King County
Department of Assessments
Accounting Division
500 Fourth Avenue, ADM-AS-0740
Seattle, WA 98104-2384

(206) 205-0444 FAX (206) 296-0106
Email: assessor.info@kingcounty.gov
http://www.kingcounty.gov/assessor/

Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2014 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

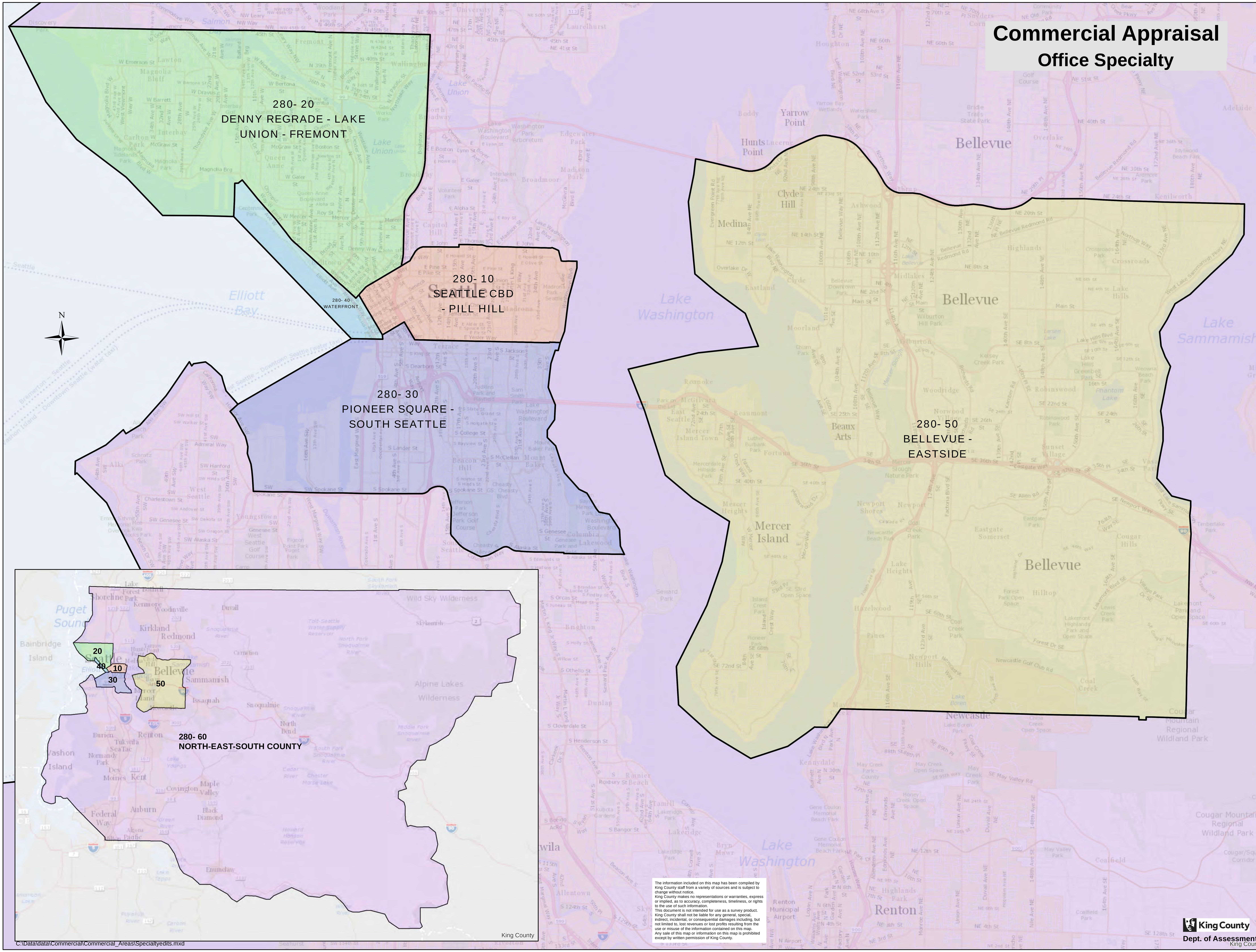
We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2014 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

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

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

Sincerely,

Lloyd Hara
Assessor



Commercial Appraisal
Office Specialty
280- 20
DENNY REGRADE - LAKE UNION - FREMONT
280- 40
WATERFRONT
280- 10
SEATTLE CBD - PILL HILL
280- 30
PIONEER SQUARE - SOUTH SEATTLE
280- 50
BELLEVUE - EASTSIDE
N
Elliott Bay
Lake Washington
Lake Sammamish
Bellevue
Mercer Island
Medina
Renton
20
40
10
30
50
280- 60
NORTH-EAST-SOUTH COUNTY
King County
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King County
Dept. of Assessments
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2014 Revalue Report – Office Specialty – 280

King County Department of Assessments

Executive Summary Report

Appraisal Date 1/01/14 - 2014 Assessment Year – 2015 Tax Roll Year

Specialty Name: Major Office Buildings

Physical Inspection: Selected office buildings from the Seattle, Eastside, and South County submarkets were physically inspected. These properties were inspected in 2013 prior to the posting of the office values.

Sales - Improved Analysis Summary:
Number of Sales: 52 market transactions in 2011, 2012, 2013
Range of Sale Dates: 1/1/2011 to 12/31/2013

SALES – RATIO STUDY SUMMARY				
	Average Assessed Value	Average Sales Price	Ratio	COD*
2013 Value	$106,998,500	$139,045,000	77.0%	15.62%
2014 Value	$117,217,700	$139,045,000	84.3%	10.27%
Value Change	$10,219,200		7.30%	-5.35%
% Change	9.55%		9.48%	-34.25%

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

Sales used in Analysis: All improved sales in the past three years that were verified as market sales and did not have major renovation or have been segregated or merged since being purchased were included in the ratio analysis. There was one double sale in the three years of sales used.

The above ratio study results for office sales in the Office Specialty 280 (institutional grade office buildings with a rentable area of 100,000 square feet or more) is based on a sales sample that is heavily weighted with sales of well-leased or well-located lower risk properties in the Downtown Seattle sub-markets and the Bellevue CBD. Consequently, in this instance, it may not be an entirely reliable tool for measuring the revaluation results of the overall specialty that includes properties with higher than market vacancy or less dynamic suburban locations (i.e. South King County) where values generally remained flat or increased slightly.

In addition, the sales sample represents the leased fee interest while the Assessor values the fee simple interest based on market parameters as of the valuation date. Therefore sales with older leases that are above or below current market rates do not reflect what the Assessor is valuing. Also in the current expansion cycle of the office market, buyers continue to purchase properties with expectations of higher future net operating incomes (NOI) from higher lease rates with fewer concessions. These sales will reflect higher values than the Assessor's value by the income approach using current market parameters.

Total Population – Parcel Summary Data:

	LAND	IMPROVEMENTS	TOTAL
2013 Value	$ 2,781,744,000	$ 11,317,624,600	$ 14,099,368,600
2014 Value	$ 3,143,520,700	$ 11,984,757,600	$ 15,128,278,300
Percent Change	13.01%	5.89%	7.30%

Number of Improved Parcels in the Ratio Study Population:
303 (this excludes individual office condo units i.e. Nordstrom Medical Tower has 27 individual medical office condos but the ratio views it as one property) – 234 improved parcels total.

Conclusion and Recommendation:

Office transactions continued to materialize in 2013 and the first half of 2014. However, there are still not sufficient sales in all market segments to rely solely on the Sales Comparison Approach in the 2014 revalue. The Income Approach is used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of office buildings in the different submarkets. In addition, sufficient market income data was available for the analysis.

As of year-end 2013, it was estimated that there was over 2 million square feet of office space under construction with 1.3 million in the Lake Union district. As of the end of 2013 the Seattle and Eastside office submarkets were performing better than the national US economy and are in an expansion mode that has clearly extended into 2014 while most South King County submarkets remain relatively flat and are still in recovery mode. Most submarkets experienced decreases in vacancy and higher asking lease rates. Landlord concessions, including free or reduced rent and higher than typical tenant improvement allowances, are either non-existent or being reduced and longer leases are being signed. This trend is most evident in the newer Class A offices in the Seattle downtown submarkets and the Bellevue CBD. The higher-end sector of the market was transitioning from a tenant market to a landlord market.

New growth is attracting investors to the Puget Sound region; particularly Seattle and Bellevue. Institutional investors focus on Class A properties in the CBD as well as Lake Union. Cap rates have compressed below 5 percent for the highest quality assets with well positioned Class B assets in the CBD garnering first year yields in the mid 5 percent rage.[1] The Puget Sound office market finished 2013 with an impressive fourth quarter by producing 593,756 SF of net absorption.[2] The commercial real estate market saw rising values in 2013 and this trend is expected to continue into 2014. Real Estate experts in PWC and the Urban Land Institute's Emerging Trends in Real Estate rank Seattle in the top five office markets in the nation due to technology-driven economic growth.[3] The Seattle skyline is booming with cranes. New construction activity includes: office buildings, retail space, hotels, mixed use buildings, and numerous multi-family projects. Higher rents, lower vacancy, increased revenues, and an abundance of new employment, particularly in the technology sectors, continue to drive the region's growth. Per CBRE, employment growth is expected to increase by 2.8% in 2014.

[1] Marcus & Millichap 2014 Annual Report
[2] CBRE Puget Sound Area Office Q4 2013
[3] CBRE Puget Sound Area Office Q4 2013

The resulting valuation by the income approach reflects the improving income fundamentals particularly the higher rents and lower vacancy rates. The overall increase of 7.30% reflects the healthy office market in King County. It does not include the new construction values which are valued later.

The values recommended in this report reflect current office market parameters as of the valuation date of 1/01/2014 therefore it is recommended that they should be posted for the 2014 Assessment Year.

MAJOR OFFICES 2013 – YEAR END CHANGES				
Rental Rates	Vacancy	Cap Rate	Vacant Land Values	Improved Property Values
↗	↘	→	↗	↗
increase	decrease	stable	increase	increase

Analysis Process

Effective date of Appraisal: January 1, 2014

Date of Appraisal Report: July 30, 2014

Highest and Best Use Analysis

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

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a nominal value of $1,000 is assigned to the improvements and the property may be returned to the geo-appraiser.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions, Departures and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

Market trends (market condition adjustments, time adjustments) were considered for the sales prices of the sales available in the current office market cycle.

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

Identification of the Area

Name or Designation: Specialty Area 280: Major Office Buildings

This report contains data pertinent to the revalue of major office buildings (100,000 square feet of net rentable area and above). Net rentable area as utilized here is typically described as gross building area less vertical penetrations. The office specialty properties are found throughout King County, with significant concentrations located in Downtown Seattle and Downtown Bellevue. Additionally, larger suburban office buildings are found in many jurisdictions of the County. All office specialty properties were revalued this year. Included in the addendum of this report is a list of the parcels physically inspected for the assessment year.

Boundaries:

All of King County

Maps:

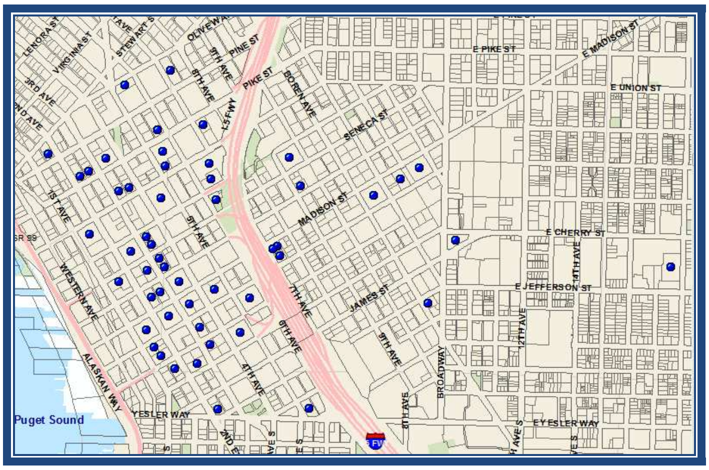
A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

For purposes of the 2014 revaluation of the office-building specialty, the population has been segmented into six regions. These regions are generally described by their geographic location with the exception of medical office buildings, which is described by its primary use. The following is a brief description of the market segments and the new office development that is occurring in the each area.

<u>SUB AREA 280-10</u> – consists of the Seattle CBD and First Hill. There are 91 parcels in this geographic neighborhood. The boundaries are:

- **Olive Way west of I5 and John St east of I5 on the north side**
- **Yesler Way on the south**
- **1st Ave on the west side**
- **Lake Washington on the east side**



Seattle Central Business District (Seattle CBD)

The largest portion of the office specialty is comprised of properties located in this region. Approximately 28% of the office properties are located in the Downtown Seattle district. The Seattle CBD geographic boundaries are loosely described for purposes of this analysis as extending from the Denny Regrade area on the north to Pioneer Square on the south, from Puget Sound on the west to the medical district commonly known as "Pill Hill' which is just east of Interstate 5.

The Seattle office market ended 2013 on an upward trend and has outperformed most of the rest of the country because of strong job growth in technology, science, math and other technical jobs that pay high wages. According to Cushman Wakefield: "the Seattle Central Business District performed well and saw a 2.9% decrease in overall vacancy rate, dropping to 12.7% and direct asking rates are up slightly". CBRE reported in their Q4 2013 report that "the Puget Sound office market finished 2013 with an impressive fourth quarter by producing 593,756 SF of net absorption. The Central Business and Financial District has traditionally been the location of law firms, insurance companies, and financial institutions. Developers are moving forward with plans that were shelved during the past recession though construction activity is far more dynamic in South Lake Union.

Daniels Real Estate announced they would start drilling in mid-2014 on the 44-story LEED certified Fifth & Columbia high-rise. The speculative building will have 528,000 square feet of office space over a luxury SLS hotel on the 3rd through 15th floor. In the same vicinity Schnitzer West has plans for the Madison Centre at 505 Madison Street. The modified plan is for a 36-story building with 750,000 square feet of office and street-level retail on the half-block site. Construction had not started as of mid-2014. The Washington State Convention Center acquired the Honda of Seattle property for $56.5 million in order to move forward with their expansion; a process that could easily take two years. The expansion would double the center's size and attract more convention business to downtown Seattle. It is estimated that it could generate $164 million in annual revenues and create up to 2,000 permanent jobs. In south downtown plans for Civic Square a public-private development by Triad Development just west of City Hall still have not materialized. The 1.1 million square foot venture planned in the mid- 2,000's includes a 42-story office and residential tower and a large public plaza. This project occupies an entire city block.

MEDICAL OFFICE BUILDINGS

These buildings are analyzed independent of the remainder of the specialty as medical/dental office buildings. They typically have a different construction cost, and income/expense profile. Medical office buildings require more intensive plumbing, extra power for medical equipment, higher fresh-air filtration, zoned heating, and more parking than conventional offices. The government predicted that the individual health insurance mandate that took effect in early 2014 would reduce the uninsured and in turn increase demand for medical services. Nationally, developers were on pace to complete 7.5 million square feet of medical office space in 2013. Medical office properties of 100,000 SF or more will account for nearly one third of this year's new supply. While health systems and large providers remain the driving forces behind medical office construction, speculative development is on the rise[4]. The trend is to construct flexible floor plans designed to maximize utility and revenues. Marcus & Millichap reports medical office vacancy in the Pacific Northwest at a modest 7%[5].

Office Specialty properties in this category, with over 100,000 SF of net rentable area, in Seattle are generally located on First Hill, which is commonly known as Pill Hill, and the University District, with one medical office building. There are two major medical office buildings in Bellevue.

The city of Bellevue rezoned its Bel-Red Road corridor with a variety of zoning codes, including BR MO / MO-1 (Bel-Red Medical Office/Node) and MI (Medical Institution) to delineate districts geared for medical facilities.

7th AND MADISON BUILDING

In Seattle's First Hill, one of the newer medical buildings, the 7th & Madison building was leased to the Polyclinic and sold in December 2012 at $487 per SF and the adjacent parking garage that accommodates the out-patients was not included in the sale.

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4 Marcus & Millichap – Medical Office Research Report 2nd Qtr 2013

5 Marcus & Millichap – Medical Office Research Report 2nd QTR 2013

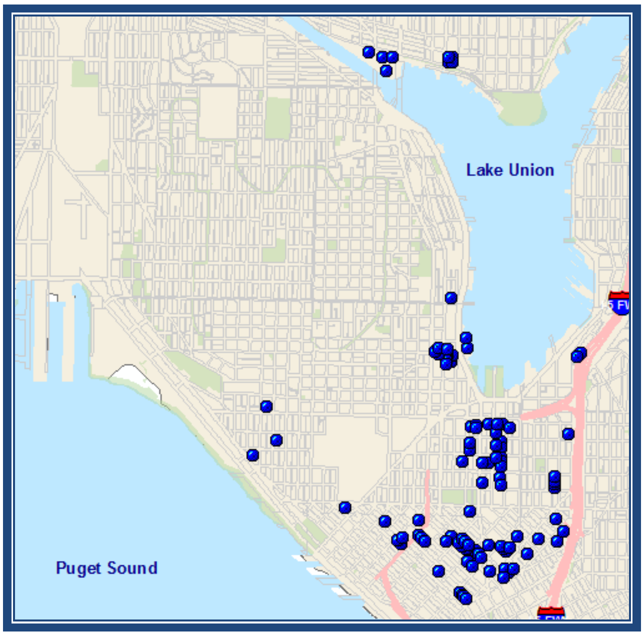
In Bellevue, the Overlake Medical Pavilion a 190,000 square foot medical office building just east of I-405, is a state of the art medical building with LEED silver certification though it continues to have vacancy issues since it is 50% occupied. The Overlake Medical Campus and the general vicinity house most of the medical facilities in Bellevue.

OVERLAKE MEDICAL PAVILION

Though not in the office specialty, two medical buildings, the First Hill Medical Building and Minor and James Building with nearly 81,000+ SF of net rentable area, sold in October 2013 at $427 per SF regardless of their ages: 1988 and 1958 original year built. Sales in the Elmer Nordstrom Tower involve medical condominiums and are typically purchased by owner/users.

SUB AREA 280-20 – encompasses the Seattle submarkets of Denny Regrade, Lake Union, Queen Anne, and Fremont. There are a total of 101 parcels in this geographic neighborhood. Area boundaries are:

- **NW 45th on the north**
- **Olive Way on the south**
- **Puget Sound and W Elliott on the west**
- **I5 on the east**



SOUTH LAKE UNION -
South Lake Union is the downtown submarket with the lowest office vacancy with much of the supply/demand dynamics driven by the Amazon's campus move and its need for additional office space, and the attraction of high-tech and life science companies to this revitalized, in-close neighborhood. Amazon's Phases I through V are complete and Phase VI is a two building midrise between Westlake and Ninth Avenues and Mercer and Republican Streets and it is in full-fledged construction and projected to be ready by fall of 2015. This is a 380,000 SF project with retail and ample underground parking. Another Amazon building, Phase VII, which is located at the southeast corner of 9th Ave N and Republican St and in the early stages of construction, will be 12 stories and consist of 301,000 SF. Phase VIII, in the southwest corner of Harrison St and 9th Ave N, is also in the initial construction period and with 12 stories it will have 312,000 SF.

