

Temporary Lodging Properties

Area 160

Commercial Revalue for 2020 Assessment Roll



Thompson Hotel, Seattle



King County

Department of Assessments

Setting values, serving the community, and pursuing excellence

500 Fourth Avenue, ADM-AS 0708

Seattle, WA 98104-2384

OFFICE (206) 296-7300 FAX (206) 296-0595

Email: mary.guballa@kingcounty.gov

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



King County

Department of Assessments

500 Fourth Avenue, ADM-AS-0708
Seattle, WA 98104-2384

OFFICE: (206) 296-7300 FAX (206) 296-0595

Email: assessor.info@kingcounty.gov

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

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 to implement your feedback and ensure we provide you accurate and timely information. 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 our process and the 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 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 neighborhood. 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. From the property inspections we update our property assessment records for each property. In cases where an appraiser has a question, they will approach the occupant to make contact with the property owner or leave a card requesting the taxpayer contact them.

RCW 84.40.025 - Access to property

For the purpose of assessment and valuation of all taxable property in each county, any real or personal property in each county shall be subject to visitation, investigation, examination, discovery, and listing at any reasonable time by the county assessor of the county or by any employee thereof designated for this purpose by the assessor.

In any case of refusal to such access, the assessor shall request assistance from the department of revenue which may invoke the power granted by chapter [84.08](#) RCW.

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.*

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

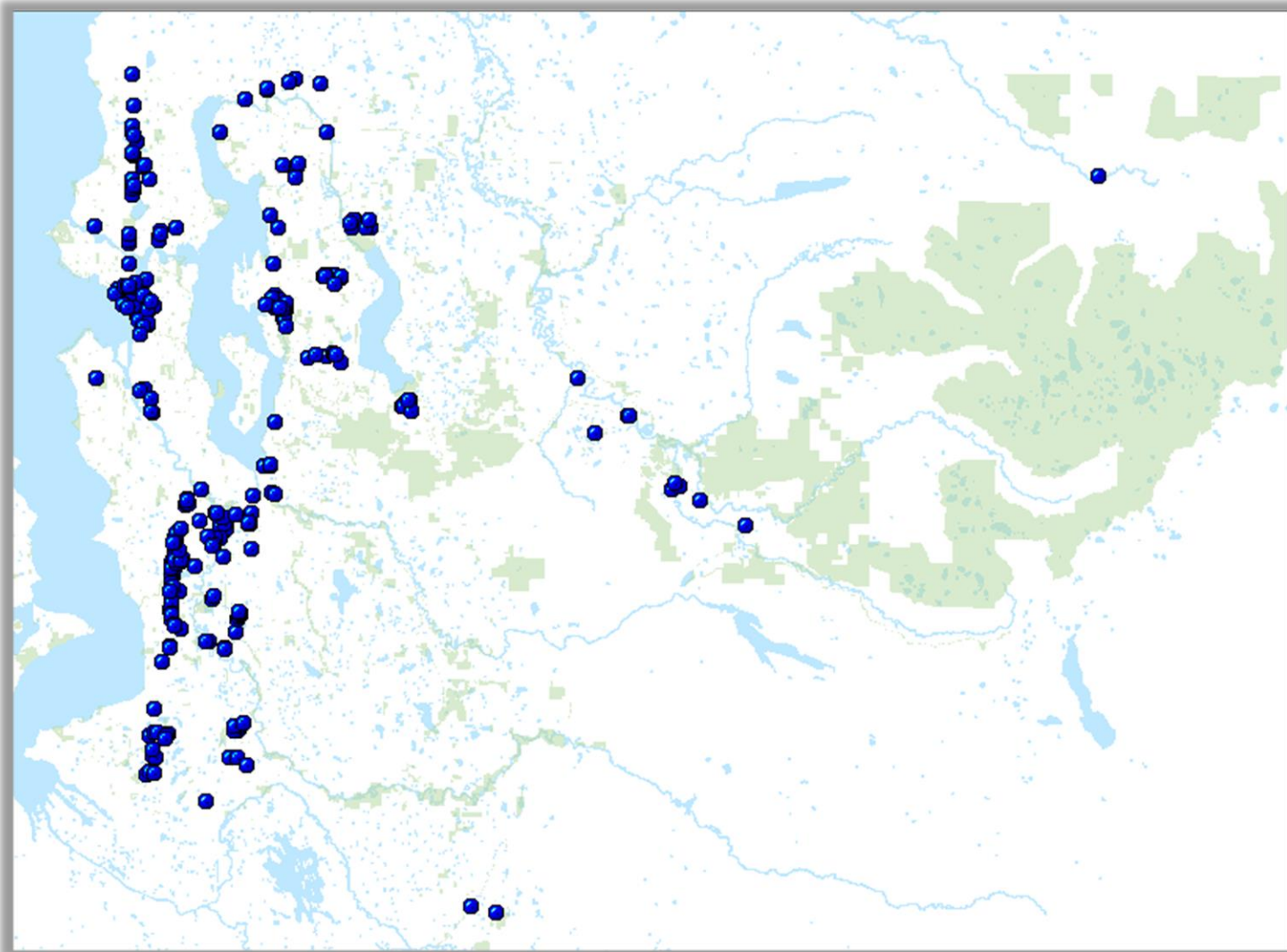
Requirements of State Law

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.

2020 Revalue Overview Map of Hotels



Specialty Area 160 Annual Update Ratio Study Report

PRE-REVALUE RATIO ANALYSIS

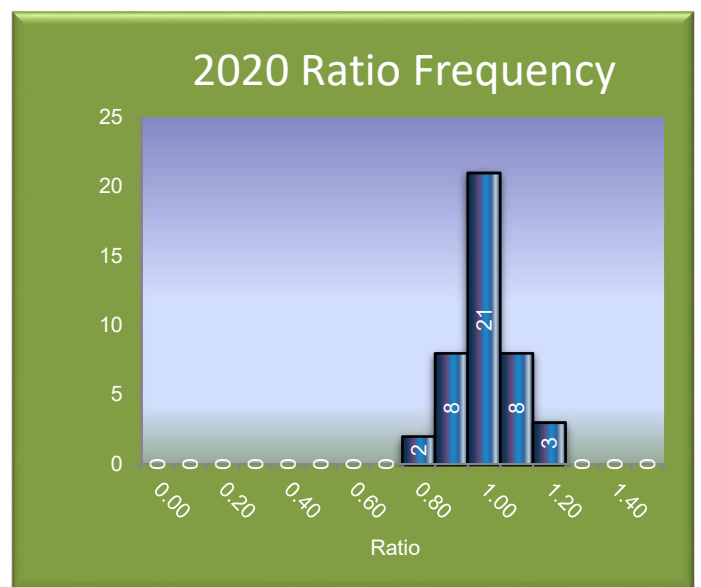
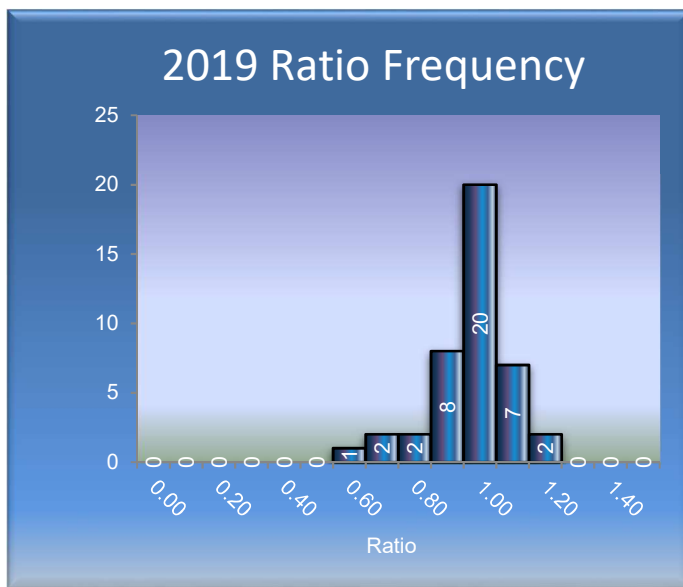
Pre-revalue ratio analysis compares sales from 2017 through 2019 in relation to the previous assessed value as of 1/1/2019.

| PRE-REVALUE RATIO SAMPLE STATISTICS | |
|---|------------|
| Sample size (n) | 42 |
| Mean Assessed Value | 19,675,400 |
| Mean Adj. Sales Price | 21,078,600 |
| Standard Deviation AV | 28,571,508 |
| Standard Deviation SP | 29,453,671 |
| ASSESSMENT LEVEL | |
| Arithmetic Mean Ratio | 0.926 |
| Median Ratio | 0.974 |
| Weighted Mean Ratio | 0.933 |
| UNIFORMITY | |
| Lowest ratio | 0.5758 |
| Highest ratio: | 1.1453 |
| Coefficient of Dispersion | 9.07% |
| Standard Deviation | 0.1237 |
| Coefficient of Variation | 13.36% |
| Price Related Differential (PRD) | 0.99 |

POST-REVALUE RATIO ANALYSIS

Post revalue ratio analysis compares sales from 2017 through 2019 and reflects the assessment level after the property has been revalued to 1/1/2020.

| POST REVALUE RATIO SAMPLE STATISTICS | |
|---|------------|
| Sample size (n) | 42 |
| Mean Assessed Value | 20,418,000 |
| Mean Sales Price | 21,078,600 |
| Standard Deviation AV | 29,248,753 |
| Standard Deviation SP | 29,453,671 |
| ASSESSMENT LEVEL | |
| Arithmetic Mean Ratio | 0.960 |
| Median Ratio | 0.983 |
| Weighted Mean Ratio | 0.969 |
| UNIFORMITY | |
| Lowest ratio | 0.7100 |
| Highest ratio: | 1.1598 |
| Coefficient of Dispersion | 6.88% |
| Standard Deviation | 0.0931 |
| Coefficient of Variation | 9.70% |
| Price Related Differential (PRD) | 0.99 |



Executive Summary Report

Appraisal Date

- January 1, 2020
- 2021 Tax Roll Year

Specialty Name

- Area 160 - Hotels/Motels

Physical Inspection

- Neighborhood 30

Sales – Analysis Summary

- Number of Sales: 46 Market Transactions
- Date Range: 1/1/2017 to 3/9/2020

Improved Sales – Ratio Study Summary

| Improved Sales - Valuation Change Summary | | | | |
|---|---------------------|-------------------|---------------------|---------|
| | Mean Assessed Value | Mean Sales' Price | Weighted Mean Ratio | COD * |
| 2019 Value | \$19,675,400 | \$21,078,600 | 93.30% | 9.07% |
| 2020 Value | \$20,418,000 | \$21,078,600 | 96.90% | 6.88% |
| Change | \$742,600 | | 3.60% | -2.19% |
| % Change | 3.77% | | 3.86% | -24.15% |

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

Sales used in analysis: Sales of improved, fee simple, verified, market transactions without major characteristic changes between the date of sale and the date of appraisal were included in the ratio analysis. Examples of sales that are not included in the analysis are: sales that have had major renovations after the sale, sales where parcels were reconfigured, or sales that included the building only.

