $24,500,000/$41.08 per square foot of land. Due to land constraints in the East Duwamish MIC zoning, even for a development on a larger site, the buyer is constructing a three-story 580,000 square foot warehouse distribution structure rather than the typical one-story warehouse developments elsewhere in King County. The three-story structure is expected to house lighter-scale warehouse operations. The building design is said to be the first of its kind in the U.S. The anticipated configuration will look as if three warehouses are stacked on top of each other, with stacked loading bays and a ramp structure that will allow trucks to access the second level bay, and freight elevator access to the top floor. Multi-story warehouses are already common in countries like Japan and Singapore, as well as elsewhere in Asia and Europe, where vacant land is scarce. The development potentially presents a new solution to diminishing industrial lands.

Two more multi-story warehouses are proposed for south Seattle according to a January 2019 Puget Sound Business Journal Article.[2] Seattle based Avenue 55 has plans to build a four-story project called Track 6 at 3847 First Ave S. The structure will have a 24' ceilings on the first floor and 14'-16' ceilings on floors 2-4 and will measure 212,500 sf. The other multi-story warehouse in the planning stages is to be built by Ryan - a national builder, developer, designer and real estate manager based in Minneapolis. Ryan's project will be located 65 S Horton St. Ryan has submitted plans to the city for the 119,000 sf building.

3301 South Norfolk Street:

Prologis purchased twenty-eight parcels from the Sabey Corporation in November, 2016 in two separate transactions. One transaction included twenty-seven parcels for a total sales price of $78,880,000. The parcels were predominantly vacant with a land area of 1,475,603 square feet. One of these parcels has an industrial improvement with a small office space totaling 293,187 square feet. The sales price calculates to $53.46 per square foot from the land standpoint. The second transaction sold for $57,120,000 for one improved parcel with 714,095 square feet of building area amid a small compound of industrial and office use buildings occupied by the Associated Grocers situated on 1,090,771 square feet. The sales price calculates to $79.99 per square foot for improvements, and $52.37 per square foot from a land standpoint. The improvements are considered interim use. These two sales represent the largest sales in the Seattle industrial market in 2016. Prologis has now submitted plans for its first new building on the site. The building will measure 268,000 sf of warehouse space featuring 32' clear height plus 12,000 sf of office areas.[3]

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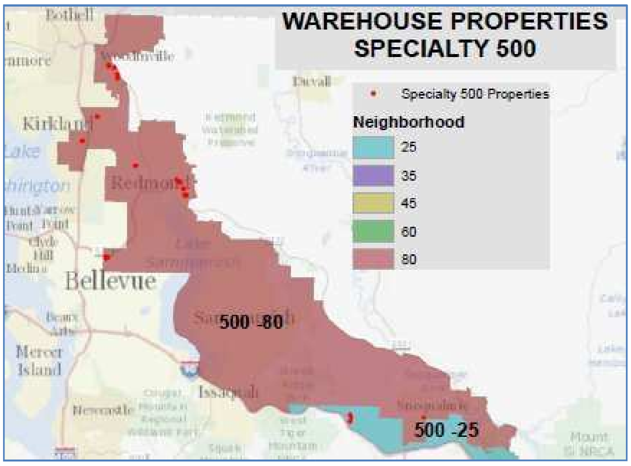
[2] Puget Sound Business Journal – "Two more multistory warehouses proposed for South Seattle

[3]

Specialty Area 500-80

Specialty Area 500-80 represents the vast geographic area on the Eastside of King County east of Lake Washington. This neighborhood encompasses cities such as Bellevue, Kirkland, Redmond, Woodinville, and Snoqualmie. Specialty area 500-80 has the smallest parcel count at twenty parcels. The Eastside has benefited greatly from population growth and an influx of high technology companies. This area is a mix of older and newer warehouses. Many of the older warehouses have small bays and at-grade door distribution.



Totem Lake Center:

Totem Lake Center is located in Kirkland at 12521 128th Lane Northeast. The 171,684 warehouse distribution center constructed in 1996 was recently purchased in June, 2016 for $28,011,797 or $163.16 per square foot. Permits for over $1,000,000 have since been taken out to remodel the existing office, factory and production spaces.

The Reserve at Woodinville:

In August, 2016, Panattoni purchased the almost 12 acre site to develop two Class A industrial buildings with a total of over 200,000 square feet. The smaller building was pre-sold as a shell for conversion to a public storage facility by the buyer. The larger building, with over 170,000 square feet, is fully constructed.

Physical Inspection Identification

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 25 was physically inspected this year and consists of 45 parcels.

Preliminary Ratio Analysis

The sales ratio study is an important assessment tool to ensure uniform assessment of properties based on market value. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales according to property type and geographic area. The resulting data can be used to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development. The two major aspects of appraisal accuracy: appraisal level and appraisal uniformity are measured and evaluated using the ratio study. Appraisal level is a measure of the ratio of assessed value to sales price, while appraisal uniformity refers to the degree to which properties are appraised at equal percentages of market value. The International Association of Assessing Officers (IAAO) has developed performance standards to evaluate both the appraisal level and uniformity.

Recommended IAAO Standards on Ratio Studies	
Appraisal Level	0.90 to 1.10
Coefficient of Dispersion	Under 15.0
Price Related Differential	0.98 to 1.03

IAAO July 1990

A Preliminary Ratio Study was completed prior to the application of the 2019 recommended values that benchmarks the current assessment level using 2018 posted assessment values. The results are discussed in the Appraisal Level and Appraisal Uniformity sections.

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 where the weights are proportional to the sales prices. In addition, the weighted mean also is the ratio of the average assessed value to the average sales price. 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. Although weighted mean is an important statistic in its own right, it has an integral role in the computation of the Price Related Differential (PRD,) a measure of uniformity between low and high value properties.