Land prices in this area have continued to rise drastically and vacant land sales have traded for over $500 per SF. Sales in 2012 were typically in the mid $200's per SF and in 2013 they ranged from the mid $300's up to the low $500's per SF. Demand for land is extraordinary and has undoubtedly attracted investors and other business people because changes in zoning regulations allow for higher density which makes development of vaster projects more attractive.

AMAZON'S PHASE VII

The Third Phase of the University of Washington Life Science South Lake Union Campus has been completed. Two more research buildings may be built on the site at Mercer, Dexter, and 8th Avenue. The Allen Institute for Brain Science, a 271,000 SF life research edifice, is proceeding under GLY Construction. It will be a mixed use building with a 90,000 SF, and 4 level underground parking facility. The building's podium will have a 6 story atrium lined with scientific program areas, offices, and an auditorium. Completion is projected for the fall of 2015.

202 Westlake was completed and is fully occupied. This is a 130,000 square foot office building that began as a speculative building but was leased by Amazon. The other office project that broke ground in early 2013 was Dexter Station in the northwest portion of South Lake Union. This Capstone project is a 10-story, 345,000 square foot development and it is being built on a speculative basis. It will have tall floor heights required by bio-tech or life science firms. Completion is projected for November of 2014.

Projects in the early stages of construction include Skanska's 13-story office building: 400 Fairview. Tommy Bahama will become the anchor tenant and lease approximately 110,000 SF in this building. Touchtone is developing the Troy Laundry site and demolition has begun. This block which will have 12 story south office tower with 395,000 SF and a 13 story north tower with 422,000 SF. Additionally, there will be 5,000 SF of retail, conference space for 100 occupants, a fitness facility, locker rooms and biking racks.

South Lake Union is also home to the Bill and Melinda Gates Foundation.

<u>DENNY REGRADE</u>-
Next to South Lake Union, the other downtown Seattle neighborhood that's undergoing major transformation is the Denny Regrade Triangle with new offices, hotels, and residential structures in progress. Old structures have been torn down and are being replaced by massive new projects that will change the face of Denny Regrade drastically.

AMAZON BLOCK 14

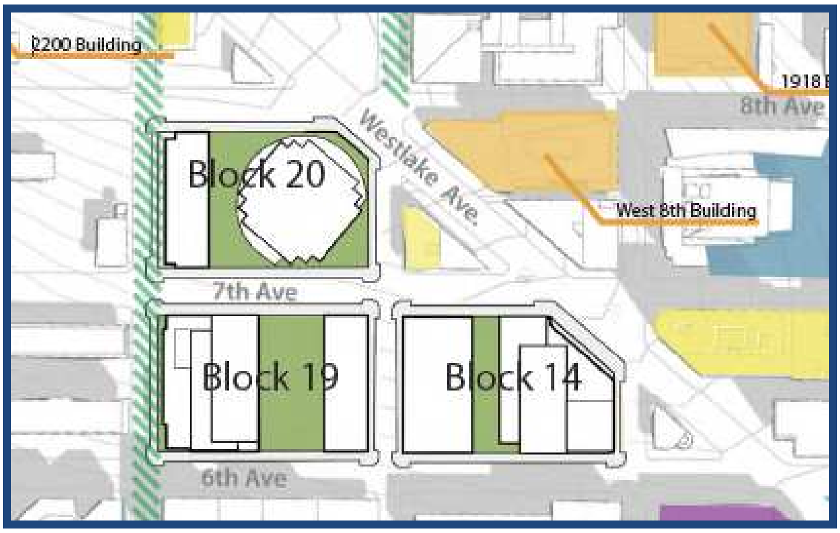
In the Denny Triangle Regrade neighborhood Amazon purchased a three block site with plans to build in three phases a 3.3 million square foot office complex. Excavation and shoring on Block 14 is complete and the new office tower is taking shape. This is a 37-story building with a 2,000 seat meeting room. It is slated for completion in October 2015.

Blocks 19 and 20 will also have 37 or 38-story towers and amenities including outside plazas and green spaces. When completed the three towers could accommodate as many as 12,000 employees. Construction has begun on Block 19 and completion is projected to fall of 2016.

AMAZON'S RUFUS BLOCK 19

Block 20 construction had not begun as of mid-2014. This site is still occupied by the Toyota dealership. The land was acquired by Acorn Development from Clise Properties in December 2012 for all these projects in Denny Regrade area.

AMAZON'S BLOCK 20



AMAZON'S BLOCKS 14, 19, AND 20

Another new building in this area that is in the early stages of construction is Hill 7: an 11 story office/hotel development in the Denny Triangle that being developed by Touchstone. The office portion will have approximately 285,000 SF and the hotel is slated for 222 rooms with 335 underground parking stalls.

HILL 7

FREMONT-

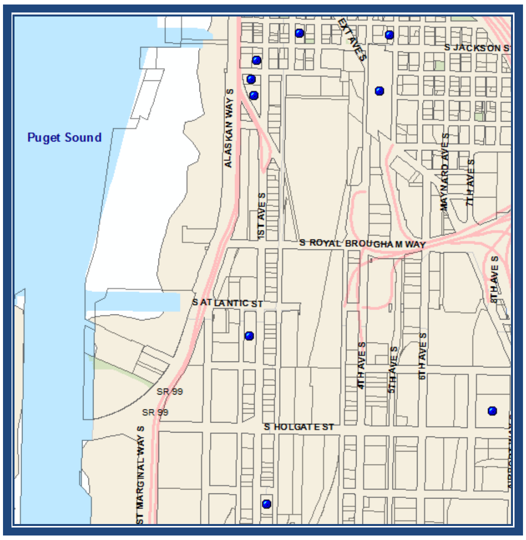
Fremont is a vibrant, compact neighborhood and the most recent addition is the 5 story 129,000 square foot Stone 34. The ultra-green office building is pre-certified LEED platinum and is the new headquarters of Brooks Sports. Touchstone is slated to begin construction on a new project-NorthEdge, a four story, 210,000 SF office complex for technical and traditional office users in 2014. Fremont is sometimes referred to as the Canal submarket.

QUEEN ANNE-

There are three office specialty buildings in this area and its proximity to downtown Seattle, Lake Union, and the waterfront make it an attractive location. The Space Needle, Seattle Center, and EMP Museum, three of Seattle's major attractions, are located in the general vicinity.

<u>SUB AREA 280-30</u> – is the Seattle neighborhood of Pioneer Square and downtown Seattle south. There are only 14 parcels in this sub-area. The boundaries are:

- **Yesler Way to the north**
- **SW Spokane St west of I5 and S Alaska St east of I5**
- **Harbor Ave SW on the west**
- **Lake Washington on the east**

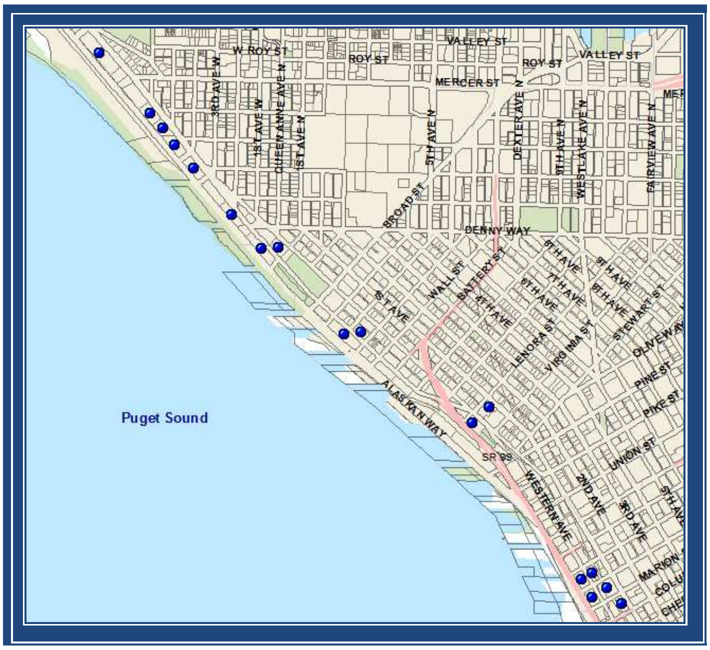


Just south of Downtown and Pioneer Square in the SoDo-Stadium District new construction includes <u>Homeplate Center- North</u>. The six-story, 157,000 square foot, speculative office building was completed in 2013 and acquired a tenant, Real Networks, who occupies 49% of the NRA as of May 2013. The second phase <u>Homeplate Center – South</u> is a 171,000 square foot office building and was completed in 2013 though it is still in need of TI's and completely vacant. The Smith Tower is one of the best known office buildings in this area. It sold to CBRE for a bargain price of $36.7 million in 2012 with 82% vacancy and after renovations is 75% occupied and listed for sale again.

HOME PLACE CENTER NORTH

SUB AREA 280-40 – is the Seattle waterfront. There are 17 parcels in this geographic neighborhood. The geographic boundaries are:

- **W Roy St and W Mercer Pl on the north**
- **Yesler Way on the south**
- **Puget Sound on the west**
- **1st Ave on the east**



Seattle's waterfront is slated for complete redesign overhauls that include demolishing the Alaskan Way Viaduct and rebuilding the seawall along Elliott Bay plus add parks and space for pedestrians and cyclists. The city's planners are currently studying waterfront projects all over the world. The waterfront redevelopment program covers 26 city blocks from Pioneer Square to Belltown and includes a rebuilt Elliott Bay Seawall, new parks and paths, access to the water, places to enjoy views, vibrant public and cultural spaces, and a new urban street that will accommodate all modes of travel and provide an important connection in the city's transportation system[6]. 2009 was the last year that any major office improvements were constructed in this neighborhood: 635 and 645 Elliott. Both these buildings have experienced high vacancy. Properties in this sub-area for the most part enjoy unobstructed views of Puget Sound which adds to their appeal.

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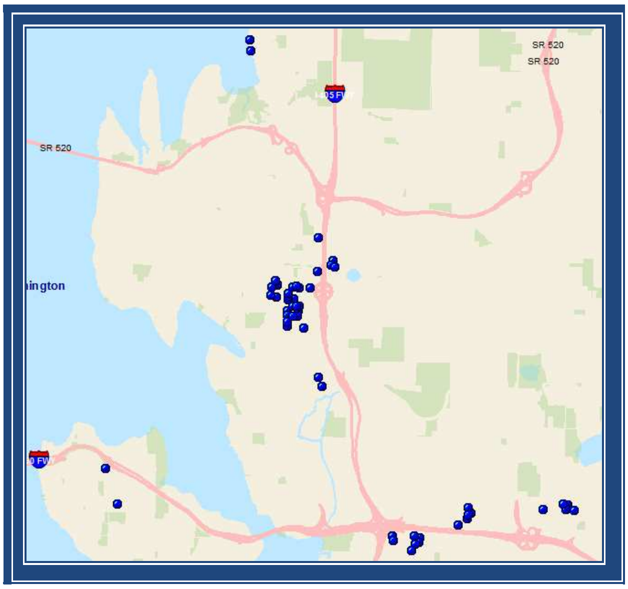
[6] Waterfrontseattle.org

SUB AREA 280-50 – consists of the Bellevue CBD and suburban Bellevue. There are 55 parcels in this sub-area. Area boundaries are:

- **NE 58th on the west side of I405 and SR 520 on the east side of I5 on the north**
- **SE 80th St on the south**
- **Mercer Island and Lake Washington on the west**
- **Lake Sammamish and 180th Ave SE on the east**



BELLEVUE CENTRAL BUSINESS DISTRICT (Bellevue CBD)

This region, while comprised of a smaller number of properties, is considered to be the second most significant area of the office specialty. It is comprised of mid and high-rise office buildings in the Bellevue CBD. Bellevue has become its own market and commands enough attention that draws companies to this city because of its business friendly atmosphere.

The economic downturn in the Bellevue CBD is over. Microsoft, like Amazon in South Lake Union and Denny Regrade, has been the driving force in the expansion cycle of that office market. Microsoft occupies the greater portion of Lincoln Square and took all of the office space in the two Bravern towers, and in City Center Plaza which sold in August 2012 for $228,765,000 at $465 per SF. Expedia leased 85% of Tower 333 while the Bentall-Kennedy's Summit III project that didn't start until early 2008 was capped at street level, and continues to be so. Though it is currently up for sale and fully permitted; a new buyer could begin construction in mid-2014.

Bellevue's vacancy for Class A office space has been pegged as the tightest in the United States at 3.9% according to the Skyline Review published by Jones Lang LaSalle. Employment has outpaced the national statistics and strong gains have been made in retail and construction trades. Class A vacancy is lower than 10% in most surveys and office space is limited. Low vacancy means rental rates have increased slightly and fewer concessions are made. Developers are finally moving forward with previously shelved plans and are also proposing new projects. The dynamic that has changed in the current expansion cycle is the attraction of the Bellevue CBD and its urban amenities that provide attractive office high-rise space to many technology firms (other than Microsoft) over the traditional suburban campus setting.

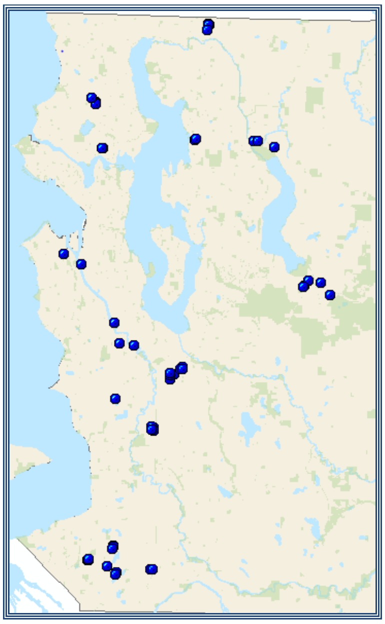
The Lincoln Square expansion by Kemper Development began in June 2014. The project will consist of a 31 story office tower with 700,000 SF. Retail, entertainment and dining will occupy 177,000 SF. Another 41 story tower between the office building and the Westin Hotel will be a designer 244 room hotel with 250 opulent high-rise apartments. The Lincoln Square development is expected to open in fall 2016. The Bellevue Square expansion is set to begin about a year after the Lincoln Square project and will consist of two 17 story towers on a three story retail podium and five levels of underground parking at the southeast corner of the mall. The Bellevue Collection project will eventually add 2 million square feet of office, retail, dining, and residential space once all the work is completed along Bellevue Way NE. Trammel Crow broke ground on Bellevue Office Tower on 108th Ave NE. This structure will be a 19 story office building with 462,000 SF of office space and it is projected to be finished by December 2015. Beacon Capital submitted plans for a 23-story office high-rise with 515,000 square feet. It would be sited just west of the Bravern complex on NE 8th Street. Schnitzer West has consulted with the City of Bellevue about building an office tower that could be up to 22-stories with 450,000 square feet on NE 4th Street one block east of Bellevue Square. The Rockefeller Group and Bellevue based Sterling Realty Organization have plans for a phased 2.4 million square foot project on a 5.5 acre site on NE 8th Avenue one block east of Lincoln Square. The proposal calls for three office towers above a podium with retail and public spaces. The first tower will be 20 stories in height and consist of 465,000 SF in size though they have not actually begun construction. Schnitzer has plans for a 16 story office tower on the Bank of America site located at 415 106th Ave NE. They plan to open this building in 2016. Bentall-Kennedy's Summit III project with essentially 1/3 of the project complete with the capped below-grade parking structure is in a very favorable position to come online early in the expansion cycle. No new starts were noted on this site as of June 2014 and Bentall-Kennedy has no plans to begin construction until it is pre-leased. Goldsmith Land Investments was planning a 15 story office tower with 195,000 SF, retail on the street level, and 510 parking stalls at 305 108th Ave NE in Bellevue but subsequently sold this site in June 2014 for $13,500,000 to Fana Groups who own and operate 1.5 million SF of commercial properties in Bellevue.

SUBURBAN BELLEVUE AND KIRKLAND WATERFRONT-

The Spring District site which is located in the Bel Red corridor of Bellevue is finally underway. This 36 acre site will be developed in three different phases starting on the south side and construction will move north with easy access to Sound Transit East light rail. The site has seen demolition of old structures and new construction will include residential as well as a variety of commercial properties like retail, offices, plus a public park. The Spring District will eventually consist of 16 blocks with over 4,000,000 square feet of commercial space and 1,000 multi-family residences. A new 11 story office tower with 525,140 SF is planned with 1,272 stalls in Phase I. Wright and Runstad is the principal on this project. South Bellevue is a heavily commercial section with the Factoria district and a number of major offices are located in this general vicinity due to its easy access to the I90 corridor. The Kirkland waterfront is home to Carrillon Point; an attractive mixed use project with an office building, the Woodmark Hotel, restaurants, and other retail. The Kirkland waterfront is a very pedestrian friendly district that's heavily populated with opulent condominiums and some commerce.

<u>SUB AREA 280-60</u> – consists of the North, Suburban Eastside, and South County. There are 52 parcels in this geographic neighborhood. Geographic boundaries, excluding above sub-areas, are:

- **205th St on the north (Snohomish County line)**
- **Alder St and White River on the south (Pierce County line)**
- **Vashon Island and Puget sound on the west**
- **Chelan County and Kittitas County lines on the east**



<u>NORTH</u>-

On the west side of I5, this area encompasses the University District which only has 2 buildings in the office specialty and Northgate with only 4 parcels that are in very close proximity to the Northgate Mall. The only new construction or major activity in this area was usually related to the University and/or multi-family projects. On the northeast side of I5, there are two buildings in the North Creek area.

<u>SUBURBAN EAST</u>-

This region has a large geographic expanse: Kirkland, Redmond, and Issaquah. It has fewer large office buildings. While the suburban Eastside office markets have seen an upward movement in prices and lower vacancy, this trend has not been as robust as the Bellevue CBD and there are fewer immediate projects proposed. In Kirkland, Google has bucked the inclination of tech companies to expand in the CBD neighborhoods with their announcement that will double the size of their suburban Kirkland campus with two additional 2-story buildings that are now in the midst of construction with a total of 180,000 square feet of new space. Construction and tenant improvements should be completed in late 2015. About 650 are currently employed on the Google campus and additional space could accommodate another 1,000. Another large Kirkland project is Prudential and Talon Private Capital's <u>Parkplace</u> project located on an 11.7 acre site near downtown Kirkland. Current plans call for 1.2 million square foot of office/technology space, 300,000 square feet of retail, a hotel, 3,500 below-grade parking stalls and about 3.5 acres of public space. Touchstone sold its interest to Prudential in November 2013 and the project may be scaled back.

Ground work began in mid-2014 for a 28-acre site in Redmond known as Esterra Park, a Capstone Partners project. This venture consists of a 3 million square foot mixed use development that would eventually have 1.1 million square feet of midrise office, 1,400 multi-family units, retail space, and 300 hotel rooms.

SOUTH COUNTY-

Properties located within Renton, Tukwila, Kent, SeaTac, Auburn and Federal Way areas generally describe this region. Weyerhaeuser has been the predominant property owner in the Federal Way area. There has been no recent new construction of large office buildings in this area and only one sale in 2013.