The results of the above ratio study for temporary lodging property sales in Specialty 160, is based on a wide variety of sales throughout King County. These sales include both limited and full service hotels as well as temporary lodging properties from different classes such as economy or luxury class and everything in between. Property values can vary widely from class to class. Qualitative factors such as location, effective age, building materials and quality of construction also impacts a property’s value and the Assessor utilizes those factors to derive his values.

There were 46 sales coded as being at market during this revalue cycle. Four of them were removed from the ratio study analysis for the reasons previously noted. The total number of hotel sales decreased considerably from 58 in the 2019 Revalue. A 20% drop in transactions is

an indicator that King County’s temporary lodging market was weakening, and that is important to note as this occurred prior to the 2020 outbreak of Covid 19. Interestingly, there was very little adjustment in total values from 2019, so while there was a lessening in transactions, there was not an overall decrease in value.

The ratio study results point to solid assessment values. However, the Assessor is aware that as good as the valuation metrics are, the data utilized is limited by the wide variety of lodging properties and their corresponding qualitative factors. Thus, the results, while very good, should be tempered.

Population – Parcel Summary Data: The number of Improved Parcels in the Ratio Study Population is 335. This figure typically excludes economic land parcels but it does include many commercial condominiums and may also include properties currently under construction.

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

| Total Population - Parcel Summary Data | | | |
|--|-----------------|-----------------|------------------|
| | Land | Improvement | Total |
| 2019 | \$2,516,666,260 | \$7,456,480,140 | \$9,973,146,400 |
| 2020 | \$2,847,883,200 | \$7,400,874,000 | \$10,248,757,200 |
| % Change | 13.16% | -0.75% | 2.76% |

Specialty Assignment 160, has a total of 378 parcels. (This figure includes economic land parcels, most commercial condominiums and may include properties currently under construction)

Conclusion and Recommendation

Overall assessed values for the 2020 revalue have increased 2.76% from the 2019 assessment levels. The increase in value reflects a slow growing but stable market for temporary lodging properties in King County. However, this valuation was determined as of January 1, 2020. At that time there was little change in any of the fundamental metrics. Average daily rates (ADRs) were steady or may have slightly increased. Capitalization rates maintained their current levels or slightly decreased. And occupancy rates remained stable or saw a slight decrease. Although, the number of sales slowed, these changes had little impact on total property value.

In 2020 the temporary lodging properties are expected to decrease in value on account of the Covid 19 virus have had a very negative impact on lodging properties. For example, in the first quarter of 2020 occupancy rates in the greater King County area were averaging around 80% and by the end of the first quarter, most classes of hotels had seen that rate drop to below 20% with some neighborhoods averaging a single digit percentage of occupancy.

Another adverse potential marker of a value decrease is the dramatic drop in hotel sales' transactions. There has not been one arm's length hotel sale since March 9, 2020, which is prior to the outbreak of the Covid 19 virus. These factors indicate a much weaker hotel market in 2020. As such, market fundamentals will be closely monitored and will be addressed in the next revalue.

However, the assessed values recommended in this report reflect the temporary lodging property market parameters as of the valuation date of 1/1/2020. The recommended values in this revalue cycle improve uniformity and equity. Therefore, it is advised that the new assessed values be posted for the 2020 Assessment Year, for taxes payable in 2021 as mandated by state law.

Identification of the Area

Name and Designation

- Specialty Area 160 – Hotels & Motels

Specialty Neighborhoods

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

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

Boundaries

All of King County

Maps

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

Area Overview

As of 1/1/2020 the temporary lodging market in King County continued to perform well allowing King County to remain one of the strongest markets in the nation. Average Daily Rates (ADR's) remained stable or in a few cases may have seen a slight increase. This slight increase created another record performance in 2019. Capitalization rates similarly stayed steady or may have slightly shifted downward. Overall the 2019 hotel market saw a slight increase.

However, the area also began to see some indications that showed the temporary lodging property market was slowing down. One gauge was the modest decrease in occupancy rates as more lodging properties came onto the market. This was more noticeable on the eastside in neighborhood 20, where Bellevue and Redmond opened a number of new hotels. Also noticeable was the slowdown in sales coupled with a decline of construction permits. As of January 1, 2020, there were 18 hotel projects noted as being ready for or already under construction as compared to the 27 in last year's revalue. Furthermore, upon analysis it was noted that 8 of those hotel projects have yet to break ground and four hotels that were well underway, were completed the first half of 2020. One of the newly completed hotels, never opened as the owner saw the current market as too soft. Unfortunately, this signals a downward shift, indicating the temporary lodging property market had reached its peak for this business cycle.

Lodging Property Description: King County has both types and most classes of temporary lodging properties. Investors consider Seattle to be a first tier market. There are currently 378 hotel / motel parcels in this specialty and that number is continuing to grow.

Hotels are categorized by the Assessor based upon property specific qualities and market data, to create competitive sets for valuation purposes. The Assessor utilized the 2020 Host almanac by Smith Travel Research (STR) as a guideline. Most of the Assessor's models reflect the HOST almanac models. To create his models, the Assessor, like Host, begins by dividing temporary lodging properties into two types of hotels, full service or limited service following the HOST almanac definition. The almanac defines a hotel as either limited or full service based on how much revenue is generated from food and beverage sales. Lodging properties where 5% or less of their total revenue is from food and beverage sales are limited service, while hotels that generate more than 5% of their total revenue from food and beverage sales are considered full service.

Once lodging properties are divided into one of these two groups they are then assigned to a lodging property class which helps create their competitive set. The Assessor utilizes four classes for limited service hotels: economy, midscale, upscale and budget extended stays; and five classes for full service hotels: economy, midscale, upscale, upper upscale, and luxury. The delineation between the classes of lodging properties can be blurred, but below is a general description of the categories of temporary lodging properties and the nine classes considered for valuation in this cycle:

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

- 1. Economy:** Hotels in this class generally offer minimal amenities, smaller guest rooms, and modest prices. Typically, guest rooms are accessed from an outdoor entrance as opposed to insular halls. Budget, limited service hotels / motels can be found throughout King County. Some examples include: Motel 6, Day's Inn, and Econolodge.
- 2. Midscale:** Typically these are simple hotels. These hotels usually have enclosed passageways, and guest rooms that are slightly larger than those in the economy class. They often provide the following amenities: a complimentary breakfast, business center, a fitness room, a guest laundry facility, an indoor and/or outdoor pool, and sometimes small meeting rooms. There are many limited service hotels throughout King County such as: Comfort Inn, Red Lion Inn, and Quality Inn.
- 3. Upscale:** These hotels can best be described as hotels with apartment type guest rooms. More often they have service and amenities similar to midscale hotels such as, complimentary breakfast, a pool, and fitness center. The significant difference is the guest rooms are larger and often include a separate walled off sleeping quarters. In addition, they typically have a cooking area complete with appliances. The guest rooms are designed for travelers staying longer than a couple of days. There are a number of these hotels in King County including: Silver Cloud Inn, the Residence Inn, and Staybridge Suites.
- 4. Budget Extended Stays:** This is a recent class of hotel that does not appear in the HOST almanac. The model utilized however, was prepared by Smith Travel Research (STR) and is similar in design to those in the HOST almanac. This type of hotel is inexpensively constructed and the interior is finished with lower quality materials and construction. The guest rooms are typically smaller but they do include a kitchen or kitchenette, with the necessary appliances and cookware to prepare meals in room. Other hotel amenities are very limited. For example, if a guest wants housekeeping more often than once a week or every 10 days, there is an additional charge. These hotels have lower ADRs, higher occupancies, and very low expense ratios. The business model is different and the average daily rate (ADR) is based on a sliding scale, the longer you stay the lower the rate per night. Hotel guests often pay weekly or monthly. Some examples would be: Extended Stay America and Woodspring Suites.

Full Service Lodging: Full service hotels typically offer larger and higher quality guest rooms with more services. There is also food service on site. The definition of a full service hotel by the Assessor is hotels reporting food and beverage revenues and expenses, where those revenues are greater than 5% of the total lodging property revenue. Below are the five classes of full service hotel models utilized for valuation this revalue cycle:

1. **Economy:** These hotels most often are very similar to limited service, economy hotels. Generally, they are older and offer few amenities. The primary difference is these hotels have a restaurant on site. There are very few of these in King County and of those that exist, they are independently owned.
2. **Midscale:** Properties in this category tend to offer the fundamentals of limited service properties together with a few amenities characteristic of full service properties. Generally, these hotels are similar to the limited service midscale hotels with the addition of an added food and beverage revenue. Many of these hotels are older but they've been updated and a guest room or two, or a portion of the lobby was removed to add a restaurant or bistro. Some examples include: The Best Western Plus, the Ramada Inn, and Clarion.
3. **Upscale:** There are a wide variety of upscale, full service hotels in King County. Typically, the hotels have higher quality guest room and amenity accommodations. The older hotels in this class generally have a more traditional standard restaurant. The newer hotels in this class typically have a bar or bistro that is open for lunch and or dinner shifts. Some of the other amenities include: room service, larger meeting space, fitness facilities, concierge services, etc. Examples of upscale hotels include: Hilton Garden Inn, the Courtyard by Marriott, and The Silver Cloud Inn.
4. **Upper Upscale:** This class of hotels has well-appointed locations with high quality amenities including spacious guest rooms and bathrooms. The hotels in this competitive set are typically four or five star quality. Guest rooms may be more lavishly decorated than guest rooms in upscale hotels. Generally they're located in prime city center areas in major cities. Most are found in centralized business locations such as downtown Seattle, downtown Bellevue, and a few in SeaTac. Usually these hotels have large meeting spaces, and high quality, often personalized, amenities such as: room service, fitness facilities, concierge services, wedding facilities, etc. Some hotels in this class include: Hyatt Regency, Renaissance Hotels, and Sheraton Hotels.
5. **Luxury Hotels:** These hotels are found in both the heart of the city and in the picturesque outskirts of the county. They often are referred to as destination hotels. There are a limited number of this class of hotel in King County. What differentiates these hotels from other full service hotels is they offer luxury accommodations throughout the hotel. The rooms are lavishly decorated, often with period décor' and they typically offer extra

services such as valet parking, concierge services, spa services, etc. on site. Some examples of this are the Fairmont Hotel, Loews Hotel 1000, and the Salish Lodge.