The IAAO performance standards state that the weighted mean ratio should be between 0.90 and 1.10. The preliminary ratio study for Area 500 shows a weighted mean ratio of 0.712 which is below the IAAO guidelines. The weighted mean ratio indicates that the current assessment level, as measured using recent sales, is below the acceptable range.

Appraisal (Assessment) Uniformity

Measures of dispersion or variability relate to the uniformity of the ratios. Generally, the most useful measure of uniformity is the Coefficient of Dispersion (COD.) The COD measures the absolute average percentage deviation of the ratios from the median ratio within the sales ratio study and indicates how tightly the ratios are clustered around the median ratio.

The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing property in smaller, rural jurisdictions and between 5.0 and 15.0 for larger, urban market jurisdictions. A lower number represents better uniformity. Area 500's preliminary ratio study shows a COD of 20.79% indicating that the current level of assessment uniformity, as measured using recent sales, falls outside 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. It is the differential between arithmetic mean of ratios, and the weighted mean of ratios, where the sales prices themselves represent the weight. 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. It is the differential between arithmetic mean of ratios, and the weighted mean of ratios, where the sales prices themselves represent the weight.

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. As the PRD approaches 1.00, it is a greater indication that specific property ratios of sale-price to assessment level are falling within the acceptable range, rather than just the arithmetic mean of the entire population being in the acceptable range. Thus, it is a measurement of property specific assessment level, as well as an indicator of the uniformity within the pool of recent sales.

The preliminary ratio study for Specialty Area 500 shows a PRD of 1.01, which falls within the recommended IAAO guidelines. This is an indication that the current level of assessment uniformity as measured using recent sales is fair and equitable to both low and high dollar properties.

In conclusion, the preliminary ratio study PRD results fall within the IAAO standards for uniformity. The COD falls above the acceptable range in the preliminary ratio study. The two measures test appraisal uniformity differently. The COD provides the measure of variation of individual assessments around the median. The PRD measures the variation of the assessment of property groups in relation to each other.

Scope of Data

Land Value

Land Sales, Analysis, Conclusions

Geographic appraisers are responsible for the determination of the assessed valuation for land. Analysis and application of land value occurs during every annual revaluation cycle with each individual industrial property assigned to the geographic area in which it is situated. A list of vacant sales used and those considered not reflective of market are contained in the respective geographic appraiser reports.

Improved Parcel Total Values

Sales Comparison Approach Model Description

Thirteen improved sales in the subject area, dating from 1/1/16 to 12/31/18 were considered fair market transactions. The 3 years of sales included in the ratio study illustrate the rapid appreciation of the warehouse market. These sales were considered in the "modeling-analysis" and included in the ratio study. Sale parcels where the improvements or use changed after the sale were not included in the ratio study. Because these changes occurred subsequent to purchase, a current assessed value would no longer accurately reflect property characteristics in existence at the time of sale for purposes of comparison; therefore, not considered representative for purposes of broad consideration in value placement and statistical analysis. However, they are utilized as market value indications based upon existing property characteristics at the time of sale.

All sales were verified with a knowledgeable party and inspected when possible. The model for the Sales Comparison Approach was based on characteristics from the Assessor's records including location, effective age, building quality, net rentable area, and use. Sales with location, characteristics and utility most similar to the subject properties generally received primary consideration. Improved commercial sales within geographic areas were also reviewed for relative comparison.

Given the smaller sample size, these sales were not representative of all stratifications within each specialty neighborhood but were used in support of income and cost methodologies applied to valuation models. These sales, with examination of the surrounding geographical area sale patterns, and review of surveys and forecasts referenced herein, support the assumption of improving market conditions for valuation adjustment.

Sales Comparison Calibration

Although a number of improved sales occurred from 2016 through 2018, the Sales Comparison Approach was primarily used as a guideline in broader support of assessed value due to limited sales within some stratifications and neighborhoods. Together with income and cost modeling, the Sales Comparison Approach provides the basis and support for assessed values in Specialty Area 500.

The sales statistics assisted in calibrating the coefficients applied in the Income Approach to value by setting parameters for the income rates, vacancies, expenses and capitalization rates.

When utilizing the Income Approach, sale prices assist in establishing general upper and lower market boundary ranges for Specialty Area 500. Neighborhoods were treated independent from one another when dictated by the market. In conjunction with market rent surveys, sale price per square foot of improved net rentable area help set the income parameters and capitalization rates driving the income models developed for the various neighborhoods.

Cost Approach Model Description and Cost Calibration

The Marshall & Swift cost modeling system, built into the Assessor's Real Property application, is calibrated to the Western Region and the Seattle area and adjusted on an annual basis. Depreciation was based on studies done by Marshall & Swift Valuation Service. The Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Due to the difficulty in accurately determining the depreciation of older warehouse properties, the cost approach to value was given the least weight in the final reconciliation of values. However, cost estimates were relied upon for valuing new construction where comparable sales data and/or sufficient income and expense information is not available.

Income Capitalization Approach Model Description

The Income Approach is considered a reliable approach to valuation in Specialty Area 500 where relevant income and expense data is available to ascertain market rates. Income parameters were derived from the market place through market rental surveys, sales, and outside sources.

Warehouse structures house a variety of uses, including distribution, light manufacturing, storage, and open office space. Age and utility influence value, and are reflected in the valuation process. At the high end are newer properties offering greater utility, efficiency, better construction quality and higher appeal to the market.

In order to calibrate a credible income model, it is necessary to consider data from recognized published sources to assist in developing capitalization rates. These publications tend to report data that is considered relevant to institutional-grade CBD and suburban real estate.