The Federal Aviation Administration had planned to expand the regional headquarters located in the 1601 Lind Avenue Building in Renton and were requesting proposals for a 500,000 square foot, LEED Gold office building that would be located in Renton, Kent, Des Moines, Sea Tac, or Tukwila. The FAA had planned to move into the new space in late 2014. However, expansion plans continue to be on hold. The FAA also occupies space in Valley Office Park; the parcel directly to the south.

In South Seattle the U.S. General Services Administration oversaw the development of a 209,000 square foot office building that is the U.S. Army Corps of Engineer's district headquarters. The ultra-green building was completed in late 2012 and received LEED Platinum certification. It is located at the Federal Center South complex. Much of the building materials used were recycled and it is ranked in the top 1% of comparable green building due to its energy efficiency.

US ARMY CORP OF ENGINEERS

Leasing Class Descriptions

A description of the leasing classes is provided. In the market approach and income approach analysis the office properties are grouped into the above market areas and then stratified into the appropriate leasing class. The leasing class may differ from the building class. For example, a reinforced concrete, midrise office building will be classified as Class B construction but may be considered in the market as Class A leased space.

Class A

Class A properties are the most prestigious buildings competing for premier office users with above average rents for the area. Buildings have high quality standard finishes, state-of-art building systems, and exceptional accessibility and a definitive market presence.

Class B

Class B properties are buildings competing for a wide range of office users with average rents for the area. Building finishes are fair to good for the area and systems are adequate, and the buildings do not compete with Class A buildings.

Class C

Class C properties are buildings competing for tenants requiring functional space at below average rents for the area. The buildings typically have designs and finishes that are dated.

In the valuation analysis Class A buildings are further stratified into A+ and top tier A+ office buildings and average Class A properties. Class B buildings are stratified into renovated/historic, average, and B- properties needing capital expenditures. The office specialty predominately consists of Class A and B properties.

LEED Office Buildings

LEED or Leadership in Energy and Environmental Design is an internationally recognized green building certification system that was developed by the U.S. Green Building Council in 2000. LEED promotes sustainable building and development practices through a rating system that recognizes projects that implement strategies for better environmental and health performance.[7] It has become the standard for green development of new buildings and retrofitting older buildings.

Initially government and environmental groups were the leading promoters of "Building Green" commercial buildings. Today the Pacific Northwest is among the top regions in the country in terms of sustainable development with developers and owners of institutional grade office buildings now considering the benefits of energy efficient new construction, and renovation and modifications to existing buildings. Increasingly the cost of building green is coming down at the same time that energy prices are rising. Green construction and retrofitting reduces operating expenses and provides a superior experience for the office tenant as well as the building owner.

In addition to the quantifiable energy savings and the shorter term to recover the added costs of going green, most government agencies and some corporate tenants are now requiring green office spaces. The U.S. Building Green Council (USGBC) estimates that 50% of commercial construction by value will be green by 2016. Recent data reports that commercial buildings with LEED or Energy Star ratings command a rent premium of 4-5 percent over non-rated buildings (University of California, Berkeley, 2011) though other sources cite this figure closer to 10 percent (CBRE, San Diego, 2012). This further supports the economic advantages of building green.[8] Also, Energy Star calculates that a 10% decrease in energy use can lead to 1.5% increase in net operating income (NOI). Given current low capitalization rates a landlord can increase an office building's value and reduce the tenant's expenses in buildings leased on a triple net (NNN) basis by reducing energy use.[9]

Seattle is in the top 10 cities with the most LEED and Energy Star certified buildings-holding its place alongside much more populous cities (e.g., New York City, Los Angeles, and Chicago). The American Council for an Energy Efficient Economy ranks Seattle **5th in the nation** for policies and programs advancing energy efficiency. Seattle City Light, our publicly owned electric utility, is "**the nation's greenest utility**."[10] In 2013, Seattle completed the Energy Benchmarking and Reporting program ramp-up phase by collecting whole-building annual energy use for commercial and multifamily buildings 20,000 square feet or larger. This first report summarizes program outcomes, building characteristics, trends, and recommendations. Seattle boasts the highest compliance rates in the nation—as of January 1, 2014 nearly 3,000 (93%) of required buildings had 2012 energy use reported.[11]

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[7] www.usgbc.org "What LEED Is – Intro"
[8] Valuation Magazine, 2nd Q. 2012, Appraisal Institute, "Green Scene" pgs. 21- 22
[9] Puget Sound Business Journal, "Real Estate: When buildings go green tenants shouldn't see red" Adam Mihlstin, 12/07/2012
[10] City of Seattle, April 1 2014
[11] Seattle Energy Benchmarking and Reporting, January 2014

Puget Sound Economic Conditions

The Puget Sound economy grew faster than the nation's in 2013. Employment increased by 2.9% in 2013, which exceeded the national job growth at 1.4%. King County unemployment stands at 5% and the US average is 6.6%. Metro area job growth is expected to be 2.3% in 2014. Over the past 12 months, a total of 38,400 jobs have been added in Washington, mostly in the trade, transportation and utilities, government, leisure and hospitality, and professional and business services (this sector includes many jobs related to high tech)[12]. This recovery is tied to the region's diverse economy. Its strengths include aerospace, software development including internet retail and gaming, and global trade. According to Conway & Pedersen's Puget Sound Economic Forecaster, the reasons for this above average growth are: geographic location, international trade, world class companies, high technology, well-educated workforce, and natural and cultural amenities. Washington State was recently named the most innovative state in the nation according to Bloomberg, nudging out other states that are traditionally home to startup and technology firms. The publication reports that the region placed near the top in all categories due to the large technology workforce, high productivity, and abundance of aerospace, biotechnology and computer technology companies.[13] PWC's Emerging Trends in Real Estate ranked Seattle as the fourth best market in terms of investment potential in 2014 and the sixth best overall real estate market, up from seventh in their previous report.[14] The Puget Sound area continued to be a hot bed for tech jobs; Forbes reported a 45.5% increase in tech jobs since 2001 and a 19.5% increase in STEM (Science, Technology, Engineering and Mathematics) over the same period. [15] The public sector also saw an increase of 1,100 jobs in the last year.

The Boeing Company is Washington State's largest private employer with 81,000 employees. The Commercial Aviation Services department, which is currently located in Seattle, will be moved to Long Beach, CA in 2015. Boeing's employment remained strong in 2013 partially due to its large backlog of airplane orders. As of May 2014, there were over 2,000 unfilled airplane contracts. This abundance in business will insure that well paid employment at Boeing will remain stable for some time.

Though Amazon has not yet eclipsed Microsoft – the once information-technology industry anchor- they have evolved and elevated the Seattle area into one of the largest high-tech clusters in the nation. Between Phases VI, VII, VIII and the 3.3 million SF of development near 7th Ave and Virginia Street, Amazon has approximately 4.3 million SF of space in planning or under construction[16]. Other major tech-related companies with large real estate footprints in the Seattle area are Zillow, Redfin, Classmates.com, Nintendo, Expedia Inc. and F5 Networks Inc. Google and Facebook are also increasing their presence significantly in the area in order to take advantage of the large pool of tech employees. Seattle was ranked #5 for best tech startup city in 2013 by Entrepreneur Magazine. The Puget Sound business climate, lifestyle, and sustainable innovation attract a skilled and educated workforce that originate these start-ups. Seattle is one of the only North American cities with more than 1,000 open data sets which are offered for transparency and support the growth of startups and introduction of mobile apps to improve mobility and quality of

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[12] JLL Office Insight Seattle-Bellevue, Q4 2013
[13] CBRE MarketView Q4 2013
[14] JLL Office Insight Seattle-Bellevue, Q4 2013
[15] Cushman & Wakefield Market Beat Q4 2013
[16] Cushman & Wakefield Market Beat Q4 2013

life in the city. In the 2012 publication of the Global Startup Ecosystem Index, Seattle's entrepreneurial ecosystem was ranked fourth in the world. Part of this ranking, and one of the reasons Seattle achieved No. 1 position in this Smart Cities ranking is due to its ability to attract creative and entrepreneurial talent.[17]

International trade continues to have a strong impact on the regional economy and most trading associates are located in Asia. China, Japan, and South Korea top of the list of trading partners at the Port of Seattle. Boeing with 75% of its airplanes going overseas is the region's top foreign exporter. Besides Boeing, there are a wide list of regional businesses that provide products and services for foreign markets and they include Microsoft, Weyerhaeuser, Paccar, Russell Investments, Costco, Starbucks, Amazon, Expeditors International, Perkins Coie, NBBJ, Alaska Airlines, Port of Seattle, and the University of Washington.

2013 Waterborne Foreign Trade Report	
Table of Contents	2
Part I: Summary of Seattle's Foreign Waterborne Trade	**3**
U.S. Ports: 2013 *(Ranked by Total Dollar Value)*	4
Washington State Ports: 2013 *(Ranked by Total Dollar Value)*	5
Imports from All Countries: 2013 *(Ranked by Dollar Value)*	6
Exports to All Countries: 2013 *(Ranked by Dollar Value)*	7
Trading Partners: 2013 *(Ranked by Total Dollar Value)*	8
Part II: Top 30 Trading Partners	**13**
Top 30 Trading Partners 2013 Map	14-15
Top 30 Trading Partners: 2013 *(Ranked by Total Dollar Value) | (Exports / Imports by Commodity)*	16
1. China	17
2. Japan	18
3. South Korea	19
4. Vietnam	20
5. Taiwan	21
6. Malaysia	22
7. Canada	23
8. Indonesia	24
9. Thailand	25
10. India	26
11. Hong Kong	27
12. Philippines	28
13. Russia	29
14. United Arab Emirates	30
15. Singapore	31

[17] Fast Company Connection 2014

Office Market Conditions

The Puget Sound region's commercial real estate market in 2013 has seen a surge in improved economic conditions that have earned this area national recognition as one of the top office markets in the nation and it is trailing only San Francisco, New York, and San Jose. The current growth has been largely driven by tens of thousands of jobs added statewide with many of them related to the high tech sector. Amazon leads this increase in Seattle and Google is expanding its campus in Kirkland. Microsoft has remained steady though they did announce layoffs in mid-2014. Employment growth is expected to remain at a rate of 2.3% per year according to JLL though Marcus & Millichap projects a 2.6% gain. PWC's recently released Emerging Trends in Real Estate ranked Seattle as the fourth best market in terms of investment potential in 2014 and the sixth best overall real estate market, up from seventh in the previous report. Net absorption of office space for the fourth quarter 2013 came in at 313,071 SF, bringing total net absorption for the year at 2.6 million SF. This is the fourth highest net absorption of all office markets in the US tracked by JLL[18]. More than 70% of the region's absorption was from the Seattle markets. A significant indication of the improvement, at least in the core office markets, was the start of numerous buildings in Seattle and the Bellevue CBD. Construction activity increased as 2013 progressed. Blue chip buyers remained very bullish with capitalization rates still in the low 5% range for newer, credit tenant leased properties. Value added opportunities also had a good year, as buyers became more confident about lease-up and firming rental rates for rollover exposure[19]. This cycle is characterized by decreasing vacancy rates, increased new construction, high absorption, healthy employment growth, and higher rental rate growth. The suburban markets have benefitted from improved conditions and only the south end remains stagnant.

The "2014 Emerging Trends in Real Estate" survey published in 2014 by the Urban Land Institute and PwC ranks Seattle as the sixth most favorable market for commercial and multi-family investment among the nation's 51 largest markets. By sector Seattle had the fifth best office and apartment markets and fourth best retail, and industrial markets. It is a primary market and a global center for the software industry and has attracted the attention of domestic and global investors. It has diverse economies and a good quality of living which attracts younger adults. Over the past year, the general Seattle population increased by 1 percent though the millennials grew by 5.2% over the past five years[20]. Net migration will benefit economic growth in this region and the millennial generation is the largest group since the baby boomers and they are impacting and changing the way that business is conducted. This trend will no doubt have an effect in the real estate markets. This fast growth and increasing talent pool serves as a catalyst attracting enterprises from outside the region in particular technology companies. Added to the attractiveness of Seattle to these companies is the lower cost of office space in comparison to other primary markets. This in turn has attracted institutional buyers who anticipate high rent growth contributing to higher net operating incomes in the future.

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[18] Jones Lang LaSalle, Office Insight Seattle-Bellevue Q4 2013
[19] Kidder Matthews Real Estate Market Review 4th Quarter 2013
[20] Emerging Trends in Real Estate 2014

According to the Co-Star's Report Year-End 2013 Seattle Puget Sound Office Market, year-end vacancy decreased to 10.2% and the national figure was 11.5%. Net absorption for the year was Q1 – 431,366 SF, Q2 – 352,726 SF, Q3 500,233 SF, and Q4 564,871 SF. When total net absorption in 2013 is reviewed as a percentage of inventory then Seattle ranked fourth highest in the nation of all US office markets according to a report by Jones Lang LaSalle at 2.6 million SF. Over 45% of the office space currently under construction is pre-leased[21].

As of the January 1st 2014 valuation date the greater Seattle and Bellevue CBD Class A office market continues in an accelerating stage of the market cycle. This is characterized by solid rent growth in the newer office towers particularly in upper view floors. With vacancy in this segment of Class A market at or below 10% it has transitioned to a landlord's market with fewer concessions for free rent, lower tenant improvement allowances, and longer leases being signed.

The newer and A+ offices buildings continue to outperform lesser quality structures though the flight to quality has slowed due to lower vacancy, it still affects the older average Class A and Class B office buildings with a high level of commodity space (average non-view office space) where absorption and the rise in effective rent rates have been more moderate. The well-located buildings in this segment that are in the north Downtown areas of the CBD, Denny Triangle, South Lake Union, and Fremont are benefiting from the attractiveness of these locations to technology tenants in particular Amazon which continued to take large blocks of space in 2013 and 2014. This dynamic is also occurring in the Pioneer Square/International District where tech and e-commerce companies are locating and expanding. The canal submarket which covers the general Fremont area is one of the tightest and has seen additions of newer Class A buildings with none older than 1999 year built and another large project, NorthEdge, is slated to begin construction in 2014.

Commercial real estate surveys vary depending on the size and leasing classes of the buildings that are included and whether owner-occupied, medical, and government-owned buildings are included. According to Kidder Mathews Q4 2013 Seattle Market Forecast which includes owner-occupied offices the regional vacancy was 10.42% down from 10.68% one year earlier. CBRE Q4 2013 Puget Sound Area Office MarketView indicates a regional vacancy of 15.08% down from 15.4% one year earlier. Cushman and Wakefield Q4 2013 Office Market Statistical Summary indicates that the Greater Puget Sound overall vacancy rate decreased to 14.2% from 15.9% one year earlier. Jones Lang LaSalle Q4 2013 Office Statistics which includes A & B buildings over 30,000 SF has a regional vacancy of 12.3% (Owner occupied, medical, and government-owned buildings are excluded). Colliers Q4 2013 Office Research & Forecast Report for Puget Sound estimates a total vacancy of 11.34% in a survey that includes A, B, and C buildings. All of the surveys indicate that vacancy declined in 2013 and this trend continues into 2014.

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[21] CBRE Puget Sound Area Office Marketview Q3 2013

According to Cushman & Wakefield's Marketbeat Office Snapshot the Seattle Downtown submarkets had year-to-date overall net absorption of 1.36 million SF, down a little from 1.4 million SF one year earlier and the close-in Seattle/In-City submarkets had overall net absorption of 206,260 SF as compared to 423,641 SF one year earlier. The Bellevue CBD had YTD Overall net absorption of 172,954 SF, down a little from 249,458 SF the previous year and the Eastside Suburban office submarkets had 163,263 SF of negative absorption down from 204,523 SF one year earlier. The Southend Suburban submarkets of Tukwila, SeaTac, Renton, and Kent/Auburn had YTD negative absorption of 87,448 SF down from positive absorption 53,550 SF at the end of 2013 and Federal Way's had 462,379 SF of negative absorption down from positive 40,610 SF the previous year.

Jones Lang LaSalle's Office Statistics Seattle-Bellevue for the fourth quarter 2013 reported Year to Date net absorption results as follows: Downtown Seattle – 2,017,744 SF, Northend – 40,358 SF, Southend - 357,578 SF, Eastside – 169,956 SF. The market entirety for these areas of total net absorption was 2,585,636 SF for year-end 2013. These statistics include all Class A & B office properties larger than 30,000 SF. Owner occupied, medical, and government-owned buildings are excluded.

By the end of 2013 the office market in the Seattle CBD and adjacent downtown submarkets had overall vacancy that decreased from the previous year. Published data from commercial real estate services vary significantly in regards to vacancy. Kidder Mathews which includes owner-occupied buildings in its statistics, lists the overall 4th quarter vacancy at 10.13% (includes A, B, & C leasing classes) down from 10.31% the previous year. Colliers 4th Quarter Research & Forecast Report indicates that downtown total vacancy was 11.35% down from 11.98% one year earlier. CBRE lists the overall vacancy for all lease classes at 13.9% down from 14.8% at the end of 2012.

It is worth mentioning a few of the 2013 significant new leases:

TENANT	BUILDING	SIZE	LEASE TYPE
ZULILY	**Seattle Trade & Technology Center - SEA**	**256,000 SF**	**New**
SYMETRA	**777 108TH Ave NE - BE**	**218,350 SF**	**Renewal**
STATE OF WA	**1200 12th Ave S - SEA**	**205,368 SF**	**New**
AMAZON	**1800 9th Ave, SEA**	**150,000 SF**	**New**
TOMMY BAHAMA	**400 Fairview Ave N, SEA**	**120,694 SF**	**New**
AMAZON	**Metropolitan Park N, SEA**	**112,201 SF**	**New**
MICROSOFT	**Millenium Corporate Park - RED**	**99,945 SF**	**New**
FOSTER PEPPER	**1111 Third Ave, SEA**	**92,671 SF**	**Renewal**
REAL NETWORKS	**Homeplate Center North - SEA**	**79,674 SF**	**New**
MORGAN STANLEY	**Two Union Square, SEA**	**58,047 SF**	**Renewal**
US DEPT HEALTH	**Columbia Center - SEA**	**55,627 SF**	**New**
MOZ	**Second & Spring Building- SEA**	**54,145 SF**	**New**

Lease information sources include CoStar, Colliers, and Jones Lang LaSalle 2013 year end reports and none under 50,000 SF were included.

Seattle CBD: The Seattle CBD and downtown office submarkets saw a strong positive trend of leasing and sales activity in 2013. The Broderick Group predicted the Seattle net absorption would reach 906,000 SF by the end of 2013. For the third year in a row, the Urban Land Institute and PWC identify Seattle as a market with investment prospects good or better in the recent Emerging Trends in Real Estate 2014[22]. Commercial real estate saw rising values in 2013 and 2014 is expected to be follow suit. Seattle has been ranked in the top five office markets by PWC due to the technology driven economic growth. The National Office Property Index, which is designed to indicate relative supply and demand conditions at the market level, also ranks Seattle #5 in the nation. Seattle made Geekwire's list of 'world's best internet cities' due to its growing startup community.