In general, higher quality and budget extended stay hotels had the largest overall value increase. The neighborhoods that saw the largest percentage of value increases had more, higher end and budget extended stays located within their boundaries. Lodging property metrics overall remained stable. ADRs saw slight upward increases, occupancy shifted slightly downward, and capitalization rates had a subtle downward shift.

Overall the two neighborhoods that experience the largest increases were 10 and 20. These two neighborhoods include Seattle's commercial business district and Bellevue / Redmond. They are home to most of the county's higher end lodging properties. But the increase is more modest and in both neighborhoods is under 5%.

Likewise, neighborhoods 40, 50, and 60 saw smaller increases in value, less than 4%. The increases were again primarily due to the larger number of budget extended stays and luxury hotels in those neighborhoods. Neighborhood 30 which may not have any of these hotels experienced a fractional change in value of less than 0.25%. Overall, hotel values in King County were adjusted upward 2.76%

The following is a summary of published 2019 year end hotel data for King County. The source is either the 2020 Host Almanac or Kidder Mathews 2019 4th Quarter Seattle Hotel Report:

- Hotel industry revenues grew to more than \$225 billion in 2019
- Hotels saw a 4.5% increase in gross profitability however, that should be tempered with a 4% growth in expenses
- Nationwide, luxury class hotels showed the greatest net profit increase, almost 4%
- Nationwide limited service midscale hotels saw the largest net profit decrease, almost 4%
- In 2019 the Pacific Region saw an overall 0.2% increase in gross operating profit from 2018
- Overall the Pacific Region full service occupancy was 80.1%
- Overall the Pacific Region full service ADR was \$246.92
- Overall the Pacific Region full service Income Before Fixed Charges was 28.2%
- Overall the Pacific Region limited service occupancy was 79.8%
- Overall the Pacific Region limited service ADR was \$153.99
- Overall the Pacific Region limited service Income Before Fixed Charges was 47.7%
- In King County the average annual ADR increased in 2019 from \$172.87 to \$179.50
- In King County the average annual occupancy decreased in 2019 from 80.1% to 79.8%
- In a month to month comparison, total revenues for hotels surveyed by STR declined in March 2020 from March 2019 by 64.1%
- In a month to month comparison, total revenues for hotels surveyed by STR declined in April 2020 from April 2019 by 93%

- In a month to month comparison, the RevPars for full service hotels surveyed by STR (the harder hit hotel type) declined in April 2020 from April 2019 by 94%
- Of the limited service hotels that were surveyed by STR, 35% still remained profitable in April 2020

Below is a table, organized by assigned neighborhood, of King County lodging properties. The percent of change, summarizes the total value change for that neighborhood from the 2019 value. As shown, the changes are very modest.

| 2020 Hotel / Motel Specialty Area Breakdown | | | | | |
|---|---|-----------------------|----------------------|----------------------|-----------------|
| Area | Name | Improved Parcel Count | 2019 Neighborhood AV | 2020 Neighborhood AV | Percent Changed |
| 160-10 | Seattle Central Business District | 80 | \$4,405,812,400 | \$4,588,937,300 | 4.16% |
| 160-20 | Bellevue & Surrounding Cities | 50 | \$1,866,888,300 | \$1,957,036,800 | 4.83% |
| 160-30 | SLU, Northgate, and the University District | 56 | \$1,347,524,200 | \$1,349,233,200 | 0.13% |
| 160-40 | South Seattle, Renton, Tukwila, and SeaTac | 86 | \$1,388,180,600 | \$1,437,313,000 | 3.54% |
| 160-50 | South King County | 61 | \$420,706,200 | \$432,444,100 | 2.79% |
| 160-60 | North Seattle and Northeast King County | 45 | \$468,751,300 | \$483,792,800 | 3.21% |

Analysis Process

Effective Date of Appraisal: January 1, 2020

Date of Appraisal Report: August 10, 2020

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

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends of demographic and current development patterns, the improved parcel's existing building(s) represent the highest and best use of most sites. The existing use will continue, until land value in its highest and best use, exceeds the sum value of the entire property in its existing use. On those parcels where the property is not at its highest and best use, a token value of \$1,000 is assigned to the improvements and the parcel may be removed from this specialty and returned to the geographical appraiser for valuation, unless it is known that the owner plans to redevelop the site for future hotel usage.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Published sources were also utilized. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and owner responses to interviews, surveys or appeals.

Special Assumptions and Limiting Conditions

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

- Sales from 01/01/2017 to 03/09/2020 were considered in the analysis.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6.

- No market trends (market condition or time adjustments) were applied to sales prices. Models were developed without market trends.
- Full Service Hotel sale prices were adjusted downward 10% and Limited-Service Hotel sale prices were adjusted downward 5% to remove the “typical” amount of personal property value (tangible and intangible) included in a sale. See Sale’s Study Analysis in the Addendum
- Personal property was calculated using the hotel valuation method described in “The Valuation of Hotels and Motels for Assessment Purposes” by Stephen Rushmore MAI and Karen Rubin¹. It is described in more detail in the Hotel Income Capitalization Approach Model Description. The complete article is located in the addendum.

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

Neighborhood Description

Hotel properties in King County fall into two types, full service or limited service. Within those two types there are nine classes of temporary lodging properties. Most of the inventory is driven by Seattle, Bellevue, and SeaTac. King County is considered a first tiered market, therefore their temporary lodging industry attracts local, regional, national and international investors. Seattle has a vibrant tourism economy and is home to Amazon and Starbucks, Bellevue is home to Microsoft and a growing technology center, and SeaTac has the area's international airport. These destinations attract worldwide corporations and a wide variety of business and leisure hotel guests. The combination of travel and business is driving the expansion of the temporary lodging market.

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

The Hotel Specialty currently has 378 parcels but that number continues to grow. Approximately 335 parcels are improved and 43 are associated land parcels. Included in the 335 improved parcels are 21 hotel commercial condominium units. All of the properties within this specialty were revalued this year. King County subscribes to a policy of annual revaluation and a six year physical inspection cycle. Valuation models were developed within the nine hotel classes and this year 46 hotel sales were considered and 42 of those sales were used to test the models for reasonableness.

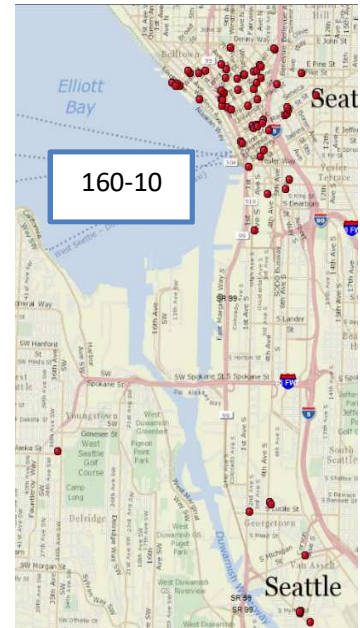
The following is a brief description of each neighborhood along with a neighborhood map, depicting the location of each hotel in the given neighborhood.

Seattle Central Business District – 160-10

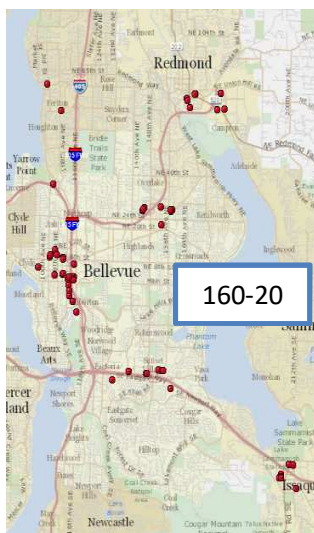
Neighborhood 10 includes all of the temporary lodging properties in the Downtown Seattle Commercial Business District, (CBD). It extends from the Denny Regrade area, south, through Pioneer Square to SoDo and Georgetown and includes a couple of properties in West Seattle. It is bounded on the north by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

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

In 2019 this neighborhood had an upper upscale hotel under construction. And one hotel that has not started. At this time, there are 80 hotel / motel parcels in this neighborhood which comprises 21% of the temporary lodging population. For the 2020 revalue 6 of the 46 sales used, were in this neighborhood. Overall property values in neighborhood 10 increased \$183,124,900 or 4.16%.



Bellevue and Surrounding Cities – 160 -20



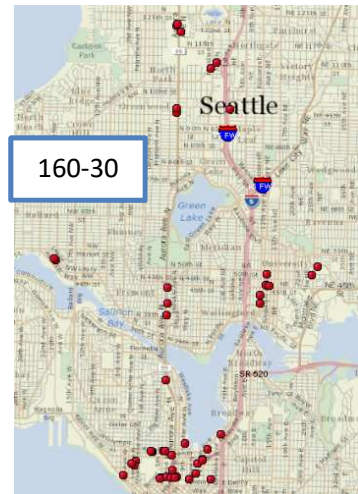
Temporary lodging properties in Neighborhood 20 are primarily located in Bellevue, and Redmond. In general the neighborhood extends from Bellevue up Eastlake to Redmond. Specifically, it is bounded on the north by Redmond Way, on the south it includes all hotel properties located on both sides of the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

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

Currently there are 50 temporary lodging parcels in this neighborhood. It comprises 13% of the hotel-motel population. One hotel was completed this revalue cycle, and one is under the construction. Of the 46 total sales that occurred this revalue three of them or 6.5% are from this neighborhood. Overall hotel property values increased \$90,148,500 or 4.83%.