Income Calibration

Similar uses were grouped together with income rates that were correlated to the effective age and building quality of the warehouse property. Values were applied based on various characteristics deemed appropriate within each market on a dollar value per square foot of improved net rentable area. Location, use, quality, effective age and net rentable area were among factors considered for adjustment. Since sales, in some cases, may not be sufficient in number, valuation may rely on sales with a change of use, older sales, geographic neighborhood sales when relevant, and those in competing neighborhoods.

Some properties require deviation from the typical value range due to issues including, but not limited to, location and condition, as well as appraiser judgment.

Income parameters were derived from the market place through various methodology including direct inquiry with property owners and tenants, the sales verification process, as well as listings, published sources (i.e. CBRE, Colliers, Kidder Matthews, CoStar, and Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

Income tables were developed and then applied to the population. Variables utilized within the tables were derived from multiple sources, including direct inquiry, market surveys and studies, and then subsequently applied to property data. A majority of the properties in Specialty Area 500 were valued utilizing an Income Approach (Direct Capitalization method.) The Income Approach, with support from the Sales Approach, was considered a reliable approach to valuation throughout Specialty Area 500 for improved properties where income and expense data was available.

Application of a Land to Building Ratio guideline of 2:1 to improved properties, based on appraiser judgment, was employed in the valuation of improved properties in order to maximize highest and best use as reflected by the market. The guideline is supported by the typical land to building ratios of properties located in Area 35. Further corroboration determined by the results of a countywide study noted the average F.A.R. is .47 for all of urban King County commercial and mixed-use zones, and .46 for industrial zones (King County Buildable Lands Presentation reflecting Commercial/Industrial Development Activity: 1996-2000, 11/29/2009).

Income: Similar uses were grouped together with income rates that were correlated to the effective age and building quality of the commercial property.

Income parameters were derived from the market place through various methodology including direct inquiry with property owners and tenants, the sales verification process, as well as listings, and published sources (i.e. CBRE, Colliers, Kidder Matthews, and Multiple Corporate Real Estate Websites), and opinions expressed by real estate professionals active in the market.

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

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

Capitalization Rates: During the verification process of market sales, an attempt was made to ascertain the capitalization rate. Additionally, capitalization rate data was collected from local and regional Pacific Northwest published market surveys (CBRE, RERC.)

The effective age and condition of each building contributes to the capitalization rate applied in the model. For example, a building in poorer condition with a lower effective year (1970, for example) will typically warrant a higher capitalization rate, and a building in better condition with a higher effective year (2015, for example) will warrant a lower capitalization rate.

The following tables demonstrate ranges of capitalization rates and trends compiled with information that is collected on both local and broad regional scales. This information is reconciled with data specific to the real estate market in development of the income model. The range of lease and capitalization rates in the income model reflects the range of property characteristics in each area.

SEATTLE / REGIONAL CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2018					CBRE professional's opinion of where cap rates are likely to trend in the 2nd ½ of 2018 based on recent trades as well as interactions with investors. Value-Add represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	4.25% -	-	-	CBD – Class AA
			4.75%	-	-	CBD – Class A
			4.75% -	-	-	CBD – Class A – Value
			5.25%	-	-	Added
			6.00% -	-	-	CBD – Class B
			7.25%	-	-	CBD – Class B – Value
			5.50% -	-	-	Added
			6.50%	-	-	CBD – Class C
			6.75% -	-	-	CBD – Class C – Value
			7.75%	-	-	Added
			6.75% -	-	-	Suburban – Class AA
			8.50%	-	-	Suburban – Class A
			7.75% -	-		Suburban – Class A – Value
			9.25%	-	-	Added
			5.25% -	3.75% -	-	Suburban – Class B
			5.75%	4.25%	-	Suburban – Class B – Value
			6.00% -	4.50% -	-	Added
			6.50%	5.00%	-	Suburban – Class C
			6.50% -	4.25% -	-	Suburban – Class C – Value
			7.50%	4.75%	-	Added
			7.00% -	5.00% -	4.50% -	Class A
			7.50%	6.00%	6.00%	Class A – Value Added
			7.50% -	5.75% -	5.50% -	Class B
			8.50%	6.50%	7.25%	Class B – Value Added
			7.50% -	6.50% -	7.50% -	Class C
			8.25%	7.50%	9.25%	Class C – Value Added
			8.00%-	-	7.50% -	Class A (Neigh./Comm)
			9.00%	-	8.75%	Class B (Neigh./Comm)
			-	-	8.00% -	Class B (Neigh./Comm.) –
			-	-	11.00%	Value-Add
			-	-	5.50% -	Class C (Neigh./Comm)
			-	-	6.00%	Class C (Neigh./Comm.) –
			-	-		Value-Add

SEATTLE / REGIONAL CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
			- - - - - - - - - -	- - - -	6.25% - 8.00% 7.25% - 9.00% 7.50% - 9.50% 7.75% - 10.25% 4.50% - 5.50%	Class A (Power Centers) Class B (Power Centers) Class B (Power Centers) – Value-Add Class C (Power Centers) Class C (Power Centers) – Value-Add High Street Retail (Urban Core)
IRR: Viewpoint for 2018	Year-end 2018	Seattle	5.00% 6.00% 5.75% 6.50% - - - - -	- - - - 6.75% 4.50% - -	- - - - - - 5.00% 6.00% 6.25%	Institutional Grade Properties” CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Flex Industrial Industrial Regional Mall Community Retail Neighborhood Retail
5CoStar	Year-End 2018	Seattle Puget Sound	6.11% 6.43% 5.31% 5.63% - - - - - - - -	- - - - 6.51% 6.11% 4.89% 4.33% - - - -	- - - - - - - - 5.97% 6.43% 6.30% N/A	Building Size < 50,000 SF Building Size 50,000 SF – 249,000 SF Building Size 250,000 SF – 499,000 SF Building Size >500,000 SF Building Size < 25,000 SF Building Size 25,000 SF – 99,000 SF Building Size 100,000 SF – 249,000 SF Building Size >250,000 SF Building Size < 25,0000 SF Building Size 25,000 SF – 99,000 SF Building Size 100,000 SF – 249,000 SF Building Size > 250,000 SF