In the Seattle CBD, Colliers reported a rental rate increase in 2013 from the third quarter to the fourth quarter of 0.87% for Class A space and with the compacting of the Seattle market, rental rates should continue to increase in the foreseeable future. Fourth quarter absorption was in the six figures at 254,474 SF. Average direct asking rents made a strong recovery with a 4.4% increase on a year-over–year basis. Effective rents recovered even stronger benefitting from landlords who offered fewer concessions as the market tightened[23]. Tenant expansion and lease renewals have become more common and are a positive trend though "flight to quality" may still negatively affect older, average or less well-located office buildings. In 2013, more tenants remained in their existing space rather than moving to different buildings like they did in 2012. Seattle CBD Class A rents currently stand at $34.63 per SF, up 5.2% year-over-year, with view space or trophy assets achieving rents over $50 per SF, full service[24]. Kidder Matthews stated that the annual rate for Class A office space increased by 5.4% in 2013.

Cushman and Wakefield reported Seattle CBD office vacancy at 12.8% at 2013 year end. Jones Lang LaSalle reported direct vacancy at 10.8% for Class A and 11.7% for Class B offices. Kidder Matthews reported that the middle of the CBD has seen steadier leasing activity and both the vacancy and availability rates inched downward in the third quarter of 2013.

Several large office projects in the Seattle CBD had not been started as of mid-year 2014: the 43 story Fifth & Columbia with approximately 528,000 SF over a hotel, the 36 story Madison Centre with 750,000 SF who are waiting to begin construction when a portion of it is preleased, and Civic Square which will occupy an entire city block and include a 42 story office along with a residential tower and consist of approximately 1.1 million SF. Continued improved economic conditions and hiring should mitigate the absorption.

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[22] CBRE Puget Sound Area Office Marketview Q4 2013
[23] Cushman & Wakefield Marketbeat Office Snapshot Q4 2013
[24] Jones Lang LaSalle Seattle Office Insight Q4 2013

Seattle Submarkets- Denny Regrade, South Lake Union, and Fremont: There is an inordinate amount of new projects in these sub-markets and 2014 will be an exceptional year for new construction deliveries. The Denny Triangle and Seattle CBD submarkets saw a significant absorption and rent growth in the fourth quarter, benefitting from their proximity to South Lake Union and large inventory of Class A space[25]. Seattle Office Statistics Q4 2013 report cited Lake Union Class A vacancy at 1.41% and Class B at 13.42%, Belltown/Denny Regrade Class A at 13.51% and Class B at 10.65%. According to Collier's, the Seattle submarkets saw a rental rate increase in 2013 from Q3 to Q4 of $0.87 for Class A and B space. Cushman & Wakefield reported that the Lower Queen Anne/ Lake Union submarket continued to benefit from Amazon's expansion and office vacancy is in the single digits at 8.9%. The few office specialty buildings in the Fremont neighborhood enjoy full occupancy with the exception of the brand new Stone 34 which had one tenant. CBRE reported Q4 2013 Lake Union vacancy at 7% and Denny Regrade at 11.7%. These Seattle sub-markets have seen an exorbitant amount of activity: vacant land sales, tear down of older improvements, new construction, and improved property sales. Amazon has had an enormous impact in this area and will continue to do so since they have a number of projects under construction and keep on leasing up space in other buildings and thereby add to the positive net absorption of office space. Troy Laundry, Dexter Station, and Hill 7 are currently under construction on a speculative basis in this area. Construction had not begun on NorthEdge as of mid-summer 2014.

Pioneer Square, Seattle South – Century Link Field and Safeco Field are the major attractions in this vicinity. There are few properties in the office specialty located in this area. Vacancy in Pioneer Square continues to move downward and improve significantly to 10.7% over the year.[26] Cushman & Wakefield reported the Pioneer Square vacancy rate at 9.2%. In SODO, the newest projects: Homeplate Center I and II office buildings still struggle with vacancy. CBRE reported Q4 2013 Pioneer Square vacancy at 13.3%. Kidder Matthews stated that vacancy moves downward and improved significantly to 10.7%. One of the biggest news stories in this area was Zulily moving its headquarters to the Seattle Trade & Technology Center.

Waterfront- The waterfront area is a very unique neighborhood with buildings that mostly enjoy unhindered views of Elliot Bay and the sound. Colliers reports a rise in rental rates; the change from Q3 to Q4 for Class A and B office space was $1.31 per SF. Pike Place Market, one of Seattle's top attractions, is in this neighborhood and Market Place One and Two enjoy this prime location. The newest buildings, 635 and 645 Elliott still struggle with high vacancy though Seattle Office Statistics Q4 2013 reports vacancy in this area at 10.96%. The waterfront redevelopment, which will include removing the viaduct, is still in the preliminary planning stages and is expected to transform this district drastically.

Bellevue CBD: The Bellevue CBD has one of the lowest direct vacancy rates in the Puget Sound area at just 8.9%. This low rate makes it very difficult to find large blocks of space, which is putting some pressure on developers to add buildings to the market[27]. Hiring in the technology sector was the primary driver for office market growth. Several projects are in the early stages of construction but will not be ready for occupancy before 2015: Bellevue Office Tower, Lincoln Square expansion, and Bellevue Center.

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[25] CBRE Puget Sound Area Office Marketview Q4 2013
[26] Kidder Matthews Real Estate Market Review 4th Quarter 2013
[27] Cushman & Wakefield Marketbeat Office Snapshot - Bellevue, WA - Q4 2013

Colliers reported that the eastside office saw its best quarter in 2013 with 136,911 SF of positive absorption and the Bellevue CBD led the way with 121,603 SF and the vacancy fell to 7.94%. Jones Lang LaSalle reported Bellevue CBD vacancy at only 6.8% and competition between tenants for those few remaining large blocks of space of 50,000 SF or larger is intense. The average Class A asking rents in the Bellevue CBD stand at $37.37 per SF, up 1.5% from last year, with trophy assets achieving rents over $45 per SF, full service. In addition, landlords have been significantly reducing concessions in the most highly desired submarkets and buildings[28].

The Bellevue CBD's overall vacancy rate declined to 8.9% from 10.8% one year earlier while the Eastside Suburban submarkets overall vacancy dropped to 12.4% from 12.6% the previous year according to Cushman & Wakefield Q4 2013 Marketbeat Office Snapshot. Kidder Mathews Q4 2013 Real Estate Market Review reported that the overall vacancy rate in the Bellevue CBD fell to 8.2% from 8.9% one year earlier while the total Eastside vacancy ended at 8.93% from 8.36% the previous year. The Bellevue CBD did not have vacant speculative office buildings and this contributed to the very low vacancy rate and as well as healthy lease rates. Microsoft has generally been the key driver of the eastside market but they have not expressed desire for expansion space and a new CEO announced layoffs in mid-2014. At year-end 2013, vacancy in the Bellevue CBD was reported at 8.1%. Downtown Bellevue continues to see the highest growth rental rates with the best in Class 'A' buildings experiencing rental rate growth in the 16% range over the course of 2014[29]. The Broderick Group is projecting 2014 rental rate increases of 15% in downtown Bellevue.

Class A office space asking rates at year end 2013 were reported as follows: Cushman & Wakefield $39.02/SF, CBRE $28-$45, Colliers $39.19, JLL @ $37.37.

Bellevue Suburban: Within the Bel-Red corridor, the $2.3 billion Spring District started demolition on the Coca Cola warehouse and started the infrastructure work. This 36 acre project will include over 5.3 million SF of office and retail space with over 1,000 multi-family units and will be constructed over the next 15 years.[30] The vacancy rate ranges from 7.8% in the SR 520 corridor to 13.7% in suburban Bellevue.[31] The Broderick Group is projecting a rental rate increase of 11% in SR 520, downtown Kirkland and along Kirkland waterfront (excluding Totem Lake), and 6% increase in Bothell and Redmond and I90 will see a smaller increase due to the larger number of vacancies.

Suburban Eastside: This area includes Redmond, Issaquah, Kirkland, and Bothell. Job growth remains strong and Google is in the process of adding 180,000 SF to their existing campus in Kirkland. The University of Washington, Bothell campus also began construction; this project will generate well paid construction jobs. Vacancy rates were listed by OfficeSpace as follows: Bothell/Woodinville @ 15.09%, I-90 Corridor – @ 13.55%, Kirkland/Totem Lake @ 9.58%, Redmond/Willows - @ 19.14%. Talon Capital and Prudential's new proposed mega project, Parkplace in Kirkland, is in the planning stages and should add 1.2 million SF of office and retail space once built.

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[28] Jones Lang LaSalle Seattle Office Insight Q4 2013
[29] Broderick Group – Eastside Office Market Overview - January 2014
[30] Cushman & Wakefield Marketbeat Office Snapshot - Bellevue, WA - Q4 2013
[31] Broderick Group – Eastside Office Market Overview - January 2014

North King County: This area consists primarily of the University District and Northgate. Most properties in the office specialty in the U District are exempt because they are university or government owned. Vacancy around the college campus tends to be quite low due to the medical facilities like Fred Hutchinson and the constant University activity. The major offices in the Northgate area cluster around the mall; the rental rates for these particular properties are in the low to mid $20's and vacancy hovers around 11%. Seattle Office Statistics Q4 2013 cited Northgate Class A vacancy at 8.10% and Class B at 17.16% and the University District Class A at 0% and Class B at 2.55%. Despite Northgate's proximity to Seattle, it is an entirely different market and lacks the appeal of Downtown Seattle's sub-markets like Lake Union and Fremont.

South King County: According to Kidder Mathews South King County was flat in the third quarter of 2013 with only 661 SF of net absorption. The vacancy rate remains the highest in the region. A significant amount of space had been built for Boeing and their leasing in Renton will not return[32]. The largest reported lease was 19,529 SF in Creeksides at CenterPoint. CBRE lists the overall year-end 2013 vacancy at 15.80%. Asking rates remain the lowest in the region though they have increased.

Based on Colliers International Office Report, the first quarter of the South King County office market recorded negative absorption at -13,207 SF and the vacancy rate remained 15.4%. The building with the most positive absorption was Triton Towers with 10,761 SF taken up by 1105 Medica Inc and Pima Medical. The State of WA vacated 37,646 SF at the 200 SW Michigan Building. Sales volume was also limited to a few transactions in South County.

Currently the average asking rental rate in South King County is flat at $21.69 per square foot full-service or over 20% lower than the other King County markets.[33] A review of the submarket vacancies in South King County shows a wide range of vacancies between the submarkets. And although the Southend market is stagnant, the Renton submarket remained relatively strong with an overall vacancy rate of just 12.6%. Panattoni was recently selected by the Port of Seattle to develop an 87 acre business park in the SeaTac submarket. The majority of the site is slated for manufacturing and distribution but there will be an office component[34].

The office market has strengthened in the Seattle and Eastside submarkets and concessions and free rent have become more uncommon. Though it would seem tenants might be more willing to relocate in South King County to take advantage of the substantially lower lease rates and concessions available, this movement has not materialized.

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[32] Kidder Matthews Real Estate Market Review 4th Quarter 2013
[33] CBRE– Puget Sound Area Office – Q4 2013
[34] Cushman & Wakefield Marketbeat Office Snapshot Seattle WA - Suburban (Southend)

Medical Office Buildings: The US health care industry is undergoing a major shift due to long term changes in demographics and policy changes. The population aged 65 and older is increasing at an average rate of 3.3% per year. The Affordable Care Act added 32 million people to the health insurance rolls. These changes will create more demand for medical services and the industry is undergoing a drastic transformation to provide these services. The Medical Office market has been stable compared with other commercial property types including traditional office properties. Long lease terms, (typically 7-10 years), as well as expensive and extensive tenant improvements required by medical users, lend stability to the medical office property type[35]. Some key highlights from Colliers International medical office report investment report are:

- ❖ Short term, health care demand is being driven by an additional 32 million people insured by the Affordable Care Act (ACA); longer term demand will be driven by more than 20 percent of the US population being 65 or older by 2029.
- ❖ ACA regulations mean more consolidation among health care providers and insurers, further tilting medical office demand to large companies.
- ❖ Medical office accounts for 25 percent of all US office space under construction.
  Construction has decreased significantly since the recession: 1.8 million SF in the first half of 2013 vs 8.4 million SF in the first half of 2009 (markets tracked by Colliers). The decrease in new construction is attributable to conversion of non-traditional properties, especially big box retail and suburban shopping centers, and uncertainty regarding impact of ACA on health care delivery mechanisms.
- ❖ There was $2.47 billion in medical office investment sales transaction in Q4 2013, the highest since Q4 2006, and even exceeding the Q4 2012 surge prior to the 2013 tax increases. 2014 is expected to be a strong year in terms of medical office investment sales, given the scarcity of properties, availability of capital, and opportunities in secondary/tertiary markets.

Cost pressures in the health care industry are spurring consolidation; this term refers to alliances between different health care companies, insurance companies, the acquisition of smaller physician practices by larger health care systems, technological developments, and the construction of new facilities. This consolidation trend has significant implications for the medical office market, both in terms of leasing activity and construction of new facilities. The tenant demand will stem from larger health care companies rather than smaller practices. Medical tenants will require more efficient and open spaces that will facilitate teamwork and communication. Many newer facilities and redesigned spaces have fewer private offices and more shared workspaces. Technology is supporting this trend, as more team members are able to work in multiple locations. [36] The shift of medical care from inpatient to outpatient has resulted in more visits to physicians' offices and more demand for medical office space. Positive job growth in this sector continues. Changes in healthcare technology, the push for online medical records, the passage and implementation of the Patient Protection and Affordable Care Act, and the high population in the 55-plus age group should result in very strong demand for existing and additional medical office space in the coming years. Colliers reports the overall medical office vacancy in the Seattle area at 6.50%.

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[35] Colliers Medical Office Trends and 2014 Outlook
[36] Colliers Medical Office Trends and Outlook 2014.

The building segment of the office market has shown much greater resilience through economic downturns than the general office market. Medical office investment is dominated by domestic buyers. Its historical stability and projected growth due to the US aging population and ACA attract quality investors. High occupancy rates, long leases, low tenant turnover, and the fact that healthcare keeps expanding regardless of the economic cycle has resulted in an appealing investment. Hospitals and health systems have also found it useful to spin-off and sell non-core assets such as medical office buildings to get capital for new services, technology, and other uses.

According to CoStar, medical office space accounts for 25% of all US office space under construction; and while ground-up construction has decreased in recent years, it is primarily because of the efficiencies from converting non-traditional properties, like big box stores and suburban shopping centers. There is a trend in repurposing retail properties for medical purposes. Stores left vacant by the closing of big box retail are reasonably priced options for health care facilities which are frequently geographically closer to patients.

Based on Marcus & Millichap Second Half 2013 Medical Office Research Market Overview the Pacific Northwest region had medical office vacancy of 7.0 % as of the second half of 2013 and the average rent range was $33.75 to $36.50 per square foot. The Marcus & Millichap's Second Half 2013 Medical Office Report states that the Pacific Northwest boasts the second lowest medical office vacancy rate. Rent trends are naturally influenced by property quality and age. Cost cutting amenities such as flexible designs; particularly those created to maximize revenue, are most attractive to investors and hold their value. 2013 cap rates start in the 5% range for assets that are either in premiere locations or boast triple net leases to tenants such as Seattle and Bellevue CBD's. Nationally, cap rates fall between 6.75% and 8.75% range. Hospital affiliated and/or credit tenant deals in core locations are in the low range and non-institutional grade, off-campus transactions are trading in the higher range. Most of the medical office buildings in the office specialty are institutional- grade, hospital associated buildings. On a national level, as of 2014, developers had approximately 7.5 million SF of medical space under construction. In 2013, completions totaled an estimated 6 million SF. Buildings of 100,000 SF or more accounted for nearly one-third of all medical office space brought online in 2013[37]. Lower vacancy in 2013 over 2012 has driven this new construction trend.

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[37] Marcus & Millichap Medical Office Outlook 2014 Annual Report

Preliminary Ratio Analysis

The inclusion of the Ratio Study Summary is included for administrative consistency. The final ratio study may not be an entirely reliable analysis of the recommended values because the sales sample is over weighted with sales in the downtown Seattle submarkets and sales from the Bellevue central business district.

The Preliminary Ratio Study was completed just prior to the application of the 2014 recommended values. This study benchmarks the current assessment level using 2013 assessed values. The study was also repeated after application of the 2014 recommended values. The results are included in the validation section of this report showing a change in the level of assessment (weighted mean) from 77.0% to 84.3%, the Coefficient of Dispersion (C.O.D.) from 15.62% to 10.27%, and the Coefficient of Variation (C.O.V.) from 20.70% to 13.48%. The Price-related Differential (P.R.D.) remained at 1.03.

All of these measures indicate a substantial improvement and with the exception of the assessment level and the PRD these measures are within IAAO guidelines. They are presented in the 2014 Ratio Analysis chart included in this report.

As previously stated the ratio study results for office sales in the Office Specialty 280 is based on a sales sample that is heavily weighted with sales of well-leased or well-located lower risk properties in the Downtown Seattle sub-markets and the Bellevue CBD.

In addition, the sales sample represents the leased fee interest while the Assessor values the fee simple interest based on market parameters as of the valuation date. Therefore sales with older leases that are above or below current market rates do not reflect what the Assessor is valuing.

Also in the current cycle of the office market, buyers are purchasing properties with expectations of higher future net operating incomes (NOI) from higher lease rates with smaller concessions than the previous few years. Consequently many of these sales reflect a value that is higher than current office market income parameters applied by the Assessor in the income model. This results in an assessment level that better reflects the income model than the sales approach.

Scope of Data

Land Value Data:

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

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales are verified, if possible, by contacting either the purchaser or seller, or contacting the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. If necessary a site inspection is made. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report.

Improved Parcel Total Values:

Sales comparison approach model description

The office building sales in King County utilized in the analysis for the current revalue were divided into six market segments. The segmentation is based primarily on the geographic boundaries previously described. In the event a segment lacked adequate sales representation, similarities in other segments were considered and judgment was applied in determining market comparability. Sales of institutional-grade office buildings that were under but close to the 100,000 rentable square foot threshold of the office specialty group might also be reviewed.

The areas near term fortunes are more upbeat than most because the expansion in commercial aerospace manufacturing will stretch into 2014. In addition, projected hiring in tech industries will keep wage income growth above average. Seattle's high rate of educational attainment and global connections will keep the economy viable in the coming year. Respondents say they feel good about industrial/distribution, office, and retail in Seattle. The 'buy' rating for each of these property types is ranked in the top five among the competitive market set[38]. The recovery and expansion of the commercial office real estate market coincides with increased lending activity, and a higher volume of office sales. A bifurcation in the sales market continues between institutional-grade and non-institutional grade office properties with REITS (Real Estate Investment Trusts) as the big buyers of office buildings. Distress sales were down in 2013 and have become rare.

Continuing low interest rates and the historic high spread between capitalization rates and U.S. Treasuries has resulted in commercial real estate enduring as an attractive investment. Cap rates are determined by much more than just interest rates; debt availability, real estate fundamentals, and risk appetite are very important. Under CBRE's forecast of continued economic recovery, these factors will partially offset a negative impact of an interest rate increase and will moderate the resulting jump in cap rates[39]. According to IRR Viewpoint, capitalization rates continued a fourth year compression in 2013, and remain lowest in the West.