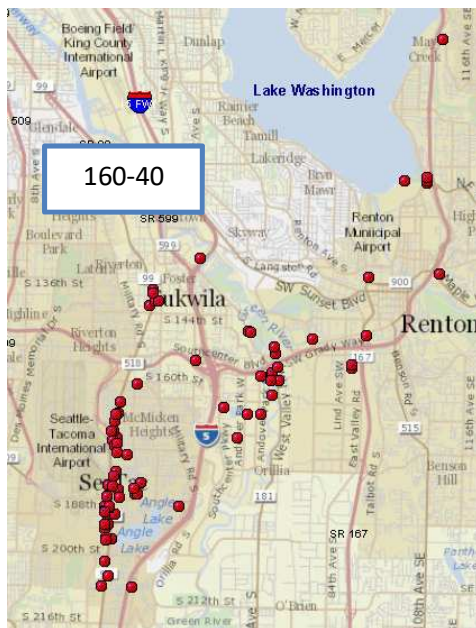
SLU, Northgate and the University District Hotels & Motels – 160-30

Neighborhood 30 includes all of the temporary lodging properties around South Lake Union, Northgate and the University District. This neighborhood is bounded on the south by Denny Way. Denny Way appears to split Seattle's CBD from the South Lake Union business district; although both areas are home to a number of international businesses. In South Lake Union you will find the Amazon headquarters, the Gate's Grant Foundation, and the Paul Allen Medical Institute, just to name a few. This area is rapidly developing and its market is one of the strongest in the Pacific Northwest.



Continuing on, neighborhood 30 extends north to Northeast 115th Avenue. The northern region encompasses the Northgate area, another area that is seeing more growth. On the west side the neighborhood is bounded by the Puget Sound, so Ballard is situated in this neighborhood. And on the east side it is bounded by Lake Washington. Therefore, the University of Washington is also located in east neighborhood 30.

The predominant type of temporary lodging properties found in this neighborhood are limited service, with an almost equal number of economy and midscale class. There are 56 hotel / motel parcels which account for 15% of the total hotel specialty population. This year 7 of the 46 sales were from this neighborhood. This is 15% of the total hotel / motel sales. Five of the hotels permitted for construction are located in this neighborhood although three have not broken ground. One hotel that was recently completed in South Lake Union, never opened. Overall hotel property values in this neighborhood increased \$1,709,000 or 0.13%.



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

The cities of SeaTac, Tukwila and three-quarters of Renton are situated in this neighborhood. Neighborhood 40 is bounded on the north by South Cloverdale and on the south along the I-5 corridor by South 210th Street. The southern boundary shifts from South 210th Street in SeaTac to South 180th in Renton along the east side of I-5. Then it shifts north again to SW 27th Street on the east side of State Route 181 or the West Valley Highway. Generally speaking, this neighborhood includes the SeaTac Airport area and wraps around the southern half of Lake Washington.

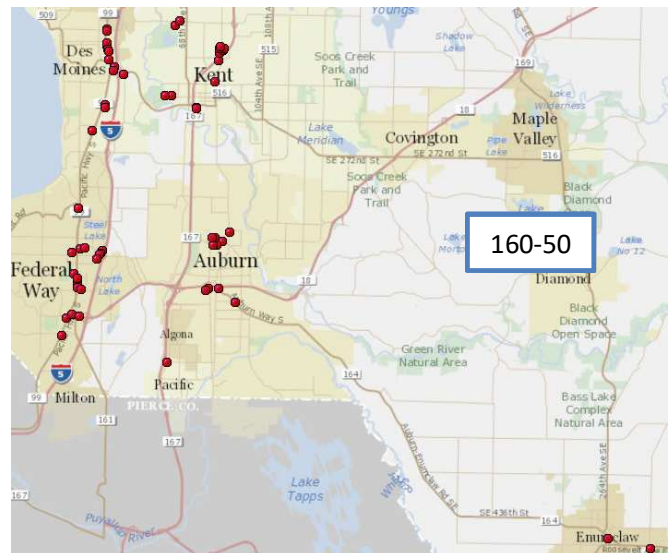
Neighborhood 40 has the largest parcel count of any neighborhood in the hotel specialty. Interestingly, most of the properties located in this specialty are not situated along I-5 but are instead positioned along State Route 518 in SeaTac. SeaTac is home to the international airport. Many business travelers prefer airport proximity, which explains the location of so many hotels. In addition, there are also a significant number of temporary lodging properties clustered around the Westfield Mall area better known as Southcenter. The remaining properties are located in Renton, and Tukwila.

There are 86 temporary lodging parcels or 23% of the total hotel - motel population located in this neighborhood. The hotels in this neighborhood are predominantly limited service economy and midscale classes but there are also a large number of full service midscale lodging properties. Four hotels are noted as being permitted and ready for construction. One of those hotels opened during this last revalue cycle and two more should be completed in early 2021. The fourth is planned to be a large, upper upscale hotel, but there has been no start.

This revalue neighborhood 40 showed assessed values increased \$49,132,400 or 3.5% and that 8 of the 46 hotel properties that sold, or 17%,

South King County – 160 -50

The temporary lodging properties in neighborhood 50 are comprised primarily of limited service midscale and limited service economy hotels and motels. This neighborhood is bounded on the north by South 210th Street, on the west by the Puget Sound, on the east by the Cascade Mountains, and on the south by the King County boundary line. The cities included in this neighborhood are: Des Moines, Federal Way, Auburn, Kent and Enumclaw. Most properties are situated along State Route 99, which runs parallel to I-5, and State Route 167, (the Valley Freeway). While the geographic area of neighborhood 50 extends to the King - Pierce and King - Kittitas County lines, there are only two hotels, further east of the downtown areas of Auburn and Kent, and they're both in Enumclaw.

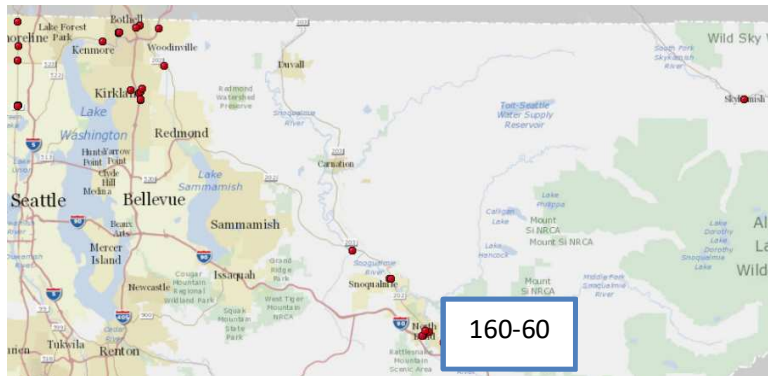


In total there are 61 temporary lodging parcels in this neighborhood which make up 16% of the total hotel - motel population. However, of the 46 hotel properties that sold this last revalue cycle, 20 of them, or 43%, are from this neighborhood. Interestingly, temporary lodging properties in this neighborhood have not been as dramatically impacted by the Covid 19 virus as the hotels and motels in neighborhoods 10 and 20. One hotel was permitted in this

neighborhood but thus far there has been no start. Overall, assessed values in this neighborhood increased \$11,737,900 or 2.8%.

North Seattle and Northeast King County – 160-60

Temporary lodging properties are scattered throughout the northern portion of King County



which helps create Neighborhood 60. Specifically, this neighborhood extends from the King - Snohomish County Boundary line south to N 115th. On the East side of Lake Washington in Kirkland the southern boundary shifts south as it wraps around the east side of Lake Sammamish and extends to I-90 and as far east as the

county line. Issaquah, North Bend and Snoqualmie are all situated in this neighborhood. On the west side of Lake Washington the southern boundary is still N 115th but it is bounded on the west by the Puget Sound. North Seattle, Shoreline and Kenmore are also situated in this neighborhood.

There are 45 temporary lodging parcels in this neighborhood which comprises 12% of the total hotel-motel population. No new hotels were constructed in this neighborhood this revalue cycle, but St Edwards Lodge, a former Catholic seminary is being redeveloped into a luxury hotel. It is currently 35% complete. Of the 46 total sales that occurred this revalue two of them or 4% were from this neighborhood. Overall hotel property values in this neighborhood increased \$15,041,500 or 3.21%.

Physical Inspection Area

WAC 458-07-015 requires each property to be physically inspected at least once during a 6 year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. Property records are updated in accordance with the findings of the physical inspection. Neighborhood 160-30 South Lake Union, Northgate, and the University District was physically inspected for the 2020 assessment year. The inspection area is comprised of 56 parcels, or approximately 13% of the

378 parcels located in Area 160. A list of the physically inspected parcels and an identifying map are included in the addendum of this report

Scope of Data

Land Value Data

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

Improved Parcel Total Value Data

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

Hotel transfers typically include personal property (tangible and or intangible). When estimating real property value, the personal property value contribution must be removed from the sale prices prior to the hotel sales analysis in order to create a more accurate sale's comparison approach. The Assessor has taken steps to reflect the typical amount of personal property reflected in hotel transactions in King County.

Gross sale prices were adjusted to reflect a discount for both intangible and tangible personal property. The discounts were estimated by analyzing the reported personal property amounts listed on sold temporary lodging property's excise tax affidavits. The Assessor analyzed all available excise tax affidavits from 2012 through March 2020 for sales deemed to be arm's length transactions. This analysis indicated a downward adjustment of 5% from the gross sale price for limited service hotel/motels and a downward adjustment of 10% from the gross sale price for full service hotels. All sales listed on the sales "used" list were adjusted accordingly based upon this analysis. The "adjusted sale price" is intended to reflect the real property component only ("taxable selling price") of the hotel transfer and thus, is more appropriately compared with the real property assessed value established through this revaluation effort.

Preliminary Ratio Analysis

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

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

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

The IAAO performance standards state that the weighted mean ratio should be between 0.9 and 1.10. The preliminary ratio study for Area 160 shows a weighted mean ratio of 93.3% which falls within the lower range of the IAAO guidelines, indicating that the current assessment level, as measured using recent sales, is acceptable but on the lower end of the range. A slight adjustment upward may bring the figures closer to market.

Appraisal (Assessment) Uniformity: Measures of dispersion or variability relate to the uniformity of the ratios. The most generally useful measure of uniformity is the Coefficient of Dispersion (COD). The COD measures the average percentage of deviation between the sale's ratios and the median ratio. The IAAO performance standards state that the COD should be between 5.0 and 20.0 for income producing properties in smaller rural jurisdictions and between 5.0 and 15.0 for properties in larger, urban market jurisdictions. The ratio study for Area 160 prior to the revalue process shows a COD of 9.07% which is within the IAAO guidelines indicating that the current level of assessment uniformity as measured, using recent sales, is in the acceptable range.