SEATTLE / REGIONAL CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2018					1st Tier properties are defined as new or newer quality const. in prime to good location; 2nd Tier properties are defined as aging, former 1st tier in good to average locations; 3rd Tier are defined as older properties w/ functional inadequacies and/or marginal locations.
		Seattle West Region	6.00% 6.30% - - - - - - 5.00% - 7.80% 5.30% - 8.30% 5.80% - 8.80% 5.00% - 8.30% 5.50% - 8.80% 5.30% - 9.30% - - - - - -	- - 5.40% 6.30% 6.30% - - - - - - - - - 4.50% - 8.00% 5.00% - 8.50% 5.30% - 8.50% 4.50% - 7.50% 5.50% - 8.00% 5.30% - 8.50% 4.50% - 7.50% 6.00% - 8.00% 5.30% - 8.50%	- - - - - 6.30% 6.20% 6.10% - - - - - - - - - - - - - - - 5.80% - 9.00% 6.50% - 8.00% 7.50% - 8.30% 5.80% - 9.30%	Office CBD – 1st Tier Properties Suburban Office – 1st Tier Properties Warehouse – 1st Tier Properties R&D – 1st Tier Properties Flex – 1st Tier Properties Regional Mall – 1st Tier Properties Power Center – 1st Tier Properties Neigh/Comm. Ctrs. – 1st Tier Properties Office CBD – 1st Tier Properties Office CBD – 2nd Tier Properties Office CBD – 3rd Tier Properties Suburban Office – 1st Tier Properties Suburban Office – 2nd Tier Properties Suburban Office – 3rd Tier Properties Warehouse – 1st Tier Properties Warehouse – 2nd Tier Properties Warehouse – 3rd Tier Properties

SEATTLE / REGIONAL CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
			- - - - - - - - - - - -	- - - - - - - - -	6.30% - 7.50% 6.50% - 8.30% 5.50% - 7.50% 6.30% - 8.00% 7.00% - 9.00%	R&D – 1st Tier Properties R&D – 2nd Tier Properties R&D – 3rd Tier Properties Flex – 1st Tier Properties Flex – 2nd Tier Properties Flex – 3rd Tier Properties Regional Mall – 1st Tier Properties Regional Mall – 2nd Tier Properties Regional Mall – 3rd Tier Properties Power Center – 1st Tier Properties Power Center – 2nd Tier Properties Power Center – 3rd Tier Properties Neigh/Comm. Ctr. – 1st Tier Properties Neigh/Comm. Ctr. – 2nd Tier Properties Neigh/Comm. Ctr. – 3rd Tier Properties
IRR: Viewpoint for 2018	Year-end 2018	West Region	 5.81% 6.45% 6.23% 6.84% - - - - -	 - - - - 6.52% 5.82% - - -	 - - - - - - 6.09% 6.28% 6.10%	Institutional Grade Properties” CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Flex Industrial Industrial Regional Mall Community Retail Neighborhood Retail
PWC / Korpaz Real Estate Investment Survey	4Q 2018	Seattle Pacific NW Region	4.00% - 8.00% - 4.00% - 8.00% -	- - - 3.75% - 5.50%	- - - -	CBD Office Office Warehouse

SEATTLE / REGIONAL CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
ACLI	4Q 2018	Seattle – Bellevue - Everett MSA	5.82%	4.52%	6.61%	All Classes
		Pacific Region	6.01%	5.10%	5.67%	All Classes

Income Approach Calibration

Income tables were developed to represent each neighborhood within the area for purposes of direct income capitalization. The tables were calibrated setting economic base rents, vacancy rates, expenses, and capitalization rates by using adjustments based on size, effective year built, and quality of construction as recorded in the Assessor's records. Properties containing a number of differing section uses may have multiple tables that contribute to the valuation of the property as a whole. An example of this would be a warehouse with a mezzanine office and main floor office, where three tables would be used.

When the value of the property by the income approach was less than the land value, a nominal $1,000 value was allocated to the improvements.

Many improved warehouse type properties also required excess/surplus land adjustment for land to building ratios above the 2:1 guideline referenced earlier in this report. The income model assumes a land to building ratio threshold based on the market (2:1.) The excess/surplus land calculation is performed after generating an income value, then adding usable land area in excess of the ratio, for estimating total parcel value. The result reflects value from the basic economic unit, plus additional contributing value from excess or surplus land as valued by the market. Land value is market based, while usable land area is property specific and subjectively determined by the appraiser.

The predominant property use is industrial, which includes distribution warehouses, light industrial and storage warehouses, storage buildings of all types, service buildings, and utility buildings. Rents applied are lowest for older properties in poor condition, and highest for modern structures with more desirable configurations. No warehouses are currently classified with excellent building quality and those of good quality are rare. The vast majority of rents fall within the average to average-good classifications. Capitalization rates applied to these properties also reflect investment risk, being higher for older, poorer quality buildings and lower for newer, better quality buildings.

The following tables outline a summary of the typical income parameters for the major property types (before stratification,) used in the income tables, which in turn provided the basis for the income value estimate calculations. It should be noted that due to the nature of commercial real estate not all properties fall within typical parameters. The tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using stratification of adjustments based on effective age, and construction quality as recorded in the Assessor's records.

Below are typical model parameters for the various uses. It should be noted that due to the nature of commercial real estate, not all properties fall within the "typical" parameters listed below for their respective property use type. Industrial lease rates are typically quoted on a monthly price per square foot basis. The tables below display the rents on an annual price per square foot. The majority of office build-out is considered an add-on to the warehouse rates and the tables below have considered that.