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[38] Emerging Trends in Real Estate 2014
[39] CBRE Econometrics Advisors About Real Estate June 2013

In 2013 approximately $2.87 billion of Puget Sound area office properties were traded making Seattle the third most active office sales market in the country. Blue chip buyers remained very bullish with capitalization rates still in the low 5% range for newer, credit tenant leased properties[40]. The level of sales reflects the confidence that national institutional investors have in the region's economy and office market. Job growth from the tech sector remains the chief driver and new office construction reflects the demand for space. These are key factors in the attraction of investors to the regional office market. Similar to the national market, investors are buying and paying a premium for the better leased or well-located office buildings. The sales now include not just the newer A+ stabilized buildings but also average Class A and well-leased Class B buildings in the downtown submarkets while value-add offices requiring high lease-cost are being traded to a lesser extent in the weaker submarkets. It is also important to note that healthy sales prices continue into the first half of 2014 throughout King County. Investor's economic optimism continues to manifest itself with new construction projects as well as high sales prices.

SEATTLE OFFICE SALES: In the fourth quarter of 2012 Amazon purchased their 11-building midrise Amazon Office Campus in South Lake Union for over $1.15 billion. This was the largest commercial real estate transaction in the nation in 2012. However even with this sale removed, the Seattle office market had the highest year-over-year percent change in sales of any of the markets according to CoStar's year-end report. 2013 and 2012 saw very healthy large office building transactions.

SEATTLE CBD- A major Class A+ office high-rise that sold in 2013 in the Seattle CBD is the Wells Fargo Center. Other 2013 sales include the Pacific Building which is Class A-. The Logan Building is Class A-/B+. The Dexter Horton Building and the Exchange Building are Class B+ and the Central Building is Class B. There is a vast difference in prices for the different classes with Class A+ buildings typically selling for a minimum of $450+ per SF, even when they have higher than average vacancy like the Wells Fargo Center which was only 75% occupied at time of sale, and Class B buildings which typically sell under $300/SF. However, it is important to note that many class B buildings tend to be significantly older than their Class A counterparts.

DENNY REGRADE/ LAKE UNION/ FREMONT- in the Denny Regrade/Lake Union area, Class A+ 2013 office building sales include the Westlake Terry East Building, Metropolitan Park North Building, and the 202 Westlake. 2013 Class A sale is the 1800 9th Ave Building. Prices in this area ranged from $481/SF for the 1800 9th Ave Building to as high as $745/SF for the 202 Westlake Building which was fully leased by Amazon.

PIONEER SQUARE/SEATTLE SOUTH- 2013 Class A+ sales in this area include two sales at Union Station and the 505 First Avenue Building. The last sale at Union Station was $386 per SF and 505 First Avenue fetched $478/SF. The 2013 Class B sale was the Zulily Building which sold for $260 per SF regardless of the fact that it was being vacated by Zulily in June 2013; just six months after the sale.

WATERFRONT- 2013 Class A+ buildings include the fully leased Elliot West Buildings which sold for $476 per SF. Class A 2013 sales were Market Place One and Two at $543 per SF. These buildings enjoy prime location since they're in the Pike Place Market neighborhood.

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[40] Kidder Matthews Real Estate Market Review 4th Quarter 2013

MEDICAL OFFICE BUILDING SALES:
In 2012, the 7th & Madison Building on the west edge of the First Hill submarket just east of I-5 and downtown sold after being renovated from shell condition to medical office for the Polyclinic. The Elmer Nordstrom tower had a medical condominium sale in 2013 at $388 per SF. Also, in October 2013, two medical buildings on First Hill that are not part of the office specialty sold at $427 per SF.

BELLEVUE AND EASTSIDE OFFICE SALES:
Sales of Class A+ office high-rises in the Bellevue CBD included Key Center, Skyline Tower, City Center Bellevue, Key Bank Building, City Center Plaza, and the most recent is US Bank Plaza. City Center Plaza is fully leased to Microsoft through 2024. It previously sold in 7/2010 and sold again in 11/2012 for the highest per square foot unit value of any of the regional sales at $652/SF until the Amazon building sales from December 2012 from $622 to $670 per SF and 202 Westlake in September 2013 for $745 per SF. US Bank Plaza sold in January 2014 for $186,500,000 and after deducting the garage value, the price per SF for the office space is $342.

Suburban Eastside office sales in the office specialty were limited to Plaza at Yarrow Bay in Kirkland, Marymoor Technology Center in Redmond, Eastpointe Corporate Center in Issaquah, The Offices at River Park in Redmond, and the Schnitzer North Creek Building in Bothell at $251 per SF in October 2013; though it was part of larger sales package that included a total of 11 buildings. The Marymoor Technology Center sold again in June 2014 for $15,925,000 for $157 per SF, an 11% increase over the 2011 sale.

SOUTH COUNTY OFFICE SALES:
The FAA Office Building in Renton sold in 2011. There were three sales in 2012. In Federal Way the I-5 Technology Center (formerly East Campus II) sold again in 6/2012 after leasing up to 90%. It previously sold in 3/2010 with high vacancy. Also in Federal Way the mostly vacant Weyerhaeuser North Building I sold. In Kent the Centerpoint Corporate Park Complex sold with 45% vacancy. This sale consists of three midrise office buildings and a 1-story retail commons building. The low sale prices of the Weyerhaeuser and Centerpoint buildings with their high vacancy reflect the anticipated difficulty of leasing up larger office buildings in these two South County submarkets where the major employers Weyerhaeuser and Boeing have given up so much office space. In 2013, the Creeksides at Centerpoint sold for $17,600,000 at only $81 per SF of NRA. Asking lease rates were $14/SF NNN. At the time of sale, the vacancy rate of this property was: building one - 32%, building two - 21%, and building three – 67%. Due to the high vacancy and lower rents, plus the buyer's own knowledge that lease up time would be long, a price of $17,600,000 was determined to be fair. No financial distress was reported on the part of the seller and they merely wanted to divest themselves of this asset.

In 2013 investors were optimistic and continuously attracted to and competed for properties with the highest returns. These well-leased Class A+ and Class A office properties in downtown Seattle and Bellevue typically sold with capitalization rates in the high-4% to mid-5% range. Well-leased Class B, and in-close Class A office properties outside the downtown submarkets (i.e. Fremont) sold with a cap rate range of 5.5% to 6.5%. Interest has also spread to well-located, high vacancy office buildings which offer value adds opportunities like the former Zulily headquarters in south Seattle.

Sales comparison calibration

Market sales of office specialty properties that occurred during the period from 1/01/2011 to 12/31/2013 were considered in the analysis. Other market sales of office buildings that were smaller than the office specialty threshold of 100,000 square feet net rentable, were often reviewed in the analysis when the sales were limited for a building type or submarket.

The current office market cycle has seen a substantial increase in sale transactions particularly in the downtown cores however there have been too few sales of different office types in all of the various submarkets to rely on the market approach to value.

While the sales were reviewed and market data extracted when possible, the Income Approach was used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of office buildings and because sufficient market income data was available as of the valuation.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older office properties, this approach to value was given the least weight in the final reconciliation of values of older office buildings. However, it was given more weight in the valuation of new construction and recently completed office buildings that have not been leased up. With new buildings the cost method is reconciled with the income method as if leased to see if a downward adjustment should be made to the cost approach to reflect the anticipated length of the lease-up period and the cost of build-out.

Cost calibration

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

Income capitalization approach model description

A direct capitalization income approach estimate was calculated for all properties within the specialty. Due to the significance of the parking income contribution in the Seattle and Bellevue CBD's, and the fact that these parcels comprise the majority of the properties within the specialty, parking income was a necessary component of the direct capitalization process. The inability of the department's income table program to recognize parking stalls as an income generator precluded the use of income tables in the revaluation of the office specialty. Therefore, no tables were created. Instead three direct capitalization workbooks were created showing each property's income value estimate.

Income approach calibration

The income valuation models were calibrated after setting base rents by considering necessary adjustments. Appraisal judgment was employed in adjusting for differences between individual buildings based on their perceived investment competitiveness in their respective markets. Location, effective year-built, construction and leasing class, and quality and size as recorded in the Assessor's records were items considered to be of primary importance in determining a properties placement in the appropriate base rent category.

Within each of the six market segments, income parameters were established for economic rent, vacancy and credit loss, expenses, and capitalization rates for various groupings of properties based on their investment competitiveness. Rents, operating expenses, and capitalization rates were collected on sold properties when available. This data was then considered along with surveys conducted by outside resources, along with information gathered from properties available for lease and sale and utilized to establish general guidelines for neighborhood groupings. A rent survey was conducted to ascertain the income parameters typically reflected in the current office lease market. The information gathered is considered to be indicative of the current office-leasing environment and in most instances, the data reported is based on deals that have been made and are in place or will be in the near future.

In the "**Statistical Research Report of Seattle Office**" for Fourth Quarter 2013 Colliers International breaks out Seattle office submarkets, building counts, total building class square feet, direct and total vacancy, and average asking lease rates (Full Service).

Market Area	Bldg Ct.	Total SF	Direct Vacant SF	Sublease Vacant SF	4th Qtr Direct Vacancy Rate	4th Qtr Total Vacancy Rate	Average Asking Lease Rate
Sea CBD							
Class A	39	20,060,230	2,597,480	367,350	**12.95%**	14.78%	**$34.52**
Class B	42	3,758,355	677,873	24,400	**18.04%**	18.69%	**$28.78**
Pioneer Sq / Waterfront							
Class A	9	1,697,677	186,005	-	**10.96%**	10.96%	**$31.37**
Class B	47	2,966,536	455,456	36,460	**15.35%**	16.58%	**$27.17**
Belltown / Denny Regrade							
Class A	13	2,797,946	372,389	5,649	**13.31%**	13.51%	**$27.14**
Class B	26	1,957,456	207,695	781	**10.61%**	10.65%	**$26.20**
Q. Anne / Magnolia							
Class A	10	1,306,881	428,239	6,715	**32.77%**	33.28%	**$34.06**
Class B	39	2,107,989	207,031	5,175	**9.82%**	10.07%	**$21.73**
Lake Union							
Class A	21	4,024,290	56,636	-	**1.41%**	1.41%	**$33.89**
Class B	55	2,998,263	399,789	2,568	**13.33%**	13.42%	**$28.32**
U District / Ballard							
Class A	4	349,256	-	-	**0.00%**	0.00%	**$36.58**
Class B	35	1,634,033	41,666	-	**2.55%**	2.55%	**$26.29**
Northgate / North Seattle							
Class A	2	205,361	16,630	-	**8.10%**	8.10%	**$26.00**
Class B	13	448,195	76,932	-	**17.16%**	17.16%	**$23.80**
Market Summary							
Class A	98	30,441,641	3,657,379	379,714	**12.01%**	13.26%	**$33.72**
Class B	257	15,870,827	2,066,442	69,384	**13.02%**	13.46%	**$28.52**

In the **"Statistical Research Report of Eastside Office"** for Fourth Quarter 2013 Colliers International breaks out Eastside office submarkets, building counts, total building class square feet, direct and total vacancy, and average asking lease rates (Full Service). This survey does not include owner user properties.

Market Area	Bldg Ct.	Total SF	Direct Vacant SF	Sublease Vacant SF	4th Qtr Direct Vacancy Rate	4th Qtr Total Vacancy Rate	Average Asking Lease Rate
Bellevue CBD							
Class A	26	7,742,525	585,432	14,030	**7.56%**	7.74%	**$39.19**
Class B	19	860,698	102,237	-	**11.88%**	11.88%	**$32.04**
I-90 Corridor							
Class A	17	2,483,049	408,640	-	**16.46%**	16.46%	**$31.30**
Class B	32	2,033,318	411,142	60,024	**20.22%**	23.17%	**$29.46**
520 Corridor							
Class A	3	330,899	15,632	-	**4.72%**	4.72%	**$25.76**
Class B	52	2,254,548	88,717	-	**3.94%**	3.94%	**$24.61**
Suburban							
Class A	1	44,000	44,000	-	**100%**	100%	**$43.90**
Class B	105	3,345,216	362,311	8,411	**10.83%**	11.08%	**$27.81**
Kirkland							
Class A	16	1,264,646	89,419	11,176	**7.07%**	7.95%	**$34.14**
Class B	72	2,167,188	300,632	8,800	**13.87%**	14.28%	**$26.83**
Redmond							
Class A	16	1,313,908	221,795	25,728	**16.88%**	18.84%	**$28.69**
Class B	41	2,099,488	197,211	22,441	**9.39%**	10.46%	**$23.51**
Issaquah / Coal Crk							
Class A	6	809,532	190,031	-	**23.47%**	23.47%	**$30.36**
Class B	26	828,417	47,142	2,236	**5.69%**	5.96%	**$30.81**
Mercer Island							
Class A	1	101,617	24,922	-	**24.53%**	24.53%	**$34.51**
Class B	12	219,796	2,723	569	**1.24%**	1.50%	**$29.31**
Eastside Market Summary							
Class A	86	14,090,176	1,579,871	50,934	**11.21%**	11.57%	**$34.18**
Class B	359	13,808,669	1,512,115	102,481	**10.95%**	12.95%	**$27.69**

Officespace.com provides statistics on leased office buildings throughout King County. Submarkets are delineated and broken out into leasing class, number of buildings, direct vacant square feet, vacancy with sublet, future available square feet, and weighted average asking lease rate. The information in the following table is the 4th Quarter 2013 statistics from Officespace.com for the Seattle submarkets that were considered useful in the current revaluation.

Class	# Bldgs	Total SF FT	Direct Vacancy SF	Direct Vacancy	Sublease SF	Vacancy w/ Sublet	Min Lease $	Max Lease $
Seattle CBD								
A+	8	7,578,294	891,543	**10.25%**	210,122	13.02%	**$32.00**	**$43.60**
A	40	12,573,196	1,383,060	**10.65%**	338,981	12.64%	**$26.35**	**$32.39**
B	48	3,941,194	586,560	**15.05%**	25,987	15.84%	**$22.72**	**$25.44**
Denny Regrade								
A	19	4,419,397	471,056	**13.35%**	9,703	13.65%	**$25.75**	**$31.86**
B	42	1,736,732	121,198	**7.72%**	2,281	7.76%	**$19.13**	**$20.00**
Lake Union								
A	39	3,130,459	202,386	**7.09%**	91,165	9.84%	**$25.25**	**$27.05**
B	66	1,472,521	92,245	**6.46%**	1,068	6.51%	**$17.85**	**$18.89**
Pioneer Sq.								
A	13	2,107,693	221,977	**9.16%**	0	9.16%	**$22.14**	**$27.36**
B	48	2,164,377	297,489	**14.53%**	28,916	15.14%	**$19.60**	**$21.46**
Queen Anne/ Magnolia								
A	14	787,292	19,153	**5.11%**	5,175	5.45%	**$21.11**	**$22.22**
B	34	1,065,448	153,357	**14.04%**	19,559	16.08%	**$18.89**	**$20.25**
Waterfront								
A	27	2,894,042	602,348	**18.10%**	83,384	21.10%	**$25.58**	**$27.92**
B	28	1,809,284	258,233	**13.78%**	0	13.78%	**$18.36**	**$19.64**
Ballard/ University								
A	28	1,738,689	81,133	**6.65%**	6,227	7.40%	**$23.03**	**$25.08**
B	61	1,552,336	72,021	**4.49%**	16,245	5.04%	**$26.83**	**$28.70**
Cap./First Hill								
A	13	1,407,552	97,327	**13.21%**	23,018	14.78%	**$28.07**	**$31.79**
B	46	1,083,134	115,146	**11.18%**	11,037	11.67%	**$21.78**	**$23.72**
Northgate/ North Seattle								
A	10	519,812	24,532	**7.33%**	6,713	7.83%	**$22.95**	**$24.55**
B	42	1,060,428	206,711	**16.18%**	-	16.18%	**$18.67**	**$19.46**

The information in the following table was the 4th Quarter 2013 statistics from Officespace.com for the Bellevue CBD and I-90 submarkets.

Class	# Bldgs	Total SF FT	Direct Vacancy SF	Direct Vacancy	Sublease SF	Vacancy w/ Sublet	Min Lease $	Max Lease $
Bellevue CBD								
A+	14	5,608,781	290,451	**5.57%**	164,126	8.83%	**$32.22**	**$35.50**
A	15	2,693,688	457,843	**14.29%**	53,381	15.67%	**$27.35**	**$29.65**
B	36	1,074,329	91,691	**9.56%**	35,929	11.17%	**$22.58**	**$23.98**
Bellevue Suburban								
A	41	1,732,954	545,866	**21.55%**	58,658	25.13%	**$24.43**	**$24.81**
B	163	2,865,537	390,771	**11.38%**	20,290	12.57%	**$21.50**	**$22.01**
I-90								
A	98	6,692,676	1,069,015	**12.20%**	180,744	15.39%	**$22.69**	**$23.79**
B	56	1,060,342	152,670	**14.83%**	-	14.83%	**$22.19**	**$23.27**
Bothell/ Woodinville								
A	46	2,625,130	503,627	**18.93%**	28,430	20.17%	**$18.54**	**$18.75**
B	22	374,250	33,640	**7.48%**	-	7.47%	**$18.57**	**$19.84**
Kirkland/ Totem Lake								
A	46	2,172,515	229,943	**9.00%**	35,999	10.62%	**$21.79**	**$22.48**
B	57	994,348	117,227	**10.09%**	41,114	14.05%	**$20.13**	**$22.49**
Redmond/ Willows								
A	47	3,224,483	572,169	**25.43%**	122,398	31.13%	**$19.46**	**$19.63**
B	32	456,708	37,805	**12.59%**	3,078	13.49%	**$19.89**	**$21.56**
520/Overlake								
A	60	2,357,981	235,195	**11.58%**	53,389	14.94%	**$21.41**	**$21.77**
B	59	1,340,315	225,483	**12.86%**	33,856	15.27%	**$19.22**	**$20.67**

The information in the following table was the 4th Quarter 2013 statistics from Officespace.com for the South County office sub-markets.