A second measure of uniformity utilized in the ratio study is the Price Related Differential (PRD). The PRD provides a measure of price related bias, or the equity between low and high priced property. The IAAO performance standards state that the PRD should fall between 0.98 and 1.03. A value below 0.98 would indicate progressivity in the data where assessment levels increase with increasing sales prices. Values above 1.03 indicate regressivity in the data where assessment level decreases with increases in sales price. The preliminary ratio study for Area 160 shows a PRD of 0.99 which again is in the IAAO guidelines of an acceptable range.

This study was used along with surveys, publications and other data analysis to determine how to adjust values in Area 160. When the new values are implemented the data shows that the weighted mean is now 96.9% which shows an improvement over the previous values and the COD is now 6.88% which also shows stronger assessed values. The PRD remains at 0.99 staying in the acceptable range.

Improved Parcel Total Values

Sales Comparison Approach

The sales comparison approach was not relied upon to develop valuation models for the competitive sets, however, sales data was considered as an additional metric to check for reasonableness of valuation of the selected model's overall value. There were a total of 46 improved sales within the hotel/motel specialty dating from 1/1/2017 to 3/9/2020 that were considered fair market transactions and used in the overall analysis; but only 42 were used for the ratio study analysis because some sales property characteristics changed after the sale.

The sales were organized by neighborhood, hotel type (limited service or full service), and then by class. There are four limited service classes: economy, midscale, upscale and budget extended stays. There are five full service classes: economy, midscale, upscale, upper upscale, and luxury. All sales and characteristic data were verified if possible by inspecting the property and calling either the purchaser or seller, inquiring in the field, sending out a questionnaire or calling the broker. Sales used in the analysis are listed in the attached "Sales Used" likewise sales not used in the analysis are listed in the attached "Sales Not Used"

As discussed above, the assessor applied an adjustment to the gross selling price of every "arm's length" sale that appears on the "Sales Used" list based upon an analysis of recorded arm's length hotel transfers. A deduction of 5% from the gross selling price (GSP) was made to limited service hotel/motel transfers and 10% from the GSP was made to full service hotel transfers regardless of whether there was any personal property value reported in the transfer. All sales were analyzed based upon this "adjusted sale price". The resultant adjusted sale price is intended to reflect the typical amount of real property value associated with the hotel transfer based upon the analysis done for this revalue. This allows for a direct comparison between the sales and the Assessor's real property assessed value. *(See sales analysis in addendum)*

Cost Approach Model Description & Calibration

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

Hotel Income Capitalization Approach Model Description

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

Expense ratios (except real estate taxes) utilized in the income approach were established by Smith Travel Research, (STR) from surveyed results. For the 2019 data, STR, surveyed operating statements from more than 11,000 hotels worldwide and entered the results into a database which they utilized to compile information on hotel revenues and expenses.

In total nine income models were developed for income capitalization of temporary lodging properties. Eight of those nine models came directly from the HOST almanac, a highly respected published document from STR. (three limited service hotel / motels and five full service hotel / motels models). The ninth model is a limited service model and addresses budget extended stay properties. It was created using a data set created from the STR surveyed data using specific hotel characteristics and locational factors.

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

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

large sample of hotel financial statements collected, we believe the selected fixed charges data presented are representative of the total HOST sample.”

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

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

In addition to the ratios provided by the HOST almanac, the Assessor utilizes the Rushmore method of hotel valuation in his direct capitalization process. This requires personal property within a hotel to be isolated and excluded from the real property components. In order to do this, two calculations are necessary: a return “**OF**” personal property and a return “**ON**” personal property.

Note: the value attributable to any intangibles is removed via management fees and franchise fee deductions.

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

The second deduction represents the return “**ON**” the tangible personal property and “is based upon the premise that a component of a hotel property is entitled to an annual return equal to its cost of capital comprising that component”.² An estimate of the typical value of the FF&E currently in place at a hotel is established from the subject hotel’s particular type and class and is required for this equation. That value is based upon an estimate of the average value of personal property per room. An analysis of sales in each type and class was utilized. Detail of that analysis follows the “Return On” equation description shown below.

The formula the Assessor utilizes to capture the “Return On” investment is....

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

² Ibid, pages 282-285

The room count and the levy rate is specific to the subject hotel. The mortgage constant utilized by the Assessor is taken from the American Council of Life Insurers (ACLI) report³ that pertains to subject hotels' area. For example the mortgage constant may be different in the greater Denver area. The Assessor used the 2019 annual reported rate for hotels and motels in the Pacific region.

The average value of personal property per room for a given class of hotel was obtained by the process noted below. There are two alternative calculations. These two methods were compared and the higher net result for a given type and class of hotel is what was ultimately selected for use.

In both methods, average personal property per room is calculated by grouping all hotel sales by type and class.

Alternative 1:

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

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

Alternative 2:

This alternative calculation divided each sale's declared personal property (reported to the Assessor in the year of the sale) by its room count. These ratios were then averaged to give an overall ratio that indicated an average personal property per room value.

³ 2020 American Council of Life Insurers (ACLI). Commercial Mortgage Commitments, Fourth Quarter and Annual 2019, page 55

- Amount of personal property declared on excise tax slip / room count = **Declared PP Value per Room**
- Sum (PP Value per Room) / (number of entries) = **Average Personal Property per Room**
- Sum (Declared PP per Room) / (number of entries) = **Average PP Value per Room.**

Income

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

Expenses

The Assessor relies on the Host Almanac by Smith Travel Research for eight of the nine hotel model’s expense percentages. The limited service, budget extended stay model was created for the Assessor utilizing characteristic and locational factors separately from those defined in the HOST almanac but the information employed is from STRs surveyed data results.

Capitalization Rates

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

| 2019 HOTEL/MOTEL CAPITALIZATION RATES (for 2020 Revalue) | | | | |
|--|------------------|--|---------------------------|---------------------------|
| SOURCE | DATE | TYPE | 2018 AVERAGE RATE/RANGE | 2019 AVERAGE RATE/RANGE |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area CBD: Luxury Hotels | 6.25% (6.00% - 6.50%) | 6.25% (6.00% - 6.50%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area Suburban: Luxury Hotels | 7.25% (6.75% - 7.75%) | 7.00% (6.50% - 7.50%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area CBD: Full Service | 6.50% (6.25% - 6.75%) | 6.625% (6.25% - 7.00%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area Suburban: Full Service | 8.125% (7.75% - 8.50%) | 7.875% (7.50% - 8.25%) |

| 2019 HOTEL/MOTEL CAPITALIZATION RATES (for 2020 Revalue) | | | | |
|--|------------------|--|---------------------------|----------------------------|
| SOURCE | DATE | TYPE | 2018 AVERAGE RATE/RANGE | 2019 AVERAGE RATE/RANGE |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area CBD: Select Service | 7.00% (6.75% - 7.25%) | 6.75% (6.50% - 7.00%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area Suburban: Select Service | 8.125% (7.75% - 8.50%) | 7.875% (7.50% - 8.25%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area CBD: Economy | 8.625% (8.25% - 9.00%) | 8.875% (8.50% - 9.25%) |
| CBRE Cap Rate Survey | Second Half 2019 | Greater Seattle Area Suburban: Economy | 9.75% (9.25% - 10.25%) | 10.00% (9.50% - 10.50%) |
| IRR Viewpoint | Year End 2019 | Seattle – Full Service Hotels | | 7.00% |
| IRR Viewpoint | Year End 2019 | Seattle – Limited Service Hotels | | 8.50% |
| Situs RERC Real Estate Report | Q4 2019 | National – All Hotels | | 7.65% (7.00% - 8.30%) |
| Situs RERC Real Estate Report | Q4 2019 | Hotels – Seattle First-Tier Investment Properties | 7.50% | 7.10% |
| Situs RERC Real Estate Report | Q4 2019 | Hotels – West Region First-Tier Investment Properties | 7.25% (6.00% - 8.50%) | 7.00% (6.00% - 8.00%) |
| Situs RERC Real Estate Report | Q4 2019 | Hotels – West Region Second Tier Investment Properties | 7.75% (7.00% - 8.50%) | 7.75% (7.00% - 8.50%) |
| Situs RERC Real Estate Report | Q4 2019 | Hotels – West Region Third Tier Investment Properties | 8.75% (7.50% - 10.00%) | 9.00% (7.50% - 10.50%) |
| ACLI | Q4 2019 | U.S. Hotel / Motel All Hotel Loans | | 5.11% |
| ACLI | Q4 2019 | U.S. Hotel / Motel Fixed Rate Loans | | 5.25% |
| ACLI | Q4 2019 | Pacific Hotel/Motel All Hotel Loans | | 4.73% |
| ACLI | Year End 2019 | Pacific Hotel/Motel All Hotel Loans | 5.29% | 5.39% |
| HVS | Year End 2019 | Full Service Incl. Luxury – US | 6.9% (3.00% - 11.00%) | 6.40% (2.40% - 9.90%) |
| HVS | Year End 2019 | Select Service & Extended Stay – US | 8.10% (4.50% - 11.00%) | 8.20% (5.00% - 14.00%) |

| 2019 HOTEL/MOTEL CAPITALIZATION RATES (for 2020 Revalue) | | | | |
|--|---------------|----------------------|---------------------------|---------------------------|
| SOURCE | DATE | TYPE | 2018 AVERAGE RATE/RANGE | 2019 AVERAGE RATE/RANGE |
| HVS | Year End 2019 | Limited Service – US | 9.00% (5.00% - 14.30%) | 9.20% (1.10% - 13.30%) |

Income Approach Calibration

The following is a quick summary of how the metrics were adjusted for the 2020 Revalue models in Area 160:

| 2019 Year End Metrics | | | | |
|------------------------|------------------------|---------------|---------------|------------------------|
| ADR | Occupancy Rate | RevPar | Cap Rate | Values |
| ↗ (slight decrease) | ↘ (slight decrease) | ↔ (stable) | ↔ (stable) | ↗ (slight increase) |

ADR (Average Daily Rate): ADRs remained stable throughout 2019 and may have increased slightly. However, 2020 is expected to be significantly different because of the impacts from the Covid 19 virus.

Occupancy: King County has a very strong occupancy rate but the occupancy rate appears to have started inching downward. Again this figure is expected to significantly shift downward next revalue due to adverse effect from the Covid 19 virus.

Cap Rates: In 2019, capitalization rates remained stable. This metric is also expected to be impacted from the effects from the Covid 19 virus.