Rental rates, vacancy levels and operating expenses are derived by reconciling all of the information collected through the sales verification process, completed surveys, interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year built, condition, and location are variables considered in the application of the income model to the parcels in the population.

Typical Income Parameters				
Section Use	Rent Range	Vacancy Collection and Loss	Expenses per SF	Capitalization Rate %
Warehouse Uses	$5 - $14	4% - 5%	5% - 10%	4.5% - 7.25%
Storage Mezzanine	$3 - $8.50	4% - 5%	7.5% - 10%	5% - 7.25%
Office/Office Mezz	$7 - $18	4% - 5%	7.5% - 10%	5% - 7.75%

*Note: All rents are expressed as annual and triple net.

Reconciliation

All warehouse specialty properties were revalued this year. Each parcel was individually reviewed for correctness of model application before final value selection and reviewed by the senior appraiser prior to posting. The factors analyzed in the process of establishing value utilizing the model constructs were subject to adjustment by the appraiser.

The Market Sales Approach is considered the most reliable indicator of value, however the income approach was applied to most parcels in order to better equalize comparable properties. Income approach modeling reflected a valuation level within indicated market ranges. Whenever possible, market rents, expenses, and cap rates were ascertained from sales, and along with data from surveys and publications these parameters were applied to the income model.

Primary consideration in valuation was based on an Income Model with the application of the Direct Capitalization technique. The Income Approach insures greater uniformity and equalization of values. The total value generated from the income table calculations and the selected income values varied in some cases due to special circumstances, such as properties with excess/surplus land, inferior/superior location, or physical/functional obsolescence. In the case of interim use properties, they might be purchased for investment value or future income rather than current income. Appraisal judgment prevailed when determining when to depart from the Assessor's table generated income model.

Market rents (both in-place and asking) collected for income models were used as a guide in establishing the modeled economic parameters. The rents applied vary somewhat but fall within an acceptable range of established market indicators. Capitalization rates were based upon market sales, when possible, and historical levels, and adjusted to reflect current market conditions referenced by local and national surveys of the greater Seattle/Puget Sound region.

The total value generated from the income table calculations and the selected income values varied in some cases due to special circumstances, such as properties with surplus/excess land, inferior/superior location, super-adequacy, or physical/functional obsolescence. Appraisal judgment prevailed when determining when to depart from the Assessor's table generated income model.

With application of the recommended values, the standard statistical measures for valuation performance are improved and within IAAO standards.

MODEL VALUATION

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation**.** For each parcel, a value was selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The appraiser determines which available value estimate and methodology is appropriate to individual parcels and may adjust particular parcel characteristics and conditions as they occur in the valuation area. The process and results were reviewed for quality control and administrative purposes by the Senior Appraiser, Marie Ramirez. Management has reviewed the standard statistical measures for valuation performance.

In the 2019 valuation model, the income approach is used to value the majority of the income producing properties, with support from the market sales approach parameters. The income approach also insures greater uniformity and equalization of values. With improving market fundamentals, values by the income method are generally increasing although they sometimes are below the value of the sales. In the case of interim use properties, they might be purchased for investment value or future income rather than the current income stream.

The standard statistical measures of valuation performance are presented in both the 2018 and 2019 Ratio Analysis charts included in this report. Improved sales used for purposes of calculating the Ratio Results originate from a three year period prior to the Appraisal Date. A list of both improved sales used and those considered not reflective of market are included in subsequent sections.

A preliminary Ratio Study was completed just prior to the application of the 2019 recommended values. This study benchmarks the current assessment level using 2018 posted values. The ratio study completed after application of the 2019 year recommended values determines the difference new values would have on assessment level and uniformity. Application of the values described above resulted in the following changes under Assessment Level: the Weighted Mean increased from 71.2% to 95.7%; under Uniformity: the Coefficient of Dispersion decreased from 20.79% to 9.31%, and the Coefficient of Variation, also decreased from 25.27% to 12.31%. The remaining measure of uniformity, the Price-Related Differential, increased from 1.01 to 1.02. The assessment level for the Weighted Mean Ratio improved to 95.7%, and the COD improved to 9.31%. With the application of 2019 recommended values, all indicators fall within normal performance standards for income properties within larger urban jurisdictions, as recommended by the IAAO (International Association of Assessing Officers.) Overall, the indicators reflect an improved Assessment Level and Uniformity over previous levels.

The Assessor has applied the Ratio Model as a sale-based tool for measuring relative appraisal level and parcel equalization. The above Ratio Study results are considered reasonable in view of the frequency pattern exhibited by sales prior to the Appraisal Date, and a ratio sample size good enough to provide statistical significance, particularly in view of the heterogeneous pattern of property characteristics.

The total value for the 2018 assessment year for Specialty Area 500 was $5,908,916,900, and the total recommended assessed value for the 2019 assessment year is $7,797,582,100. Application of these recommended values for the 2019 assessment year (taxes payable in 2020) result in a total change from the 2018 assessments of +31.96%.

Change in Total Assessed Value			
2018 Total Value	**2019 Total Value**	**$ Change**	**% Change**
$5,908,916,900	$7,797,582,100	$1,888,665,200	31.96%

USPAP

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65).

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

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

Highest and Best Use

RCW 84.40.030

> *All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*
>
> *An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zo 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. (Samish 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. (Samish Gun Club v. Skagit County, 118 Wash. 578 (1922))

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

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

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

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

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

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

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

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

The Dictionary of Real Estate Appraisal, 3rd Addition, Appraisal Institute.

> *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

Assumptions and Limiting Conditions:

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.

4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.

5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.

7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.

9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.

10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.