Class	# Bldgs	Total SF FT	Direct Vacancy SF	Direct Vacancy	Sublease SF	Vacancy w/ Sublet	Min Lease $	Max Lease $
Renton/ Tukwila								
A	51	3,047,682	441,825	**18.87%**	108,823	21.33%	**$19.98**	**$20.27**
B	88	2,235,486	440,530	**15.02%**	11,462	15.30%	**$16.52**	**$17.19**
SeaTac								
A	7	653,806	207,555	**23.01%**	806	23.06%	**$20.42**	**$21.92**
B	25	362,368	71,607	**17.68%**	-	17.68%	**$15.56**	**$16.53**
Kent/ Auburn								
A	30	1,439,727	443,347	**24.63%**	49,212	26.43%	**$16.75**	**$17.25**
B	35	607,387	146,235	**24.82%**	-	24.82%	**$14.53**	**$15.58**
South/ West Seattle								
A	17	1,582,064	344,122	**17.11%**	18,907	17.52%	**$19.42**	**$21.73**
B	45	2,710,562	287,962	**16.05%**	2,653	16.18%	**$17.04**	**$18.66**
Federal Way								
A	30	1,694,201	351,417	**24.28%**	144,000	31.42%	**$17.13**	**$17.57**
B	38	636,293	84,331	**13.31%**	-	13.31%	**$15.00**	**$16.17**

According to the CB Richard Ellis Fourth Quarter 2013, Puget Sound Office Market Report vacancy rates, full service asking lease rates and operating expenses reported by brokers for Class A, B and C located in the Canal, Central Business District, Denny Regrade, Lake Union, Lower Queen Anne, Pioneer Square and Waterfront market areas indicate the following:

Submarket	**Vacancy Rate: Class A w/sub-lease**	**Vacancy Rate: Class B w/sub-lease**	**Vacancy Rate: Class C w/sub-lease**	**Overall Vacancy Rate: Including sub-lease**	**Overall Vacancy Rate: w/o sub-lease Direct Vacancy***
CBD	15.70%	16.70%	9.50%	15.70%	14.50%
Waterfront	19.40%	27.10%	8.80%	19.90%	19.50%
Pioneer Square	4.70%	20.20%	12.70%	13.30%	12.50%
Denny Regrade	9.00%	24.90%	6.00%	11.70%	11.40%
Lower Queen Anne	17.10%	21.10%	35.30%	18.80%	18.40%
Lake Union	5.40%	12.20%	24.00%	7.00%	6.50%
Canal	6.00%	11.10%	0.00%	7.30%	7.30%
Downtown Seattle	12.70%	18.90%	12.30%	13.90%	13.20%

* A direct vacancy rate as opposed to an overall vacancy rate (includes sublease space available) is used in the revaluation analyses

According to the CB Richard Ellis Fourth Quarter 2013 Puget Sound Office Market Report full service asking lease rates and operating expenses reported by brokers for Class A, B and C properties indicate the following:

Seattle	**Yr End**	**Full Service Lease Rates (Asking rates)**			**Operating Expenses ***		
Market Area		**Class A**	**Class B**	**Class C**	**Class A**	**Class B**	**Class C**
Seattle CBD	2012	$26-$44	$23-$35	$19-$26	$10.00-$11.50	$7.00-$11.00	$6.50-$9.50
	2013	**$26-$50**	**$24-$35**	**$19-$30**	**$10.00-$11.50**	**$7.00-$11.00**	**$6.75-$9.50**
Waterfront	2012	$24-$35	$24-$27	$18-$24	$8.00-$10.00	$6.75-$8.75	$6.00-$7.00
	2013	**$24-$36**	**$25-$29**	**$17-$23**	**$8.00-$10.00**	**$6.75-$8.75**	**$6.25-$7.25**
Pioneer Square	2012	$27-$34	$23-$29	$17-$24	$8.00-$9.00	$6.50-$8.25	$5.50-$7.00
	2013	**$27-$34**	**$25-$31**	**$18-$25**	**$8.50-$9.50**	**$6.75-$8.25**	**$5.75-$7.00**
Denny Regrade	2012	$24-$39	$20-$28	$18-$25	$8.00-$10.00	$6.50-$9.00	$6.00-$7.50
	2013	**$24-$36**	**$22-$30**	**$20-$27**	**$8.00-$10.00**	**$6.75-$9.00**	**$6.00-$7.50**
Lower Queen Anne	2012	$23-$35	$19-$24	$17-$22.50	$7.50-$9.50	$6.50-$7.75	$6.00-$7.00
	2013	**$24-$35**	**$19-$24**	**$17-$23**	**$7.50-$9.50**	**$6.75-$7.75**	**$6.00-$7.00**
Lake Union	2012	$24-$32	$20-$30	$19.50	$9.50-$11.00	$6.75-$8.75	$6.00-$7.00
	2013	**$23-$32**	**$20-$30**	**$19.50**	**$9.50-$11.00**	**$6.75-$8.75**	**$6.00-$7.50**
Canal	2012	$22-$30	$21-$26	$19.50	$7.00-$8.50	$6.50-$7.75	$5.50-$7.00
	2013	**$24-$30**	**$21-$25**	**$19.50**	**$7.00-$8.50**	**$6.50-$7.75**	**$5.75-$7.25**
Seattle Downtown	**2013**	**$23-$50**	**$19-$35**	**$17-$30**	**$7.00-$11.50**	**$6.50-$11.00**	**$5.75-$9.50**

*Operating expenses include property taxes, but do not include leasing commissions or tenant improvements

According to the CB Richard Ellis Fourth Quarter 2013, Puget Sound Office Market Report, vacancy rates, full service asking lease rates and operating expenses reported by brokers for Class A, B and C properties located in the Bellevue CBD, I-405, SR-520, I-90, Bel-Red Corridor, Kirkland, Redmond market areas indicate the following:

Submarket	Vacancy Rate: Class A w/sub-lease	Vacancy Rate: Class B w/sub-lease	Vacancy Rate: Class C w/sub-lease	Overall Vacancy Rate: Including sub-lease	Overall Vacancy Rate: w/o sub-lease Direct Vacancy*
CBD	8.00%	21.90%	16.30%	9.80%	9.60%
I-405	14.50%	12.90%	11.70%	13.60%	13.60%
SR-520	13.70%	7.70%	7.40%	10.70%	10.70%
I-90	19.60%	26.30%	28.60%	20.70%	20.40%
Bel-Red-Road Corridor	6.40%	7.40%	3.30%	6.50%	6.20%
Kirkland	7.70%	7.10%	28.10%	8.10%	7.30%
Redmond	16.40%	20.50%	20.60%	17.50%	16.30%
Bothell	17.60%	9.40%	14.60%	16.80%	15.00%
Eastside (overall)	13.90%	15.60%	12.40%	14.20%	13.70%

* A direct vacancy rate as opposed to an overall vacancy rate (includes sublease space available) is used throughout the revaluation analyses

CB Richard Ellis 4th Quarter 2013 Puget Sound Office Market Report indicates the following full service asking lease rates and operating expenses for Eastside submarkets:

	Year End	Full Service Lease Rates (Asking Rates)			Operating Expenses*		
Market Area		Class A	Class B	Class C	Class A	Class B	Class C
Bellevue CBD	2012	$27.00-$42.00	$26.00-$34.00	$23.50-$25.00	$10.00-$12.00	$8.00-$9.00	--
	2013	**$28.00-$45.00**	**$26.00-$35.00**	**$25.00**	**$10.00-$12.25**	**$8.00-$9.25**	**--**
I-405	2012	$22.50-$31.00	$19.00-$28.00	$18.00-$25.00	$8.00-$9.75	$7.25-$7.75	$7.00-$7.75
	2013	**$25.00-$33.00**	**$19.00-$31.00**	**$18.00-$25.00**	**$8.00-$9.75**	**$7.25-$7.75**	**$7.25-$8.00**
SR-520	2012	$22.00-$28.00	$18.00-$25.00	$18.00-$23.00	$8.00-$9.75	$7.25-$8.25	$7.00-$7.75
	2013	**$22.00-$28.00**	**$18.00-$27.00**	**$18.00-$23.00**	**$8.00-$9.75**	**$7.25-$8.25**	**$7.25-$8.00**
I-90	2012	$25.00-$34.00	$23.00-$31.00	$21.00-$26.50	$8.00-$10.00	$7.50-$8.50	--
	2013	**$23.50-$36.00**	**$24.00-$31.00**	**$21.00-$26.00**	**$8.00-$10.00**	**$7.50-$8.50**	**--**
Bel-Red-Road Corridor	2012	$25.00-$28.00	$19.00-$26.50	$17.00-$24.00	$8.00	$6.75-$7.75	$6.00-$7.50
	2013	**$26.00-$28.00**	**$19.00-$26.50**	**$18.00-$24.00**	**$8.00**	**$7.00-$7.50**	**$6.50-$7.50**
Kirkland	2012	$25.00-$34.00	$18.00-$29.00	$17.50-$22	$8.00-$9.25	$7.00-$7.50	$6.75-$8.50
	2013	**$25.00-$36.00**	**$18.00-$28.00**	**$19.00-$22.00**	**$8.00-$9.25**	**$7.25-$7.75**	**$6.75-$8.50**
Redmond	2012	$22.50-$31.00	$20.00-$26.00	$16.25-$25	$8.00-$8.50	$6.75-$7.25	--
	2013	**$23.50-$31.00**	**$20.00-$28.50**	**$16.25-$25.00**	**$8.00-$8.50**	**$7.00-$7.50**	**--**
Bothell	2012	$21.00-$28.00	$18.00-$22.00	$17.25	$8.00- $8.50	$6.75-$7.25	--
	2013	**$21.00-$30.00**	**$18.00-$22.00**	**$17.75**	**$8.00- $8.50**	**$7.00-$7.50**	**--**
Eastside	**2013**	**$21.00-$45.00**	**$18.00-$35.00**	**$16.25-$26.00**	**$8.00-$12.25**	**$6.75-$9.25**	**$6.50-$8.50**

*Operating expenses include property taxes but not leasing commissions and TI's

According to the CB Richard Ellis Fourth Quarter 2013 Puget Sound Office Market Report rates for properties (includes all multi-tenant office buildings 10,000 square feet and greater in size) located in the Auburn, Kent, Renton, Sea-Tac, South Seattle, Tukwila and Federal Way market areas indicate the following:

Submarket	Total Vacancy Rate (with sublease)	Direct Asking Lease Rate Class A (full service)	Direct w/sub-lease Asking Lease Rate Class A (full service)
Auburn	16.80%	$20.52	$19.64
Kent	31.80%	$23.10	$22.63
Renton	12.70%	$23.01	$22.95
Sea-Tac	30.90%	$23.34	$23.33
Tukwila	14.80%	$21.36	$20.88
Federal Way	27.40%	$20.29	$20.29
Total Southend Vacancy	**20.70%**	**$21.95**	**$21.69**
South Seattle	28.60%	$26.88	$26.88

Both direct vacancy rates and overall vacancy rates (overall includes sublease space available) were reviewed for the following analyses. Typically the direct vacancy is given greater weight. Submarket vacancy rates often varied substantially in different published surveys depending on submarket delineation.

To recognize the vacancy and competitiveness of most of the Seattle downtown neighborhoods a Class A vacancy rate of 10% or 15% was applied to all the Class A offices in these submarkets. The 10% vacancy rate has been applied to submarkets such as South Lake Union and the University District where Class A vacancy rates from all the surveys are below 10%. It has also been applied to the newer Class A office buildings that have reached stabilized occupancy.

Elsewhere, appraisal judgment was applied in reconciling various vacancy surveys in other submarkets. Higher capitalization rates were applied to office properties with vacancies substantially higher than 20%. If an office property's situation was deemed far inferior from the "norm" requiring a multi-year lease up period the direct capitalization analysis utilizing a higher cap rate might be reconciled with a discounted cash flow analysis (DCF).

The specific "norm" vacancy rate(s) will be indicated later in the brief description of the income parameters utilized in each of the six market segments.

Following are lists of office cap rates for both the Seattle Metropolitan office market and the national office market:

NATIONAL CAP RATES

Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End	National	6.26%	7.10%	6.65%	Overall
	2013		7.28%	7.94%	7.28%	Sq.Ft. - <50k
			7.09% - 7.23%	7.61% - 7.99%	7.09% - 7.23%	Sq.Ft. - 50k-200k
			6.10%	6.73%	6.20%	Sq.Ft. - 200K+
PWC / Korpaz	4Q 2013	National	6.45%	-	-	CBD Office - (4.00% - 9.00%)
			6.98%	-	-	Sub. Office - (5.00% - 9.50%)
			7.71%	-	-	Medical Office - (5.50% - 11.00%)
			-	7.83%	-	Flex/R&D - (6.25% - 10.00%)
			-	6.22%	-	Warehouse - (5.00 – 7.75%)
			-	-	6.56%	A+ = 5.46%; A = 5.92%; B+ = 6.71%
			-	-	6.67%	Power Center - (5.50% - 8.00%)
			-	-	6.98%	Neigh. Strip Ctrs. - (5.00% - 10.00%)
						<u>Institutional Grade Properties”</u>
IRR: Viewpoint	Yr. End	Seattle	7.37%	-	-	CBD Office – Class A
for 2014	2013		8.01%	-	-	CBD Office – Class B
			7.68%	-	-	Suburban Office – Class A
			8.23%	-	-	Suburban Office – Class B
			-	7.50%	-	Industrial – Class A
			-	8.09%	-	Industrial – Class B
			-	8.01%	-	Flex Industrial – Class A
			-	8.53%	-	Flex Industrial – Class B
			-	-	7.01%	Reg. Mall – Class A
			-	-	N/A	Reg. Mall – Class B
			-	-	7.26%	Community Retail – Class A
			-	-	7.72%	Community Retail – Class B
			-	-	7.41%	Neighborhood Retail – Class A
			-	-	7.93%	Neighborhood Retail – Class B
RERC-CCIM:	4Q 2013	National	7.70%	-	-	Office CBD
Investment Trends			8.00%	-	-	Office Suburban
Quarterly			-	7.80%	-	Industrial Warehouse
			-	7.90%	-	Flex
			-	-	7.50%	Retail
Colliers	Q4 2013	National	7.27%	-	-	CBD Office
International			7.81%	-	-	Suburban Office\
Office/Industrial			-	7.50%	-	U.S. Total
Highlights			-	6.10%	-	Seattle/Puget Sound
			-	7.22%	-	West Region
IAAO Webinar	Yr End	National	-	-	-	<u>*“Transactions over $2.5mil”*</u>
Cap. Rate Report	2013		-	-	-	<u>*(Real Cap Anal)*</u>
			7.20%	-	-	Single Tenant Office
			-	-	7.40%	Big Box
			-	-	7.20%	Grocery/Supermarket
			-	-	7.40%	Anchored Strip Malls
			-	-	7.50%	Unanchored Strip Malls
			-	-	7.20%	Power Center
			-	-	6.70%	Drug Stores
			-	-	6.40%	Malls
			-	-	7.00%	Average – All Subcategories
Calkain:	Yr End	National	-	-	6.70%	Overall (Average)
Net Lease	2013		-	-	7.10%	Drug Store
Economic Report			-	-	6.60%	Quick Service Rest.
			-	-	7.30%	Restaurant
			-	-	7.45%	Big Box
			-	-	5.95%	Banks
The Boulder	4Q 2013	National	7.70%	8.00%	7.02%	Overall (Average)
Group: Net Lease			-	-	7.10%	Big Box “Overall”
Market Report			-	-	6.25%	Big Box “Investment Grade”
			-	-	7.50%	Big Box “Non-Investment Grade”
			-	-	7.05%	Jr. Big Box - (20,000/SF – 39,999/SF)
			-	-	7.18%	Mid. Big Box - (40,000/SF – 79,999/SF)
			-	-	7.58%	Mega Big Box - (80,000/SF +)
		West Region	-	-	6.63%	Overall (Average
Cassidy/Turley:	3Q 2013	National	-	7.60%	-	Industrial
Single Tenant Net			-	-	6.90%	Drug Store
Lease Overview			-	-	6.90%	Quick Service Rest.
			-	-	7.60%	Jr. Big Box - (20,000/SF – 39,999/SF)
			-	-	7.90%	Mid. Big Box - (40,000/SF – 79,999/SF)
			-	-	7.50%	Mega Big Box - (80,000/SF +)

SEATTLE / PACIFIC NW CAP RATES						
Source	**Date**	**Location**	**Office**	**Industrial**	**Retail**	**Remarks**
ACLI	Yr. End 2013	Seattle MSA	5.83%	7.05%	7.16%	
		Pacific Region	6.21%	6.93%	6.37%	
PWC / Korpaz	4Q 2013	Seattle Pac. NW	6.61% 6.10% 7.13%	- - -	- - -	Range = 4.20% to 9.00% CBD Office Suburban Office
CBRE: Capital Markets Cap. Rate survey.	2nd Half (2013)					CBRE professional's opinion of where cap rates are likely to trend in the 2nd ½ of 2013 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	5.00% - 5.75% 6.00% - 6.50% 6.00% - 6.75% 7.00% - 8.00% 6.00% - 6.50% 7.50% - 8.50% 6.50% - 7.50% 8.25% - 9.25% - - - - - - - - - - - - -	- - - - - - - - 5.00% - 5.50% 6.50% - 7.00% 5.50% - 6.00% 7.00% - 7.50% - - - - - - - - -	- - - - - - - - - - - - 5.00% - 5.75% 6.00% - 7.50% 6.00% - 6.75% 7.00% - 8.50% 6.00% - 7.00% 7.00% - 9.00% 6.75% - 7.50% 8.50% - 10.00% 5.25% - 5.75%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm. w/Grocery) Class A (Neigh./Comm.) – Value Added Class B (Neigh./Comm. w/Grocery) Class B (Neigh./Comm.) – Value Added Class A (Power Centers) Class A (Power Centers) – Value Added Class B (Power Centers) Class B (Power Centers) – Value Added High Street Retail (Urban Core)
IRR: Viewpoint for 2014	Yr. End 2013	Seattle	5.50% 6.50% 6.00% 7.50% - - - - - - - - - -	- - - - 5.25% N/A 7.25% N/A - - - - - -	- - - - - - - - 5.25% N/A 6.00% 6.50% 6.25% 6.72%	Institutional Grade Properties" CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Industrial – Class A Industrial – Class B Flex Industrial – Class A Flex Industrial – Class B Reg. Mall – Class A Reg. Mall – Class B Community Retail – Class A Community Retail – Class B Neighborhood Retail – Class A Neighborhood Retail – Class B
RERC-CCIM: Investment Trends Quarterly	4Q 2013	West Region	8.00% 7.50% - - -	- - 7.30% 7.30% -	- - - - 7.20%	Office CBD Office Suburban Industrial Warehouse Flex Retail
Colliers Office Highlights	Q4 2013	Seattle/PS	8.00% 8.00%	- -	- -	CBD Office Suburban Office
Costar	Yr. End 2013	King County	5.11% 6.14% - - - -	- - 6.02% 6.60% - -	- - - - 6.71% 6.75%	SP=$1mil. - $5mil.; Cap. Rate = 1%-10% SP=$5mil. +; Cap. Rate = 1%-10% SP=$1mil. - $5mil.; Cap. Rate = 1%-10% SP=$5mil. +; Cap. Rate = 1%-10% SP=$1mil. - $5mil.; Cap. Rate = 1%-10% SP=$5mil. +; Cap. Rate = 1%-10%

The published office capitalization rates again indicate that rates for the Seattle Metropolitan Area are lower than the national rates. Seattle is in the mid grid of the top ten largest office markets in the nation and is considered a top-tier market. With the return of capital markets, low interest rates, and strong investor interest in the Puget Sound office market, capitalization rates have fallen significantly for leased-up, institutional grade office buildings based on sales in 2013 and early 2014. This is supported by the local and national published capitalization rates provided in this report.

When market sales are available an attempt is made during the sales verification process to ascertain the capitalization rate on the sale or a pro-forma cap rate. Whenever possible information on the occupancy level, lease rates, tenancy terms, and expenses is collected to determine how the sale compares to the current economic parameters of the market and how the leased fee cap rate compares to a fee simple cap rate.