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

Typical Range of Metrics of Limited Service Hotels by class:

| 2020 Revalue Typical Income Metrics for Limited Service Hotels | | | | |
|--|---|--|--|--|
| | Economy | Midscale | Upscale | Budget Extended Stay |
| 160-10 | ADR \$65-\$120 OCC 65-70% CR 8.0-8.25% | ADR \$100-\$160 OCC 65-80% CR 7.75-8.25% | ADR \$175-\$190 OCC 75-80% CR 7-7.25% | N/A |
| 160-20 | ADR \$90 OCC 70% CR 8.5% | ADR \$120-\$190 OCC 70-75% CR 6.5-8.25% | ADR \$160-\$200 OCC 67.5-75% CR 6.75-7.25% | ADR \$90-\$100 OCC 72.5-75% CR 7% |
| 160-30 | ADR \$70-\$125 OCC 65-75% CR 7.5-8.5% | ADR \$125-\$175 OCC 75-80% CR 6.75-7.5% | ADR \$185-\$210 OCC 75-85% CR 6.75-7% | N/A |
| 160-40 | ADR \$60-\$80 OCC 65-75% CR 8.5% | ADR \$100-\$175 OCC 65-80% CR 7.75-8.5% | ADR \$130-\$175 OCC 70-72.5% CR 7.5-8.5% | ADR \$62.50-\$85 OCC 72.5-82.5% CR 7.5-8.5% |
| 160-50 | ADR \$60-\$70 OCC 60-65% CR 8.5-8.75% | ADR \$75-\$150 OCC 60-75% CR 7.5-8.75% | N/A | ADR \$57.50-\$70 OCC 62.5-77.5% CR 8.5-8.75% |
| 160-60 | ADR \$62.50- \$100 OCC 60-77.5% CR 8.25-9.5% | ADR \$100-\$165 OCC 70-77.5% CR 6.75-8% | ADR \$165- \$175 OCC 70-75% CR 6.75-7% | ADR \$85 OCC 85% CR 7% |

Typical Range of Metrics of Full Service Hotels by class:

| 2020 Revalue Typical Income Metrics for Full Service Hotels | | | | | |
|---|--|---|--|--|---|
| | Economy | Midscale | Upscale | Upper Upscale | Luxury |
| 160-10 | ADR \$105-\$120 OCC 65-80% CR 7% | ADR \$150 OCC 80% CR 7% | ADR \$170-\$225 OCC 80-85% CR 6.50% | ADR \$175-\$275 OCC 75-85% CR 6.5% | ADR \$225-\$300 OCC 80-85% CR 6.25-6.5% |
| 160-20 | N/A | ADR \$130 OCC 70% CR 7% | ADR \$155-\$225 OCC 67.5-80% CR 6.5-7% | ADR \$170-\$230 OCC 67.5-80% CR 6.5-7% | ADR \$240-\$250 OCC 75-77.5% CR 6.5-6.75% |
| 160-30 | N/A | ADR \$160-\$185 OCC 82.5-85% CR 6.25% | ADR \$190-\$225 OCC 80% CR 6.5% | ADR \$190 OCC 75% CR 6.5% | ADR \$325 OCC 80% CR 6.5% |
| 160-40 | N/A | ADR \$100-\$135 OCC 65-70% CR 8.25% | ADR \$125-\$175 OCC 70-77.5% CR 7.75-8.75% | ADR \$160-\$185 OCC 60-75% CR 7-8.25% | ADR \$190 OCC 65% CR 7.5% |
| 160-50 | N/A | ADR \$115-\$120 OCC 65-70% CR 8.25-8.5% | ADR \$160-165 OCC 70% CR 7.25-8.25% | N/A | N/A |
| 160-60 | N/A | ADR \$135-\$140 OCC 65-75% CR 7.25% | ADR \$170-\$175 OCC 65-75% CR 6.75-7% | N/A | ADR \$300-\$325 OCC 75-80% CR 6.75% |

Current Hotel Development: The number of new hotels has dramatically shifted downward. The last revalue cycle had 27 new hotels permitted to be built. This revalue cycle there are only 18. That is 33% drop in hotel construction. Furthermore, four of the hotels are now complete but one never opened because of the low occupancy rates in the greater downtown business core in early 2020. Six of the future hotels are nearing completion and should be finished around the first of the year. The other eight permitted hotels have not broken ground yet. One of those buildings, the owner is considering changing to an office complex. So prior to the onset of Covid 19 it appeared as though the market for new construction of hotels was softening.

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

| Hotel Projects Under Construction | | | | | | | | |
|-----------------------------------|--------|-------------|----------------------------------|--------------------------|------------|---------|------------|---------------------|
| No | Parcel | | Hotel Name | Address | City | Stories | Room Count | Expected Completion |
| | Nbhd | Number | | | | | | |
| 1 | 10 | 197570-0135 | Central Hotel / Henry the 8th | 1520 5th Ave. | Seattle | 17 | 241 | No Start |
| 2 | 10 | 198620-0085 | Citizen M Hotel | 201 Westlake Ave. N | Seattle | 7 | 264 | Complete |
| 3 | 10 | 198620-0440 | SLU-Marriott | 300 Terry Ave. N | Seattle | 15 | 280 | Summer, 2021 |
| 4 | 10 | 713783-0020 | Unnanmed - Luxury Hotel | 1301 5th Ave. | Seattle | 12 | 163 | No Start |
| 5 | 20 | 082505-9081 | Lakeview Hotel | 10850 NE 68th St | Kirkland | 3 | 10 | Summer, 2021 |
| 6 | 20 | 122505-9103 | Anderson Park Hotel | 16630 Redmond Way | Redmond | 6 | 177 | Complete |
| 7 | 20 | 570900-0134 | Avenue Bellevue | 10300 NE 8th Ave | Bellevue | 20 | 252 | No Start |
| 8 | 20 | 939970-0820 | Holiday Inn Express / Nuovo Apts | 969 118th Ave. SE | Bellevue | 6 | 150 | Fall, 2020 |
| 9 | 30 | 276770-0855 | No name Hotel | 1766 NW Market St | Seattle | 7 | 124 | No Start |
| 10 | 30 | 276770-3505 | Hotel in Ballard | 5244 Leary Ave. NW | Seattle | 5 | 99 | No Start |
| 11 | 30 | 435870-0230 | Courtyard by Marriott | 10733 Meridian Ave. N | Seattle | 5 | 140 | Complete |
| 12 | 30 | 674670-1275 | Unnanmed - Luxury Hotel | 4512 11th Ave. NE | Seattle | 30 | 168 | No Start |
| 13 | 40 | 022340-0070 | Element Hotel | 515 Industry Dr. | Tukwila | 5 | 177 | Spring, 2021 |
| 14 | 40 | 332304-9157 | Country Inn & Suites | 3100 S 192nd St | SeaTac | 3 | 100 | Complete |
| 15 | 40 | 609423-0010 | Seatac Hyatt House | 17300 International Blvd | Tukwila | 16 | 369 | No Start |
| 16 | 40 | 262304-9075 | Holiday Inn Express | 805 Andover Park West | Tukwila | 5 | 92 | Summer, 2021 |
| 17 | 50 | 733140-0405 | Tru Microtel | 225 Auburn Way S | Auburn | 4 | 90 | No Start |
| 18 | 50 | 936060-0010 | Wyndham Hotel | 4873 Auburn Way N | Auburn | 3 | 63 | No Start |
| 19 | 60 | 232604-9001 | The Lodge @ St Edwards Park | 14477 Juanita Drive NE | Kenmore | 4 | 83 | Summer, 2021 |
| 20 | 60 | 092308-9024 | Fairfield Inn & Suites | 700 Southfork Ave. SW | North Bend | | | No Start |

Model Validation

Total Value Conclusions, Recommendations and Validation

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

The income approach was the primary method used to derive the total value for parcels in this specialty. Land values were determined by the geographic appraisers then subtracted from the total value to arrive at the improvement value.

The standard statistical measures of valuation performance are presented in the Executive Summary and the 2019 and 2020 ratio study analysis is included in this report. A ratio study analysis indicates that most standard measures of equity, correctness and uniformity improved. Specifically, the weighted mean went from 93.3% to 96.9%, the Coefficient of Dispersion (COD) decreased from 9.07% to 6.88%; the Coefficient of Variation (COV) decreased from 13.36% to 9.70% and the Price-related Differential (PRD) remained unchanged at unchanged at 0.99..

The total assessed value in area 160 for the for the 2020 Assessment Year (taxes payable in 2021) results in a total year over year change of 2.76%.

| | 2019 Total | 2020 Total | % Change |
|-------------|-----------------|------------------|----------|
| Total Value | \$9,973,146,400 | \$10,248,757,200 | 2.76% |

Uniform Standards of Professional Appraisal Practice Compliance

Client and Intended Use of the Appraisal

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

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

Definition and Date of Value Estimate

Market Value

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

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

Highest and Best Use

RCW 84.40.030

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

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

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

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

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

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

Date of Value Estimate

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

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

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

Property Rights Appraised

Fee Simple

Wash Constitution Article 7 § 1 Taxation

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



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

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

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

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

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

Assumptions and Limiting Conditions

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

11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be “typical finish” and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed

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

Certification

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

- The statements of fact contained in this report are true and correct
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.