11. An attempt to segregate personal property from the real estate in this appraisal has been made.

12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.

13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.

14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.

15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed:

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

Certification:

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

- The statements of fact contained in this report are true and correct.
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.
- 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 within the prior three years, as an appraiser or in any other capacity are listed below: Trevor Swedberg, Commercial Appraiser II, Michele Le Compte, Commercial Appraiser II; Marie Ramirez, Senior Appraiser.

- Such duties, responsibilities and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.
- Any and all activities required under the respective Certificates of Appointment, under sworn oath, appointing these appraisers to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Senior and Commercial Appraiser II in the management and valuation of Specialty 500, Warehouses with 100,000 net square feet or larger. Such duties, responsibilities, and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.

Trevor Swedberg

____ 7/22/19_____

Trevor Swedberg **Date**

Area 500 Warehouse

Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

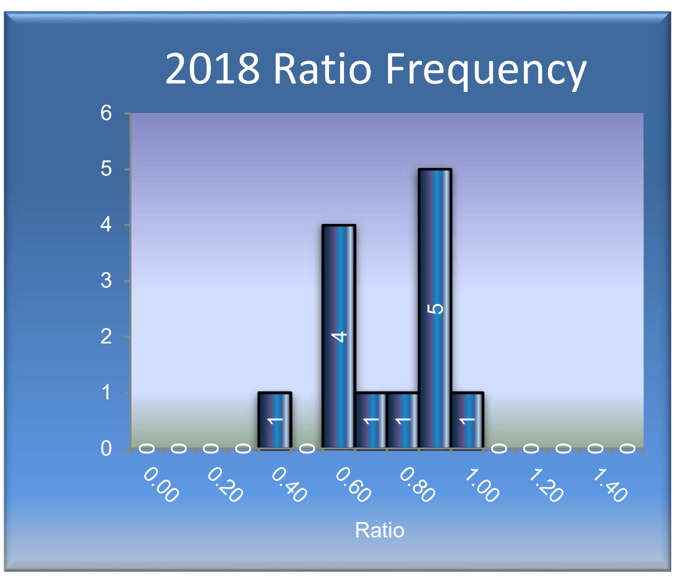
Pre-revalue ratio analysis compares sales from 2016 through 2018 in relation to the previous assessed value as of 1/1/2018.

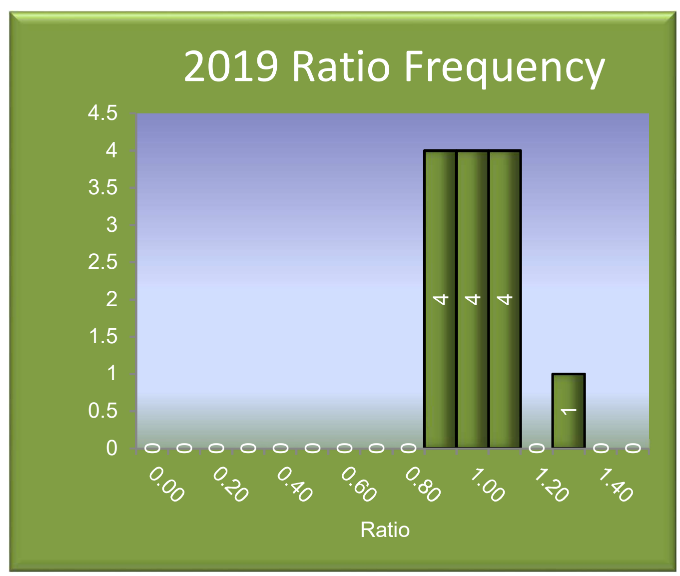
PRE-REVALUE RATIO SAMPLE STATISTICS	
Sample size (n)	13
Mean Assessed Value	36,958,600
Mean Adj. Sales Price	51,914,500
Standard Deviation AV	30,933,935
Standard Deviation SP	37,810,320
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.718
Median Ratio	0.766
Weighted Mean Ratio	0.712
UNIFORMITY	
Lowest ratio	0.3899
Highest ratio:	0.9295
Coefficient of Dispersion	20.79%
Standard Deviation	0.1814
Coefficient of Variation	25.27%
Price Related Differential (PRD)	1.01

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)	13
Mean Assessed Value	49,685,200
Mean Sales Price	51,914,500
Standard Deviation AV	36,500,756
Standard Deviation SP	37,810,320
ASSESSMENT LEVEL	
Arithmetic Mean Ratio	0.974
Median Ratio	0.982
Weighted Mean Ratio	0.957
UNIFORMITY	
Lowest ratio	0.8114
Highest ratio:	1.2481
Coefficient of Dispersion	9.31%
Standard Deviation	0.1199
Coefficient of Variation	12.31%
Price Related Differential (PRD)	1.02





Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
500	025	125380	0040	140,340	2922904	$19,500,000	04/04/18	$138.95	THE GARFIELD BUILDING	IH	2	Y	
500	025	125380	0060	100,520	2982855	$15,000,000	04/17/19	$149.22	Distribution Warehouse	IH	1	Y	Sale after the assessments date
500	025	219310	0010	479,100	2893966	$67,050,000	10/04/17	$139.95	VALLEY DISTRIBUTION CENTER	IL	3	Y	
500	025	262304	9115	113,980	2798646	$12,300,000	05/25/16	$107.91	RED DOT CORP.	TUC	1	Y	
500	025	870021	0060	216,848	2963041	$53,500,000	11/20/18	$246.72	Seattle South Business Center - Bldg	HI	1	Y	
500	035	232973	0010	154,072	2780938	$21,900,000	02/19/16	$142.14	FED-EX Distribution Center	M1	3	Y	
500	035	252104	9096	1,150,127	2966798	$144,537,063	12/17/18	$125.67	SAFEWAY DISTRIBUTION CENTER	M2	4	Y	
500	045	092204	9342	545,963	2965712	$111,000,000	12/07/18	$203.31	DES MOINES BUSINESS PARK BUI	PR-C	2	Y	
500	045	122204	9084	121,256	2828877	$12,412,288	10/14/16	$102.36	WAREHOUSE	M3	1	26	Imp changed after sale; not in ratio
500	045	132204	9003	294,912	2950754	$49,000,000	08/20/18	$166.15	SEARS WAREHOUSE	M3	1	Y	
500	045	132204	9173	259,004	2819286	$30,000,000	08/24/16	$115.83	WAREHOUSE	M1	1	Y	
500	045	132204	9218	113,591	2986647	$16,500,000	05/08/19	$145.26	INTERGRIS BUILDING	M3	1	Y	Sale after the assessments date
500	045	202304	9006	236,919	2888149	$57,500,000	09/08/17	$242.70	WESTERN DISTRIBUTION SERVICI	AI-1	1	Y	
500	045	362304	9085	98,770	2972325	$12,700,000	01/30/19	$128.58	DISTRIBUTION WAREHOUSE	M2	1	Y	Sale after the assessments date
500	045	883660	0010	267,715	2787347	$31,602,000	03/28/16	$118.04	WEST VALLEY BUSINESS PARK	M1	2	Y	
500	060	202404	9067	206,669	2946125	$43,000,000	08/02/18	$208.06	MULTI TENANT WHSE	IG2 U/85	3	Y	
500	060	357370	0006	254,144	2918049	$34,000,000	03/06/18	$133.78	SEARS & OTHERS	IG1 U/85	1	Y	
500	080	866335	0100	171,684	2804382	$28,011,797	06/23/16	$163.16	TOTEM LAKE COMMERCE CENTEF	TL 9A	1	26	Imp changed after sale; not in ratio

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
500	025	214610	0033	115,900	2876642	$15,190,000	07/11/17	$131.06	DISTRIBUTION WAREHOUSE	IM	1	59	Bulk portfolio sale
500	025	788890	0152	701,267	2840702	$101,583,032	12/19/16	$144.86	MULTI-TENANT WHSE	C/LI	8	59	Bulk portfolio sale
500	035	122104	9035	167,023	2991946	$25,500,000	06/04/19	$152.67	WHITE RIVER PARK	M1	1		Sale occurred after valuation date
500	035	242006	9010	145,161	2847204	$7,750,000	01/02/17	$53.39	HELAC CORP	LI	1	57	Selling or buying costs affecting sa
500	045	012204	9016	228,146	2824201	$23,900,000	09/22/16	$104.76	EAST VALLEY DISTRIBUTION CEN	M2	1	59	Bulk portfolio sale
500	045	062205	9010	812,200	2955641	$88,571,440	10/01/18	$109.05	WAREHOUSES	M2	1	59	Bulk portfolio sale
500	045	062205	9180	489,000	2955640	$59,615,473	10/01/18	$121.91	Prologis Business Park - Bldgs A, B,	M2	1	59	Bulk portfolio sale
500	045	092204	9009	161,612	2991728	$81,110,000	06/03/19	$501.88	Des Moines Creek Business Park (Bu	B-P	4		Sale occurred after valuation date
500	045	092204	9009	551,988	2839693	$46,500,000	12/15/16	$84.24	Des Moines Creek Business Park	B-P	5	33	Lease or lease-hold
500	045	092204	9342	545,963	2966026	$2,500	12/06/18	$0.00	DES MOINES BUSINESS PARK BUI	PR-C	2	18	Quit claim deed
500	045	125370	0130	101,890	2994634	$16,000,000	06/19/19	$157.03	8030 BUILDING	M2	1		Sale occurred after valuation date
500	045	125370	0350	365,040	2996443	$52,590	05/31/19	$0.14	Distribution Warehouse	M2	1		Sale occurred after valuation date
500	045	125370	0350	365,040	2834846	$40,302,315	11/15/16	$110.41	DISTRIBUTION WAREHOUSE	M2	1	59	Bulk portfolio sale
500	045	202304	9006	236,919	2996442	$332,564	05/31/19	$1.40	WESTERN DISTRIBUTION SERVICI	AI-1	1		Sale occurred after valuation date
500	045	383090	0400	100,000	2876638	$10,100,000	07/11/17	$101.00	REXAM BEVERAGE CAN	M3	1	59	Bulk portfolio sale
500	045	383200	0006	176,689	2969721	$2,801,836	04/12/18	$15.86	OBERTO WAREHOUSE & PLANT	M3	1	51	Related party, friend, or neighbor
500	045	631500	0120	239,031	2840703	$31,116,967	12/19/16	$130.18	GREENRIVER CORPORATE PARK	M2	4	59	Bulk portfolio sale
500	045	669300	0020	445,574	2955639	$37,119,616	10/01/18	$83.31	warehouse	M2	1	59	Bulk portfolio sale
500	060	562420	0270	193,661	2865326	$25,640,000	05/18/17	$132.40	FOOD LIFELINE	I	2	44	Tenant
500	060	617290	0230	106,179	2966248	$182,134	11/16/18	$1.72	SEATTLE PRODUCE TERMINAL-	IG1 U/85	1	51	Related party, friend, or neighbor
500	060	766670	3967	95,836	2912047	$4,491	12/05/17	$0.05	PUGET SOUND -terminal 7 B	IG1 U/85	1	24	Easement or right-of-way