The following table shows the typical capitalization rates used in the 1/01/2014 revaluation of the properties in the office specialty (cap rates higher than these ranges are applied to properties with extreme vacancy):

Office Building Type & Market	Capitalization rate applied *
Class A+ & A Seattle – (high-rise, mid-rise, low-rise in CBD & downtown sub-areas)	**5.00% to 7.00%**
Class A Seattle in-close – (Fremont, U-District, Northgate, West Seattle)	**5.75% to 7.50%**
Class B Seattle CBD (downtown sub-areas)	**6.25% to 8.00%**
Class A+ & A Bellevue CBD – (high-rise, mid-rise, low-rise) & Mercer Island, & Kirkland Waterfront	**5.00% to 7.00%**
Class A- & B in Bellevue CBD	**6.25% to 7.50%**
Class A & B - Eastside Suburban	**6.00% to 7.50%**
South County A & B	**6.75% to 8.50%**
Medical Office Buildings	**5.25% to 7.25%**

- The range of capitalization rates reflect the building age, quality and competitiveness with the lower rates applied to the higher quality office buildings. Higher rates might be applied to the lesser quality office buildings or to properties that have higher than the normal sub-market vacancy, substantial sub-lease vacancy, or physical issues that result in higher operating expenses or require additional capital investment. These are often referred to as value-add properties.

The following is a brief description of the income parameters utilized in each of the six market segments:

North: Full service lease rates ranged from $22 to $28 per square foot of rentable area. Vacancy and collection loss figures used in this area was 10% to 20%, expenses $8.00 to $9.00/NRA and overall capitalization rates were 6.00% to 7.50%. Values on a price per square foot of rentable area in the $143 to $289 range.

Seattle CBD & Downtown Submarkets: Values on a price per square foot of rentable area increased from $94 to $506 range. Lease rates ranged from $17.00 to $36.50 per square foot of rentable area. Vacancy and collection loss figures used in this area ranged from 10% to 15% with the majority at 15%, expenses ranged from $7.50 to $12/NRA, and overall rates ranged from 5.00% to 8.55% with the majority being 6.00% to 7.00%. A few properties included consideration of income from retail rents. This was typically considered for properties where the retail space represented approximately 5% or more of total net rentable area. The retail lease rate range utilized was $15 to $35/NRA, triple net rent. The vacancy and collection loss figure for retail space was typically 5% and the triple net expense rate was 5%.

PARKING INCOME

Additionally, income from parking was considered. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. Unreserved monthly and daily rates and occupancy rates were provided by the 2013 Puget Sound Regional Council Parking Inventory for the Downtown Seattle parking zones. No turnaround on the daily spaces was recognized. A parking expense rate of 15% to 25% was applied to parking income to arrive at a net parking income contribution figure with the stand-alone parking garages typically incurring the higher expenses.

The following is a description of the parking income parameters used in the income approach to value the Downtown Seattle office properties. A map of the parking neighborhoods is included in the addendum of the office report.

Seattle CBD			
Neighborhood Zones	**Daily Rate**	**Monthly Rate**	**Occupancy**
1	$16.75	$174.50	47.00%
2	$14.81	N/A*	53.90%
3	$18.63	$194.50	79.60%
4	$23.76	$238.73	63.10%
5	$25.06	$280.82	70.70%
6	$18.66	$229.70	67.00%
7	$23.00	$300.04	57.10%
8	$24.56	$296.66	63.90%
9	$17.55	$193.54	55.90%
10**	$19.47	$202.83	62.40%
11	$11.04	$164.89	62.90%
12	$16.41	$225.83	57.20%
13	$17.07	$238.16	65.50%
* 2012 Rate-$141.67			
** high outlier left out of survey			
Lower Queen Anne/South Lake Union			
Neighborhood Zones	**Daily Rate**	**Monthly Rate**	**Occupancy**
17	$15.22	$190.00	39.30%
18	$15.74	$137.97	34.10%
19	$12.08	$139.04	53.90%

Bellevue CBD: Values on a price per square foot of net rentable area increased the $169 to $521 per square foot range. Lease rates ranged from $24 to $36.50 per rentable square foot. Vacancy and collection loss figures used for the offices were 10% to 15%, expenses ranged from $9 to $11.50/NRA, and capitalization rates ranged from 5.0% to 7.50%. One property included consideration of income from retail rents. The retail lease rate utilized was $25/NRA, triple net rent with a 5% vacancy and collection loss assumption and operating expenses of 5%. It is unusual for office buildings in this segment to have significant retail space included.

Additionally, income from parking was considered. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. Unreserved monthly and daily rates and occupancy rates were provided by the 2013 Puget Sound Regional Council Parking Inventory for the Bellevue CBD zones. No turnaround on the daily spaces was recognized. A parking expense rate of 15% to 25% was applied to parking income to arrive at a net parking income contribution figure.

Bellevue CBD			
Neighborhood Zones	**Daily Rate**	**Monthly Rate**	**Occupancy**
1	$12.50	$130.36	48.30%
2	$14.00	$171.52	56.90%
3	$15.91	$189.82	34.20%
4	$17.51	$173.33	55.00%
5	N/A	N/A	40.50%
6	$15.00	N/A	32.90%
7	$5.50	N/A	43.90%

Suburban Eastside: Lease rates ranged from $23 to $35 per square foot of net rentable area. Vacancy and collection loss figures used in this area were 10% to 20%, expenses were $8.50 to $11.50/NRA and overall rates were 6.0% to 8.25%. Parking was not analyzed as an additional income contributor as parking has typically been included at no charge. Values on a price per square foot of net rentable area saw a small increase and are in the $144 to $338 range.

South End: Renton, Tukwila, Kent, SeaTac, Auburn, and Federal Way lease rates ranged from $16.00 to $28.00 per square foot of rentable area with the majority at $18.00 to $22.50. Vacancy and collection loss figures used in this area were 15% to 20%. Expenses in the South End submarkets were $6 to $9.75/NRA. Overall capitalization rates in the South End were typically 7.25% to 8.25%. Values on a price per square foot of net rentable in the South County office market very slightly increased in the $79 to $201 range.

Medical Office Buildings: Values on a price per square foot of net rentable area were between $155 to $379 range. Full service lease rates ranged from $24 to $36 per square foot of net rentable area. Vacancy and collection loss figures in this segment were typically 10% and expenses ranged from $9.50 to $14.00/NRA. Overall rates ranged from 5.25% to 7.25%.

Parking income contributions were included depending upon the location of the property. Downtown Seattle, First Hill and the University District locations included recognition of this income. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. Unreserved monthly and daily rates and occupancy rates were provided by the 2013 Puget Sound Regional Council Parking Inventory for the First Hill and University District parking zones. A parking expense rate of 15% was applied to parking income to arrive at a net parking income contribution figure. An expense rate of 25% was used on above ground parking garages.

First Hill			
Neighborhood Zones	**Daily Rate**	**Monthly Rate**	**Occupancy**
14	$19.62	$187.56	63.90%
15	$16.44	$208.91	31.70%
16	$11.93	$151.40	62.90%
University District			
Neighborhood Zones	**Daily Rate**	**Monthly Rate**	**Occupancy**
1	$10.40	$116.00	56.60%
2	$10.13	$125.11	61.50%
3	$12.11	$140.67	56.70%
4	$12.71	$139.53	78.00%
9	$6.00	$50.00	59.90%

Reconciliation and or validation study of calibrated value

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. The income approach to valuation is given the greatest weight in the final analysis due to the information available.

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

The 1/01/2014 valuation reflects the changing office market dynamics as of the valuation date. These include declining market vacancy rates in most submarkets, increasing effective lease rates, and capitalization rates that are generally low for quality office buildings with high occupancy or office buildings with higher vacancy that are well-located in the stronger submarkets.

This has resulted in higher valuations for most of the institutional grade office properties in the Seattle and Eastside office submarkets, and flat or minor value changes for properties with high vacancy or those located in the weaker submarkets.

Application of these recommended values for the 2014 assessment year results in a total change from the 2013 assessments of 7.30%. This increase does not include the value increase of several office buildings currently being built. These will be added later during the new construction period (the new construction valuation date is July 31st, 2014).

The total assessed value for the 2013 assessment year was $14,099,368,600 and the total recommended assessed value for the 2014 assessment year is $15,128,278,300.

TOTAL ASSESSED VALUE CHANGE			
2013 Total Value	**2014 Total Value**	**$ Change**	**% Change**
$ 14,099,368,600	$ 15,128,278,300	$ 1,028,909,700	7.30%

<u>Improved Sales for Area 280</u> – 2011, 2012, 2013 sales were reviewed in sales analysis

<u>BELLEVUE CBD SALES</u>

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
154410	0219 0230	477,899	2494584	$217,227,320	06/03/11	$455	KEY CENTER	DNTNO-1	2	2	Class A+ 21-story office built in 2000 -89% leased at sale with $24 - $29/sf NNN asking rates – sale is for improvements only with assignment & assumption of ground lease
322505	9016	408,460	2555120	$186,990,000	07/24/12	$458	SKYLINE TOWER	DNTNO-1	1	2	Class A+ 24-story 1983 office - 14% total vacancy with $38 - $42/sf full-service asking rates & $9.77/sf operating expenses
322505	9066	495,949	2559935	$228,765,000	08/21/12	$461	CITY CENTER BELLEVUE	DNTNO-1	1	2	Class A+ 27-story 1986 office - 9% vacancy with $35 - $40/sf full-service asking rates & $10.48/sf operating expenses
154410	0323	96,571	2564174	$36,075,000	9/13/2012	$374	KEY BANK BLDG.	DNTNO-2	1	2	Average Class A 9-story 1972 - 4% vacancy with $25 - $34/sf full-service asking rates – *not in office specialty or ratio study (under 100,000 sf)*
322505	9058 9163	574,970	2572566	$374,650,000	11/02/12	$652	CITY CENTER PLAZA (CITY CENTER I	DNTNO-1	2	2	2008 Class A+ 26-story high-rise 96% leased to Microsoft through 2024 with 3 options to renew for 5 yrs at 95% of fair market rent – 100% leased at sale – 17% increase from 7/10 sale
292505	9048 9357 9358	653,856	2649703	$186,500,000	01/14/14	$342	US BANK PLAZA	DNTNO-2	3	2	This sale that includes two office buildings plus a parking garage located on NE 8th St in the Bellevue CBD. The location is prime. Property was 81% leased at time of sale with 52 tenants. Confirmed price was $186,500,000. The property was on the market for approximately 3 months; since October 2013. After deducting garage value, the price per SF for the offices is $342.

Verification Code # 2 indicates a market sale

SUBURBAN EASTSIDE SALES

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
202505	9259 9162 9240 9260	276,968	2487730	$100,217,188	4/21/2011	$362	PLAZA AT YARROW BAY	PLA 3a	4	2	4 Class A 1990 bldg campus 95.4% leased at time of sale with asking rates of $22/sf NNN – sale includes land parcel entitled for an 80,000 SF bldg. -Kirkland submarket - *bldgs under threshold size – not in office specialty 280*
131830	0020	101,253	2490025	$14,179,900	5/5/2011	$140	MARYMOOR TECHNOLOGY CENTER	BP	1	61	REO sale – Class A 2009 3-story office 100% vacant in shell condition for 2 years – asking rate at sale was $19/sf NNN – short marketing period – foreclosed in 3/11 – now named Marymoor Technology Center – Redmond submarket
222406	9044	156,323	2499064	$32,000,000	06/28/11	$205	EASTPOINTE CORPORATE CENTER	R	1	2	5-story Class A 2001 office- 80% direct vacancy at sale with asking rates of $20/sf NNN & $7.75/sf OE – buyer SanMar Corp. will take some of the space in the bldg. – I-90 submarket in Issaquah
733805	0030	106,281	2547699	$38,500,000	6/8/2012	$362	THE OFFICES AT RIVER PARK	RVBD	1	2	5-story Class A 2008 office condo 97% leased with $23/sf NNN lease rates – other on-site units include retail, hotel, & residential – Redmond submarket
392700	0270 0280 0290	105,000	2635810	$26,312,014	10/15/13	$251	SCHNITZER NORTH CREEK BUILDING A	R-AC, O	3	2	Sellers were represented by CBRE. Gross sales price for this particular transaction was $26,312,014 which also included two vacant underlying parcels. The building was reported to be 100% occupied at time of sale. Though this was part of a bulk sale transaction, it was coded as a good sale due to the performance of the property.

Verification Code # 2 indicates a market sale

SOUTHEND SALES

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
334040	4003 4004 4006	205,218	2516875	$35,250,000	11/01/11	$172	FAA OFFICE BLDG	CO	3	2	5-story 1990 office - 100% leased to FAA – in 8/10 GSA signed a new 5-year lease with 2 options of up to 2 more years – sale also includes parking parcel & daycare - Renton
215465	0050	99,690	2549637	$17,050,607	06/20/12	$171	I-5 TECHNOLOGY CENTER	OP-1	1	2	2-story 2001 office - 90% leased with $14.25/sf NNN asking rates – Dept. of Homeland Security occupies 1/3rd of bldg. until 2014 – Federal Way – 2nd of two sales of property
012204 189570	9110 0010 0020 0030	436,170	2562920	$46,245,000	09/04/12	$106	CENTERPOINT CORPORATE PARK	M1	4	2	Two 8-story & one 4-story 1986 office bldgs. & 1-story commons (retail) – total vacancy of 45% with $13 - $16/sf NNN asking rates & $8.32/sf operating expenses – seller acquired the property following the filing of a deed in lieu of foreclosure in 2/12 - Kent
215465	0080	186,612	2575364	$19,760,000	11/20/12	$106	32275 32ND AVENUE SOUTH	OP-1	1	2	2-story 1999 office building mostly vacant for several years – sold as value-add investment by Weyerhauser – after sale leased to DiVita a national kidney care company with headquarters in Tacoma – Federal Way
012204	9012	218,585	2646470	$17,600,000	12/19/13	$81	THE CREEKSIDES AT CENTER POINT	M1	1	2	Asking lease rates were $14/SF NNN. At the time of sale, building 1 - was 67.7% leased, building 2 - was 79.1% leased, and building 3 - 33.3% leased. Due to the high vacancy and lower rents, plus the buyer's own knowledge that lease up time would be long, a price of $17,600,000 was determined to be fair. No financial distress was reported on the part of the seller and they merely wanted to divest themselves of this asset.

Verification Code # 2 indicates a market sale

<u>MEDICAL OFFICE BUILDINGS</u> - There were no Medical Office Building sales in the office specialty in 2011

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
859040	0375 0376 0395	205,148	2579993	$99,964,000	12/18/12	$487	7TH & MADISON OFFICE BLDG	NC3-160	3	2	100% leased to Polyclinc with 20 years remaining on the lease – high level of build-out to convert shell structure to MOB – sale does not include adjacent parking structure
610845	0130	1,566	2601293	$607,608	04/15/13	$388	NORDSTROM ELMER J MEDICAL TOWER	MIO-200	1	2	Medical condominium on Pill Hill

Verification Code # 2 indicates a market sale

SEATTLE SALES

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
701535	0020	155,766	2484663	$34,000,000	03/28/11	$218	QUEEN ANNE SQUARE CONDO	NC3-65	1	2	14.6% vacant with full-service asking rates of $22 - $24/sf-$7m spent renovating lobby & common areas in 2008 – Lower Queen Anne
880970	0050	253,769	2492774	$38,290,000	5/25/2011	$151	705 UNION STATION	IDM-65-150	1	2	100% vacant at sale – off-market transaction – Amazon leased expired in 5/11 – transaction does not include parking – International District
766620	6895 6900	490,418	2504191	$125,000,000	08/08/11	$255	83 KING STREET	PSM-85-	2	2	Adjacent office bldgs. – seller was Starbucks – 505 1st was Class A finished in 2009 and 65% leased & 83 King Street was renovated Class B 92% leased – allocated price of $76,069,206 or $266/sf for 505 1st & $48,755,794 or $238/sf for 83 King – Pioneer Square. Originally built in 1904.
228505	0010	231,760	2504560	$129,310,690	08/10/11	$558	818 STEWART	DOC2 50	1	2	9% vacancy – new midrise Class A+ 14-story office purchased by JP Morgan Chase with adjacent 1918 8th - Denny Regrade
066000	0635 0639 0650	669,915	2504562	$350,108,054	08/10/11	$523	1918 EIGHTH OFFICE TOWER	DOC2 50	3	2	94% leased with asking rates of $20- $30/sf NNN–new 36-story Class A+ LEED Gold – Amazon leased 2/3rds of bldg. in 1st Qtr 2011 – Denny Regrade
065900	0040	355,107	2505646	$119,400,000	8/17/2011	$336	WESTLAKE OFFICE CENTER TOWER	DRC 85-150	1	2	93% leased with full-service asking rates of $24.50 - $26/sf– sale includes below grade parking but not retail mall portion – 930150-0010 is new office/garage condo parcel - CBD
197520	0005	169,883	2507437	$30,450,000	08/24/11	$179	SEATTLE TOWER	DOC1 U/	1	2	85% leased with full-service asking rates of $22-$25/sf – 27-story historic Class B building renovated in 2002 - CBD. Originally built in 1929.
066000	1135 1190 1195 1200	285,710	2523337	$76,540,000	12/19/11	$268	1800 9TH AVENUE BUILDING	DMC 340	4	2	40% occupied – 16-story Class A office – seller Regence BlueShield will lease back about 30% of space – sale includes 21,600 sf vacant parking parcels - CBD

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
094200	0025 0030	509,252	2531237	$185,970,909	02/23/12	$365	2ND & SENECA BLDGS	DOC1 U/	2	2	2nd & Seneca is 22-story Class A+ high-rise 87% leased - purchased with 1101 2nd which was 88% vacant – 2nd & Seneca valued at $180m and 1101 2nd at $10m (difference between recorded sale price due to pro-rations & free rent considered) - CBD
066000	2381	184,691	2535062	$61,000,000	3/23/2012	$330	METROPOLITA N PARK NORTH	DMC 240/290-400	1	2	Deed in Lieu of Foreclosure – 26.8% vacant at sale with sole office tenant Nordstrom re-leasing only 3 of 5 floors for 2 yrs at lower rates for 2 yrs in late 2011 – transaction price is same as $61m promissory note of seller backed by property - CBD
065900	0165	598,000	2536954	$137,000,000	04/02/12	$229	1600 SEVENTH AVENUE (QWEST PLAZA)	DOC2 50	1	2	22-story Class A high-rise needing renovation was 40% occupied at sale – seller CenturyLink will lease back its current space for 10 yrs – Nordstrom will lease about 300,000 SF & move in fall 2012 – estimated cost of renovation is $10m - CBD
918450	0010 0020	872,026	2539735	$480,000,000	04/20/12	$550	RUSSELL INVESTMENT CENTER	DOC1 U/	2	2	42-story Class A+ high-rise with 3.2% vacancy & net asking rates of $35-$42/sf at sale – LEED Certified Platinum bldg. with many high credit tenants –CBD
065900	0555	213,979	2544950	$54,900,000	05/24/12	$256	PLAZA 600 BUILDING	DOC2 50	1	2	20-story Class A high-rise with 19% vacancy & full-service asking rates of $28 - $32/sf & $7.43/sf operating expenses - CBD
020900	0030 0050	175,267	2545941	$49,050,000	05/30/12	$280	REPUBLICAN BUILDING	SM-75	2	2	Multi-parcel purchase of Class A 5-story office with 0% direct vacany & new 500 Yale with 76% vacancy & $25/sf NNN asking rate – South Lake Union
197320	0389	111,304	2546578	$39,000,000	06/01/12	$350	LAKE VIEW AT FREMONT	IC-65	1	2	4-story Class A 2008 office with 100% occupancy – buyer also purchased Adobe & Plaza Offices – sales do not include land but assumption of long-term ground lease – Fremont/Canal District
197320	0385 0387	161,117 in Adobe 136,111 in Plaza Bldg.	Control interest LLC transfer	$106,750,000	6/4/2012	$359	ADOBE BLDG. & FREMONT LAKE UNION CENTER (PLAZA BLDG)	IC-65	2	2	Adobe – 4-story Class A office 100% leased & Plaza – 3-story Class A office 98.5% leased – sale does not include land but assumption of long-term ground lease – Fremont/Canal District