- The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent their name.
- Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed below:

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

Mary Guballa

8/19/2020

Name: Mary Guballa - Commercial Appraiser II
Hotel Specialist

Date



| No | Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|----|------|------|--------|-------|-----------|---------|---------------|-----------|----------|---|-----------------|----------|-----------|--------------------------------------|
| 1 | 160 | 010 | 094200 | 0532 | 243,800 | 3027470 | \$157,387,410 | 12/18/19 | \$645.56 | LOTTE HOTEL | DOC1 U/450/U | 3 | 29 | Seg/merge after sale; not in ratio |
| 2 | 160 | 010 | 197460 | 0025 | 178,914 | 2856804 | \$64,462,500 | 03/27/17 | \$360.30 | ALEXIS HOTEL (ARLINGTON BLDG) | DMC-160 | 2 | Y | |
| 3 | 160 | 010 | 197570 | 0255 | 272,787 | 2913236 | \$130,500,000 | 01/30/18 | \$478.40 | MOTIF SEATTLE | DRC 85-170 | 1 | Y | |
| 4 | 160 | 010 | 337440 | 0010 | 143,152 | 2854934 | \$79,200,000 | 03/24/17 | \$553.26 | HILL7 - Hilton Garden Inn & Office Building | DMC 340/290-400 | 1 | Y | |
| 5 | 160 | 010 | 872974 | 0030 | 107,237 | 2849740 | \$71,100,000 | 02/21/17 | \$663.02 | PAN PACIFIC HOTEL | DMC 240/290-400 | 1 | Y | |
| 6 | 160 | 010 | 880490 | 0365 | 10,124 | 3027576 | \$3,895,000 | 12/27/19 | \$384.73 | BOYLSTON HOTEL | NC3P-75 (M) | 1 | Y | |
| 7 | 160 | 020 | 154410 | 0322 | 107,322 | 2918248 | \$78,300,000 | 03/08/18 | \$729.58 | MARRIOTT AC HOTEL BELLEVUE (Core) | DNTN-MU | 1 | Y | |
| 8 | 160 | 020 | 232900 | 0020 | 195,956 | 2971521 | \$53,213,593 | 01/23/19 | \$271.56 | EMBASSY SUITES HOTEL EASTGATE F-U | OLB2 | 2 | Y | |
| 9 | 160 | 020 | 720241 | 0080 | 159,508 | 2917306 | \$63,000,000 | 02/28/18 | \$394.96 | REDMOND MARRIOTT TOWN CENTER | TWNC | 1 | Y | |
| 10 | 160 | 030 | 302604 | 9070 | 12,897 | 2854870 | \$3,173,000 | 03/17/17 | \$246.03 | SEALS MOTEL - SEATTLE NORTH | C1-65 | 1 | Y | |
| 11 | 160 | 030 | 525430 | 0015 | 8,876 | 2895160 | \$2,232,500 | 10/11/17 | \$251.52 | SHORELINE MOTEL | MB | 1 | Y | |
| 12 | 160 | 030 | 569450 | 0790 | 10,105 | 3038049 | \$1,995,000 | 03/09/20 | \$197.43 | WALLINGFORD INN | NC3-55 (M) | 1 | Y | |
| 13 | 160 | 030 | 614970 | 0055 | 41,704 | 2849157 | \$10,165,000 | 02/15/17 | \$243.74 | COMFORT INN & SUITES - SEATTLE NOR | C2-65 | 1 | Y | |
| 14 | 160 | 030 | 643000 | 0810 | 18,678 | 2898572 | \$3,990,000 | 10/24/17 | \$213.62 | EVERSPRING INN | C1-40 | 1 | Y | |
| 15 | 160 | 030 | 881740 | 0055 | 106,860 | 2845292 | \$49,500,000 | 01/19/17 | \$463.22 | GRADUATE HOTEL - SEATTLE | NC3-85 | 3 | Y | |
| 16 | 160 | 030 | 926670 | 0955 | 7,935 | 2914458 | \$1,377,500 | 02/09/18 | \$173.60 | THE GEORGIAN MOTEL | C1-40 | 1 | Y | |
| 17 | 160 | 040 | 042204 | 9069 | 50,994 | 2979702 | \$16,957,500 | 03/22/19 | \$332.54 | COMFORT INN & SUITES - SEATAC L-M | CB-C | 1 | Y | |
| 18 | 160 | 040 | 161000 | 0355 | 38,528 | 2909660 | \$4,037,500 | 12/06/17 | \$104.79 | KNIGHTS INN - TUKWILA EAST | MDR | 2 | Y | |
| 19 | 160 | 040 | 242304 | 9014 | 62,670 | 2878324 | \$16,150,000 | 07/20/17 | \$257.70 | HAMPTON INN SEATTLE/SOUTHCENTER | TUC | 1 | Y | |
| 20 | 160 | 040 | 334330 | 1120 | 35,608 | 2877648 | \$8,550,000 | 07/14/17 | \$240.11 | ECONO LODGE - RENTON | CA | 1 | Y | |
| 21 | 160 | 040 | 344500 | 0132 | 40,410 | 2919176 | \$16,720,000 | 03/12/18 | \$413.76 | SLEEP INN - SEATAC | CB-C | 1 | Y | |
| 22 | 160 | 040 | 346880 | 0455 | 6,116 | 2895365 | \$1,757,500 | 10/06/17 | \$287.36 | AIRLANE MOTEL | C1-40 | 1 | Y | |
| 23 | 160 | 040 | 359700 | 0005 | 44,213 | 2866879 | \$7,837,500 | 05/25/17 | \$177.27 | AMERICA'S BEST VALUE INN & SUITES | RCM | 1 | Y | |
| 24 | 160 | 040 | 736060 | 0400 | 18,630 | 2929929 | \$3,253,750 | 05/14/18 | \$174.65 | ECONO LODGE - AIRPORT | RC | 1 | Y | |
| 25 | 160 | 050 | 000080 | 0045 | 40,072 | 2872398 | \$5,890,000 | 06/20/17 | \$146.99 | GUESTHOUSE INN - AUBURN | C3 | 1 | 26 | Imp changed after sale; not in ratio |
| 26 | 160 | 050 | 000660 | 0036 | 34,577 | 2844530 | \$6,270,000 | 01/12/17 | \$181.33 | RED LION INN & SUITES KENT | M1-C | 3 | Y | |
| 27 | 160 | 050 | 000660 | 0036 | 34,577 | 2952824 | \$6,840,000 | 09/10/18 | \$197.82 | RED LION INN & SUITES KENT L-M | M1-C | 1 | Y | |
| 28 | 160 | 050 | 092104 | 9146 | 55,147 | 2971962 | \$14,250,000 | 01/03/19 | \$258.40 | COMFORT INN FEDERAL WAY - SEATTLE | CC-C | 1 | Y | |
| 29 | 160 | 050 | 092104 | 9185 | 86,999 | 2957642 | \$31,825,000 | 10/17/18 | \$365.81 | HAMPTON INN & SUITES - FEDERAL WAY | CC-C | 1 | Y | |
| 30 | 160 | 050 | 112204 | 9082 | 152,295 | 2913438 | \$16,150,000 | 02/01/18 | \$106.04 | HAWTHORN SUITES - KENT | M1-C | 1 | Y | |
| 31 | 160 | 050 | 132204 | 9158 | 28,584 | 3037373 | \$3,800,000 | 03/06/20 | \$132.94 | ECONOLODGE - KENT | GC | 2 | 70 | Building Only; not in ratio |
| 32 | 160 | 050 | 172104 | 9078 | 18,573 | 3019499 | \$3,325,000 | 10/24/19 | \$179.02 | ECONO LODGE - FEDERAL WAY | BC | 1 | 26 | Imp changed after sale; not in ratio |
| 33 | 160 | 050 | 182105 | 9253 | 37,426 | 2927926 | \$11,162,500 | 05/01/18 | \$298.26 | LA QUINTA AUBURN L-M | C3 | 1 | Y | |
| 34 | 160 | 050 | 182305 | 9077 | 8,695 | 2995835 | \$2,042,500 | 06/23/19 | \$234.91 | WEST WIND MOTEL - RENTON L-E | CA | 1 | Y | |
| 35 | 160 | 050 | 192105 | 9007 | 8,814 | 2925005 | \$1,900,000 | 04/17/18 | \$215.57 | AUBURN MOTEL L-E | C1 | 1 | Y | |
| 36 | 160 | 050 | 202104 | 9045 | 18,160 | 2870467 | \$3,420,000 | 06/13/17 | \$188.33 | DAYS INN FEDERAL WAY | CE | 1 | Y | |
| 37 | 160 | 050 | 212104 | 9078 | 58,600 | 2850355 | \$8,360,000 | 02/24/17 | \$142.66 | RED LION INN & SUITES FEDERAL WAY | CE | 1 | Y | |
| 38 | 160 | 050 | 212104 | 9078 | 58,600 | 3002878 | \$8,550,000 | 07/23/19 | \$145.90 | RED LION INN & SUITES FEDERAL WAY | CE | 1 | Y | |
| 39 | 160 | 050 | 250060 | 0085 | 28,035 | 2999639 | \$3,325,000 | 07/02/19 | \$118.60 | GARDEN SUITES DES MOINES L-U | PR-C | 1 | Y | |
| 40 | 160 | 050 | 282204 | 9214 | 11,989 | 3001130 | \$2,375,000 | 07/03/19 | \$198.10 | TRAVEL INN MOTEL - DES MOINES L-E | C-C | 1 | Y | |
| 41 | 160 | 050 | 775780 | 0010 | 62,211 | 2952556 | \$11,340,000 | 09/13/18 | \$182.28 | RAMADA KENT SEATTLE AREA F - E | M1-C | 1 | Y | |
| 42 | 160 | 050 | 797820 | 0020 | 11,544 | 2872709 | \$2,755,000 | 06/22/17 | \$238.65 | EASTWIND MOTEL - FEDERAL WAY | BC | 1 | Y | |
| 43 | 160 | 050 | 797820 | 0020 | 11,544 | 2946677 | \$3,063,750 | 08/09/18 | \$265.40 | EASTWIND MOTEL - FEDERAL WAY | BC | 1 | Y | |
| 44 | 160 | 050 | 797820 | 0070 | 3,396 | 2883515 | \$1,111,500 | 08/15/17 | \$327.30 | RIDGECREST MOTEL - FEDERAL WAY | RM3600 | 1 | Y | |
| 45 | 160 | 060 | 302408 | 9064 | 88,802 | 3018331 | \$56,250,000 | 10/29/19 | \$633.43 | SALISH LODGE AND SPA | BR2 | 2 | Y | |
| 46 | 160 | 060 | 604640 | 0805 | 7,834 | 2986824 | \$2,945,000 | 05/09/19 | \$375.93 | SUN HILL MOTEL L-E | C1-40 | 1 | Y | |