Major	Minor	PropName	TaxPayerName	TaxStatus	AddrLine	DistrictName	SpecArea	Spec Nbhd
092308	9003	NINTENDO OF AME	NINTENDO OF AMERIC/		401 SOUTH FORK /	NORTH BEND	500	25
122550	0010	SEATTLE GATEWA	AIRPORT	Govt Xmpt	1039 S 146TH ST	BURIEN	500	25
125380	0040	THE GARFIELD BUI	LBA RVI-COMPANY XVII		200 SW 34TH ST	RENTON	500	25
125380	0060	Distribution Warehou	LIT LIND DISTRIBUTION		3324 LIND AVE SW	RENTON	500	25
125380	0170	VALLEY INDUSTRI/	4060 LIND AVE SW LLC		4060 LIND AVE SW	RENTON	500	25
125380	0211	FARWEST STEEL	FARWEST STEEL CORF		201 SW 34TH ST	RENTON	500	25
125381	0010	Distribution warehou	TERRENO 3401 LIND LL		3401 LIND AVE SW	RENTON	500	25
125381	0110	RADEN WAREHOU:	LEVINE LIND LLC+3215		3215 LIND AVE SW	RENTON	500	25
125381	0270	DISTRIBUTION WAI	ADVENTURE 95 HOLDIN		851 SW 34TH ST	RENTON	500	25
172304	9630	SEATTLE GATEW/	AIRPORT	Xmpt	14237 DES MOINES	BURIEN	500	25
182309	9052	Genie Industries/Te	MIDDLE FORK DEVELO		47020 SE 144TH ST	NORTH BEND	500	25
214600	0010	distribution warehous	C/O PROGOGIS - RE TA		710 THOMAS AVE S	RENTON	500	25
214600	0030	WAREHOUSE	W & R PROPERTIES LL(		705 SW 7TH ST	RENTON	500	25
214600	0050	WAREHOUSE	RYERSON JOSEPH T &		600 SW 10TH ST	RENTON	500	25
214610	0033	DISTRIBUTION WAI	IC INDUSTRIAL REIT		933 THOMAS AVE S	RENTON	500	25
219310	0010	VALLEY DISTRIBUT	2501 EAST VALLEY RO/		300 SW 27TH ST	RENTON	500	25
242304	9020	SPRINGBROOK INI	FIRST INDUSTRIAL LP		1901 RAYMOND AV	RENTON	500	25
242304	9115	WHSE-distribution	WESTERN B NORTHWE		1905 RAYMOND AV	RENTON	500	25
242304	9120	DISTRIBUTING CO	MONSTER ROAD LLC		555 MONSTER RD :	RENTON	500	25
242304	9121	warehouse	PPF INDUSTRIAL 951 M		951 MONSTER RD :	RENTON	500	25
252304	9017	NORTH VALLEY BL	TERRENO 17600 WVH L		17600 WEST VALLE	TUKWILA	500	25
252304	9058	ALL PAK CONTAINI	DCT RENTON LLC		1100 SW 27TH ST	RENTON	500	25
252304	9064	ALLPAK CONTAINE	CIVF I WA1B01 LLC		800 SW 27TH ST	RENTON	500	25
262304	9015	CABOT CABOT & F	ROFFE FAMILY LLC		510 ANDOVER PAR	TUKWILA	500	25
262304	9077	Macy's	17000 SOUTHCENTER F		17000 SOUTHCENT	TUKWILA	500	25
262304	9115	RED DOT CORP.	LBA NCC-COMPANY III I		745 ANDOVER PAR	TUKWILA	500	25
262304	9118	SAUDER EXT BLDC	ANDOVER WEST LLC		1000 ANDOVER PA	TUKWILA	500	25
292407	9055	Sanmar	J & J LOTT LLC		30450 SE 79TH ST	KING COUNTY	500	25
322407	9001	I-90 Preston Industri	REEF PRESTON LLC		8152 304TH AVE SE	KING COUNTY	500	25
322407	9128	Talking Rain Warehc	LD3 L L C		3052 SE 84TH ST	KING COUNTY	500	25
334040	5300	RENTON PARK 405	TIAA CREF		801 SW 16TH ST	RENTON	500	25
352304	9053	LINCOLN PROPER	LINCOLN CENTER HOLI		1100 ANDOVER PA	TUKWILA	500	25
352304	9091	WAREHOUSE RET/	HILL INVESTMENT COM		1201 ANDOVER PA	TUKWILA	500	25
352304	9093	SOUTHCENTER WI	ICON OWNER POOL 1 V		1185 ANDOVER PA	TUKWILA	500	25
352304	9110	WAREHOUSE	C/O PROLOGIS - RE TA:		1105 ANDOVER PA	TUKWILA	500	25
352304	9115	DISTRIBUTION WAI	SEGALE PROPERTIES L		5811 SEGALE PARI	TUKWILA	500	25
362304	9001	NORTHWEST CORI	C/O PROLOGIS - RE TA:		616 SW 41ST ST	RENTON	500	25
362304	9032	OAKESDALE BUSIN	OAKESDALE BUSINESS		4001 OAKESDALE /	RENTON	500	25
362304	9033	- Oakesdale Busine:	OAKESDALE BUSINESS		4101 OAKESDALE /	RENTON	500	25
362304	9071	OAKESDALE BUSIN	OAKESDALE BUSINESS		4051 OAKESDALE /	RENTON	500	25
362304	9112	Warehouse	ADVENTURE 2000 LLC		1001 SW 41ST ST	RENTON	500	25
666300	0010	DES MOINES CREE	PORT OF SEATTLE	Govt Xmpt	20529 24TH AVE S	SeaTac	500	25
788890	0130	warehouse	CAMPBELL REAL ESTA		18375 OLYMPIC AV	TUKWILA	500	25
788890	0152	SOUTHCENTER SC	LIT KENT VALLEY		18235 OLYMPIC AV	TUKWILA	500	25
788890	0160	SOUTHCENTER SC	LIT KENT VALLEY		18391 CASCADE A\	TUKWILA	500	25