| No | Area | Nbhd | Major | Minor | Total NRA | E # | Sale Price | Sale Date | SP / NRA | Property Name | Zone | Par. Ct. | Ver. Code | Remarks |
|----|------|------|--------|-------|-----------|---------|---------------|-----------|----------|--|-----------------|----------|-----------|------------------------------------|
| 1 | 160 | 010 | 066000 | 1195 | 179,528 | 2967476 | \$100,462,500 | 12/20/18 | \$559.59 | RESIDENCE INN - DENNY | DMC 340/290-440 | 3 | 11 | Corporate affiliates |
| 2 | 160 | 010 | 197720 | 1140 | 60,087 | 2949005 | \$5,608,350 | 08/23/18 | \$93.34 | PALLADIAN HOTEL | DMC 240/290-440 | 1 | 30 | Historic property |
| 3 | 160 | 010 | 197720 | 1140 | 60,087 | 2949004 | \$3,929,660 | 08/23/18 | \$65.40 | PALLADIAN HOTEL | DMC 240/290-440 | 1 | 30 | Historic property |
| 4 | 160 | 010 | 197920 | 0270 | 110,831 | 3007149 | \$21,000,000 | 08/27/19 | \$189.48 | SORRENTO HOTEL | NC3P-160 | 2 | 51 | Related party, friend, or neighbor |
| 5 | 160 | 020 | 866327 | 0010 | 43,720 | 2884538 | \$100,000 | 08/14/17 | \$2.29 | TOTEM LAKE HOTEL | TL 8 | 2 | 24 | Easement or right-of-way |
| 6 | 160 | 020 | 866327 | 0010 | 43,720 | 2912000 | \$10,000 | 01/05/18 | \$0.23 | TOTEM LAKE HOTEL | TL 8 | 1 | 24 | Easement or right-of-way |
| 7 | 160 | 030 | 099300 | 0495 | 7,238 | 2880538 | \$1,250,000 | 07/26/17 | \$172.70 | OAKTREE MOTEL | C1-65 | 1 | 15 | No market exposure |
| 8 | 160 | 030 | 322604 | 9130 | 100,142 | 2930489 | \$5,150,000 | 05/16/18 | \$51.43 | HAMPTON INN & SUITES - NORTHGATE | NC3-65 | 1 | 15 | No market exposure |
| 9 | 160 | 040 | 042204 | 9092 | 37,104 | 2914476 | \$1,000 | 02/08/18 | \$0.03 | former ECONO LODGE SANDSTONE INN - SEAT/ | CB-C | 2 | 52 | Statement to dor |
| 10 | 160 | 040 | 172305 | 9100 | 47,029 | 2887803 | \$6,600,000 | 08/21/17 | \$140.34 | QUALITY INN - RENTON | CA | 1 | 15 | No market exposure |
| 11 | 160 | 040 | 344500 | 0226 | 73,947 | 2967881 | \$18,110 | 12/20/18 | \$0.24 | BEST WESTERN AIRPORT EXECUTEL | CB-C | 1 | 24 | Easement or right-of-way |
| 12 | 160 | 040 | 526330 | 0055 | 7,280 | 2922452 | \$1,425,000 | 03/28/18 | \$195.74 | STAR MOTEL - S.BENNETT | C1-65 | 2 | 51 | Related party, friend, or neighbor |
| 13 | 160 | 050 | 000080 | 0040 | 12,960 | 2887045 | \$2,099,000 | 08/28/17 | \$161.96 | RODEWAY INN - AUBURN | C3 | 1 | 51 | Related party, friend, or neighbor |
| 14 | 160 | 050 | 000080 | 0049 | 43,233 | 2850264 | \$5,628,750 | 02/22/17 | \$130.20 | TRAVELODGE INN & SUITES - AUBURN | C3 | 1 | 5 | Full sales price not reported |
| 15 | 160 | 050 | 132104 | 9050 | 67,677 | 3012656 | \$8,640,000 | 09/26/19 | \$127.67 | HOLIDAY INN EXPRESS - AUBURN | C3 | 1 | 22 | Partial interest (1/3, 1/2, etc.) |
| 16 | 160 | 060 | 643000 | 0810 | 18,678 | 2989459 | \$42,500 | 04/24/19 | \$2.28 | EVERSPRING INN | C1-40 | 1 | 24 | Easement or right-of-way |

Hotels Inspected for 2020 Revalue

| No. | Major | Minor | Name | Address | Date Inspected |
|-----|--------|-------|-------------------------------|-----------------------|----------------|
| 1 | 446840 | 0005 | Hotel Nexus | 2140 N NORTHGATE WAY | 2/27/2020 |
| 2 | 435870 | 0230 | Courtyard - Northgate | 10733 MERIDIAN AVE | 2/27/2020 |
| 3 | 322604 | 9130 | Hampton Inn - Northgate | 9550 1st AVE NE | 2/27/2020 |
| 4 | 026300 | 0125 | Crown Inn & Market | 9501 AURORA AVE N | 2/27/2020 |
| 5 | 026300 | 0085 | Columbus Motor Inn | 9613 AURORA AVE N | 2/27/2020 |
| 6 | 952410 | 0225 | Days Inn - Aurora North | 9100 AURORA AVE N | 2/27/2020 |
| 7 | 952410 | 0220 | Days Inn - North Annex 2 | 1120 N 91ST ST | 2/27/2020 |
| 8 | 952410 | 0260 | Days Inn - North Annex | 9016 AURORA AVE N | 2/27/2020 |
| 9 | 099300 | 0495 | Oaktree Motel | 8900 AURORA AVE N | 2/27/2020 |
| 10 | 926670 | 0955 | The Georgian Motel | 8801 AURORA AVE N | 2/27/2020 |
| 11 | 604640 | 0805 | Sun Hill Motel | 8517 AURORA AVE N | 2/27/2020 |
| 12 | 099300 | 1825 | Travelodge - North Seattle | 8512 AURORA AVE N | 2/27/2020 |
| 13 | 643000 | 0810 | Everspring Inn | 8201 AURORA AVE N | 2/27/2020 |
| 14 | 276770 | 3000 | Hotel Ballard | 5216 Ballard Ave NW | 2/27/2020 |
| 15 | 276770 | 2970 | Ballard Inn | 5300 Ballard Ave NW | 2/27/2020 |
| 16 | 569450 | 0790 | Walligford Inn | 4450 Winslow PL N | 2/27/2020 |
| 17 | 193130 | 0730 | Staybridge Suites | 3926 Aurora AVE N | 3/10/2020 |
| 18 | 193130 | 0480 | Marco Polo Motel | 4114 Aurora Ave. N | 2/27/2020 |
| 19 | 092504 | 9117 | Silver Cloud Inn - University | 5036 25th AVE NE | 3/10/2020 |
| 20 | 092504 | 9404 | Travelodge - University | 4725 25th AVE NE | 3/10/2020 |
| 21 | 168365 | 0050 | College Inn | 4000 University Way N | 3/10/2020 |
| 22 | 674670 | 0975 | University Motel | 4731 12th AVE NE | 3/10/2020 |
| 23 | 773360 | 0135 | Residence Inn - University | 4501 12th AVE NE | 3/10/2020 |
| 24 | 881740 | 0055 | Hotel Deca | 4507 Brooklyn AVE NE | 3/10/2020 |
| 25 | 114200 | 0751 | Watertown Hotel | 4242 Roosevelt Way N | 3/10/2020 |
| 26 | 114200 | 1871 | University Inn | 4140 Roosevelt Way N | 3/10/2020 |
| 27 | 352890 | 1186 | Hillside Motel | 2451 Aurora AVE N | 3/10/2020 |
| 28 | 701100 | 0000 | Marqueen | 600 Queen Anne Ave. N | 4/8/2020 |
| 29 | 198820 | 0005 | The Inn @ Queen Anne | 505 1st Avenue N | 4/8/2020 |
| 30 | 198920 | 1125 | The Mediterranean Inn | 425 Queen Avenue N | 4/8/2020 |
| 31 | 199220 | 0235 | Homewood Suites - Queen Anne | 206 Western Avenue W | 4/8/2020 |
| 32 | 408880 | 3586 | Courtyard - SLU | 925 Westlake Ave. N | 4/8/2020 |
| 33 | 224900 | 0170 | Four Points by Sheraton | 601 Roy Street | 4/8/2020 |
| 34 | 545830 | 0290 | Hampton Inn - SLU | 700 5th Ave. N | 4/8/2020 |
| 35 | 545830 | 0285 | Hampton Inn - SLU | 700 5th Ave. N | 4/8/2020 |
| 36 | 545780 | 0400 | Maxwell Hotel | 300 W Roy St | 4/8/2020 |
| 37 | 408880 | 2955 | Silver Cloud Inn - SLU | 1150 Fairview Ave. N | 4/8/2020 |
| 38 | 198420 | 0065 | Residence Inn - SLU | 800 Fairview Ave N | 4/8/2020 |
| 39 | 198320 | 0540 | Moxy Hotel | 1016 Republican St | 4/8/2020 |
| 40 | 198320 | 0355 | Even - Staybridge - SLU | 527 Fairview Ave N | 4/8/2020 |

Hotels Inspected for 2020 Revalue

| | | | | | |
|----|---------------|-------------|-----------------------------|---------------------|-----------|
| 41 | 246740 | 0430 | SCC Alliance | 207 Pontius Ave. N | 4/8/2020 |
| 42 | 198620 | 0440 | Citizen M | 221 Westlake Ave. N | 4/8/2020 |
| 43 | 198620 | 0085 | Amazon Marriott | 300 Terry Ave. N | 4/8/2020 |
| 44 | 199120 | 0800 | Civic Hotel | 325 Aurora Avenue N | 4/22/2020 |
| 45 | 199120 | 0935 | Holiday Inn - Denny | 211 Dexter Ave. N | 4/22/2020 |
| 46 | 199120 | 0940 | Holiday Inn Express - Denny | 226 7th Ave. N | 4/22/2020 |
| 47 | 199120 | 0730 | Quality Inn - Seattle | 225 Aurora Ave. N | 4/22/2020 |
| 48 | 199120 | 0765 | Travelodge - Space Needle | 200 6th Ave. N | 4/22/2020 |
| 49 | 024170 | 0020 | Hyatt Place | 110 6th Ave. N | 4/22/2020 |
| 50 | 199120 | 0540 | Best Western Plus Executive | 200 Taylor Ave. N | 4/22/2020 |
| 51 | 199120 | 0075 | Hyatt House - Downtown | 417 Broad Str | 4/22/2020 |
| 52 | 199120 | 0090 | Hyatt House - Denny | 201 5th Ave. N | 4/22/2020 |



King County

Department of Assessments

King County Administration Bldg.
500 Fourth Avenue, ADM-AS-0708
Seattle, WA 98104-2384
(206) 296-7300 FAX (206) 296-0595
Email: assessor.info@kingcounty.gov

John Wilson

Assessor

As we start preparations for the 2020 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties;
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP;
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Time adjust sales to January 1, 2020 in conformance with generally accepted appraisal practices.
- Prepare written reports in compliance with USPAP Standards 5 and 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Thank you for your continued hard work on behalf of our office and the taxpayers of King County. Your dedication to accurate and fair assessments is why our office is one of the best in the nation.

John Wilson

Specialty Area 160

2020 Assessment Year



Department of Assessments