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
066000	2054	336,041	2547175	$98,180,069	06/04/12	$292	METROPOLITAN PARK I WEST	DMC 340	1	2	18-story 1980 Class A high-rise with 26.5% direct vacancy & full-service asking rates of $27 - $30/sf – buyer also purchased Met Park East - CBD
066000	2410	363,727	2547166	$111,815,931	06/04/12	$307	METROPO- LITAN PARK II - EAST	DMC 340	1	2	20-story 1988 Class A high-rise with 8% direct vacancy & full-service asking rates of $28 - $30/sf - CBD
197470	0120	1,114,847	2572507	$548,784,720	10/25/12	$492	1201 THIRD AVE	DOC1 U/	1	2	55-story Class A+ high-rise with 13% total vacancy & full-service asking lease rates of $30 - $50/sf - CBD
065900	0750	498,891	2576134	$278,680,000	11/28/12	$559	WEST 8TH	DOC2 50	1	2	28-story Class A+ high-rise with 3% vacancy & full-service asking rates of $35 - $44/sf – Amazon leased 2/3rds of building in the 4th Qtr of 2011 – Denny Regrade
198320 198620	0150 0585 0260 0270 0290 0325 0360 0375 0350 0370 0410 0418 0420 0450 0460	1,815,595	2580854 2580855 2580858 2580860 2580862 2580863	$1,154,269,079	12/21/2012	$636	AMAZON CORPORATE OFFICES	IC-65 IC-85	15	2	11 Class A Midrise office buildings headquarters in South Lake Union purchased by sole office tenant Amazon with leases running 14 to 16 years - built in 5 phases from 2010 - 2012 - 9 new and 2 renovated historic buildings - premium price paid by Amazon to own their own buildings rather than having multiple landlords - per Seattle Times 10/05/12 "Amazon had projected 5 years ago that it would pay $1.5 B in rent, OE, and TI's during the lease terms of the South Lake Union buildings" - reported largest U.S. commercial real estate transaction in 2012 - owner/user all cash transaction - reported 4.7% cap rate
198620	0185 0215	329,341	2584971	$169,950,000	01/16/13	$516	WESTLAKE TERRY - EAST BLDG	SM 160/	2	2	Two 6-story Class A offices – 100% occupied – main office tenants are Group Health HQ's & Microsoft (Group Health & Vulcan were sellers) – 42,700 SF of street-level retail – South Lake Union
197570	0095	114,989	2589231	$28,238,000	02/14/13	$246	LOGAN BLDG	DRC 85-	1	2	10-story Class B+ midrise with 6.8% vacancy & full-service asking rates of $23 - $26/sf - strong retail por.- CBD. Originally built in 1958

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
093900	0260	313,380	2591790	$76,605,111	03/01/13	$244	DEXTER HORTON BUILDING	DMC 340	1	2	15-story Class B+ midrise with 10% vacancy at sale and full-service asking rates of $25 - $32/SF - seismic upgrades and renovations occurred from 2000 - 2006 with $34m spent. Originally built in 1922.
880970	0030 0040	319,844	2595904	$96,900,000	03/27/13	$303	UNION STATION CONDOMINIUM-	IDM-65-	2	2	605 Union is a Class A 9-story midrise with 4.3% vacancy & 625 Union is a Class A 4-story office with 0% vacancy – $20 - $25/sf NNN asking rates – sale includes parking easements in parking condo – Pioneer Square/International District submarket
094200	0590	129,000	2596437	$35,450,000	03/28/13	$275	PACIFIC BLDG	DOC1 U/	1	2	23-story Class A-/B+ CBD high-rise with 18.5% direct vacancy & $28 - $31/SF full-service asking rates as of sale date - renovated in 2009 - off-market transaction - CBD. Originally built in 1970.
766620	2080 2110 2133	299,523	2598722	$142,500,000	04/03/13	$476	ELLIOTT WEST BLDG 3 - CELL THERE	IC-45	3	2	Three - 4 & 5-story Class A+ offices fully leased to F5 Networks with lease from 4/2013 thru 2/2022 at effective base rate for term of $28.12/SF NNN & 2 5-year extensions -cap rate was 5.91%. Located in the waterfront sub-market.
093900	0435	940,648	2608541	$389,800,000	05/31/13	$414	WELLS FARGO CENTER	DOC1 U/	1	2	47 story building was 74% occupied at the time of sale and cap was 4.50%. This is a Leed certified building. This facility has an onsite manager, retail, parking, a conference center, and restaurants.
094200	0550	171,305	2617270	$34,500,000	07/10/13	$201	CENTRAL BUILDING	DOC1 U/	1	2	Class B 8-story history landmark midrise sold with 14% vacancy and $18 - $24/sf full-service asking rates per officespace.com - 29,094 sf street-level retail - bldg renovated from 2002 - 2007 - CBD. Originally built in 1907
197720	0280	131,142	2617334	$71,200,000	07/11/13	$543	MARKET PLACE ONE & TWO	PMM-85	1	2	2 Class A 7 & 4 story midrise with 10.5% vacancy at sale and full-service asking rates of $33 - $35/sf, unobstructed Elliott Bay & Olympic Mtn. views - waterfront sub-market

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
066000	2381	184,691	2621396	$106,407,264	07/31/13	$576	METROPOLITA N PARK NORTH BUILDING	DMC 240	1	2	Class A 11-story office bldg with full occupancy at sale - office space, which is 74% of NRA, will be occcupied by Amazon under lease from 11/13 through 10/23 - large parking structure also serves Met Pk E & W Bldgs - fringe CBD
766620	6895 6900	470,942	2621395	$224,936,666	07/31/13	$478	505 FIRST AVENUE BUILDING	PSM-85-	2	2	Two buildings: Class B+ 8-story 83 King St with allocated price of $49,575,5411 with 17.6% vac & asking rates of $28 - $30/sf full-service & adjacent new Class A 7-story 505 1st Ave Bldg with allocated price of $164,117,195 with 5% vac & NNN asking rates of $20- $25/sf - Seller had previously purchased the properties in 8/11 for $124,825,000
880970	0050	253,769	2625250	$97,893,651	08/20/13	$386	UNION STATION CONDOMINIUM-	IDM-65-	1	2	Class A 11-story midrise sold with 20% vacancy and $20 - $25/sf NNN asking rate - urban campus of 5 bldgs - rent roll includes tech companies Intel, Attachmate, Globys - in proximity to transit hub - International District/Pioneer Square - 5.8% cap rate
198620	0275	130,710	2629321	$97,379,767	09/10/13	$745	202 WESTLAKE - OFFICE SITE	SM 160/	1	2	2013 Class A+ Midrise with office space 100% leased to Amazon from 9/13 for 15 years or 2028 with yearly escalations and with no contraction or termination options - highest unit value of any Seattle metropolitan area office sale in current rising office market - per Kidder Mathews the cap rate was just over 5.1% - per Co-Star the NNN cap rate was 5.26%
093900	0335	295,515	2638206	$66,000,000	10/28/13	$223	EXCHANGE BLDG	DMC 340	1	2	Sale of 10/28/2013 for $66,000,000 - building was 67% leased at time of sale and was considered a high vacancy building. Price was approximately $223 per SF of NRA. Sellers had a broker. The price is 18% less than what the sellers paid for the property in 2007. About 90,000 SF was vacated earlier in 2013 though a full floor lease was pending as of October. Actual cap rate was 3.70%. Originally built in 1929

Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par Ct	Ver Code	Remarks
066000	1135	312,700	2646910	$150,375,000	12/23/13	$481	1800 9TH AVENUE BUILDING	DMC 340	1	2	Building sold at 5% cap rate and was 97% leased at time of sale with Amazon occupying 200,000 SF in early 2013. This building was purchased from Regence in 2011 for $76.5 million though it was less than 40% occupied then. A major renovation was done before the building was put up for sale
766620	6220	106,496	2648608	$27,675,000	12/24/13	$260	ZULILY 0FFICE BUILDING - OLD OLY	IG2 U/8	1	2	This was a single tenant building that was entirely occupied by Zulily. It was renovated in 1999. The building was 100% leased at the time of sale though the lease expired June 2013 and buyers were aware it would be completely vacant by July 2014. Zulily was relocating to the Seattle Trade & Technology building. This was an all cash, off market deal with a 45 day escrow. Originally built in 1900

Verification Code # 2 indicates a market sale

USPAP Compliance

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

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

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

Highest and Best Use

RCW 84.40.030

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

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

WAC 458-07-030 (3) True and fair value -- Highest and best use.

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

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922))

The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

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

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

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

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

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

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

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

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

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

Assumptions and Limiting Conditions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Scope of Work Performed:

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

Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

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

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

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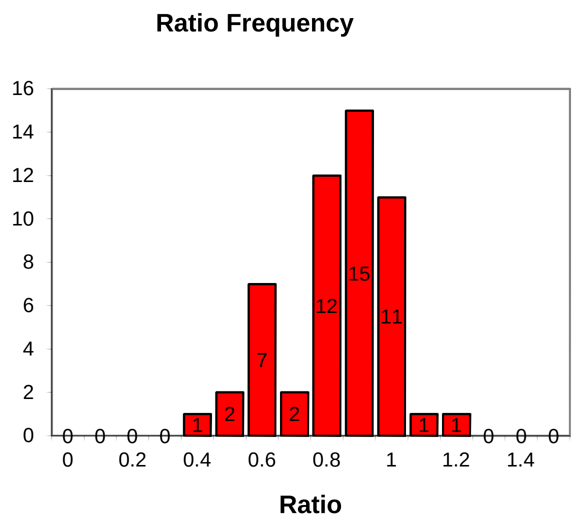
Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
701535-0020	32,793,000	34,000,000	3/28/2011	0.9645	0.1545
154410-0219	194,716,000	217,227,320	6/3/2011	0.8964	0.0863
222406-9044	32,000,000	32,000,000	6/28/2011	1.0000	0.1900
766620-6895	117,516,000	124,825,000	8/8/2011	0.9414	0.1314
066000-0650	311,190,900	350,108,054	8/10/2011	0.8888	0.0788
228505-0010	111,509,000	129,310,690	8/10/2011	0.8623	0.0523
065900-0040	63,119,000	119,400,000	8/17/2011	0.5286	0.2814
197520-0005	30,237,000	30,450,000	8/24/2011	0.9930	0.1830
334040-4006	34,623,900	35,250,000	11/1/2011	0.9822	0.1722
094200-0030	175,731,000	185,970,909	2/23/2012	0.9449	0.1349
065900-0165	138,118,000	137,000,000	4/2/2012	1.0082	0.1981
918450-0020	417,860,000	480,000,000	4/20/2012	0.8705	0.0605
065900-0555	45,889,000	54,765,150	5/24/2012	0.8379	0.0279
020900-0050	43,416,000	49,050,000	5/30/2012	0.8851	0.0751
197320-0389	33,391,000	39,000,000	6/1/2012	0.8562	0.0461
066000-2054	90,186,000	98,180,069	6/4/2012	0.9186	0.1085
066000-2410	100,593,000	111,815,931	6/4/2012	0.8996	0.0896
215465-0050	15,843,000	17,050,607	6/20/2012	0.9292	0.1191
322505-9016	166,598,000	186,990,000	7/24/2012	0.8909	0.0809
322505-9066	192,002,000	228,765,000	8/21/2012	0.8393	0.0293
012204-9110	46,162,700	46,245,000	9/4/2012	0.9982	0.1882
197470-0120	436,367,000	548,784,720	10/25/2012	0.7952	0.0149
322505-9058	298,208,700	374,650,000	11/2/2012	0.7960	0.0141
215465-0080	19,758,000	19,760,000	11/20/2012	0.9999	0.1899
065900-0750	225,406,000	278,680,000	11/28/2012	0.8088	0.0012
859040-0395	81,784,400	99,964,000	12/18/2012	0.8181	0.0081
198320-0150	53,782,000	75,891,506	12/21/2012	0.7087	0.1014
198320-0290	151,959,600	218,373,230	12/21/2012	0.6959	0.1142
198320-0325	133,085,300	177,769,223	12/21/2012	0.7486	0.0614
198320-0585	82,392,000	110,233,937	12/21/2012	0.7474	0.0626
198620-0350	158,151,200	209,206,999	12/21/2012	0.7560	0.0541
198620-0410	263,022,000	362,794,185	12/21/2012	0.7250	0.0851
198620-0185	137,873,000	169,950,000	1/16/2013	0.8113	0.0012
197570-0095	22,341,000	28,238,000	2/14/2013	0.7912	0.0189
093900-0260	63,158,000	76,605,111	3/1/2013	0.8245	0.0144
880970-0030	77,529,000	96,900,000	3/27/2013	0.8001	0.0100
094200-0590	32,229,000	35,450,000	3/28/2013	0.9091	0.0991
766620-2080	109,442,000	142,500,000	4/3/2013	0.7680	0.0420
610845-0130	469,000	607,608	4/15/2013	0.7719	0.0382
093900-0435	223,668,000	389,800,000	5/31/2013	0.5738	0.2362
094200-0550	25,659,000	34,500,000	7/10/2013	0.7437	0.0663
197720-0280	41,731,000	71,200,000	7/11/2013	0.5861	0.2239
066000-2381	57,914,000	106,407,264	7/31/2013	0.5443	0.2658
766620-6900	117,516,000	224,936,666	7/31/2013	0.5224	0.2876
880970-0050	47,953,000	97,893,651	8/20/2013	0.4898	0.3202
198620-0275	37,956,000	97,379,767	9/10/2013	0.3898	0.4203

392700-0270	20,937,400	26,312,014	10/15/2013	0.7957	0.0143
093900-0335	41,944,000	66,000,000	10/28/2013	0.6355	0.1745
012204-9012	19,985,000	17,600,000	12/19/2013	1.1355	0.3255
066000-1135	70,159,000	150,375,000	12/23/2013	0.4666	0.3435
766620-6220	16,400,000	27,675,000	12/24/2013	0.5926	0.2175
292505-9357	101,649,000	186,500,000	1/14/2014	0.5450	0.2650

Area 280 - MAJOR OFFICES
2014 Assessment Year

Quadrant/Crew:	*Appr date :*	*Date:*	*Sales Dates:*
East Crew	**1/1/2013**	**6/20/2014**	**1/1/11 - 05/31/14**
Area	*Appr ID:*	*Prop Type:*	*Trend used?: Y / N*
280	**RUPE**	**Improvement**	**N**

SAMPLE STATISTICS	
Sample size (n)	52
Mean Assessed Value	106,998,500
Mean Sales Price	139,045,000
Standard Deviation AV	99,476,358
Standard Deviation SP	124,400,424
ASSESSMENT LEVEL	
Arithmetic mean ratio	0.793
Median Ratio	0.810
Weighted Mean Ratio	0.770
UNIFORMITY	
Lowest ratio	0.3898
Highest ratio:	1.1355
Coeffient of Dispersion	15.62%
Standard Deviation	0.1641
Coefficient of Variation	20.70%
Price-related Differential	1.03
RELIABILITY	
95% Confidence: Median	
Lower limit	0.768
Upper limit	0.871
95% Confidence: Mean	
Lower limit	0.748
Upper limit	0.838
SAMPLE SIZE EVALUATION	
N (population size)	221
B (acceptable error - in decimal)	0.05
S (estimated from this sample)	0.1641
Recommended minimum:	36
Actual sample size:	52
Conclusion:	OK
NORMALITY	
Binomial Test	
# ratios below mean:	21
# ratios above mean:	31
z:	1.248075442
Conclusion:	***Normal****
*i.e., no evidence of non-normality	



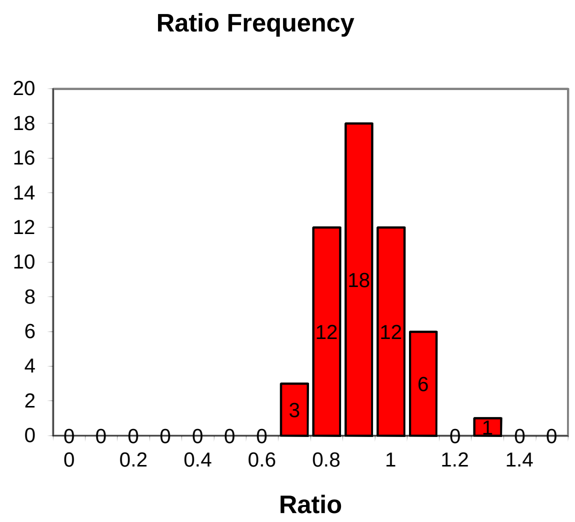
These figures reflect measurements before posting new values.

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
701535-0020	33,806,000	34,000,000	3/28/2011	0.9943	0.1258
154410-0219	199,953,000	217,227,320	6/3/2011	0.9205	0.0520
222406-9044	34,167,700	32,000,000	6/28/2011	1.0677	0.1993
766620-6895	153,845,000	124,825,000	8/8/2011	1.2325	0.3640
066000-0650	320,128,000	350,108,054	8/10/2011	0.9144	0.0459
228505-0010	113,137,000	129,310,690	8/10/2011	0.8749	0.0065
065900-0040	103,907,000	119,400,000	8/17/2011	0.8702	0.0018
197520-0005	30,969,000	30,450,000	8/24/2011	1.0170	0.1486
334040-4006	35,028,800	35,250,000	11/1/2011	0.9937	0.1253
094200-0030	182,491,400	185,970,909	2/23/2012	0.9813	0.1128
065900-0165	138,542,000	137,000,000	4/2/2012	1.0113	0.1428
918450-0020	425,081,000	480,000,000	4/20/2012	0.8856	0.0171
065900-0555	48,512,000	54,765,150	5/24/2012	0.8858	0.0174
020900-0050	48,316,300	49,050,000	5/30/2012	0.9850	0.1166
197320-0389	35,714,000	39,000,000	6/1/2012	0.9157	0.0473
066000-2054	91,024,000	98,180,069	6/4/2012	0.9271	0.0587
066000-2410	102,238,000	111,815,931	6/4/2012	0.9143	0.0459
215465-0050	16,448,900	17,050,607	6/20/2012	0.9647	0.0963
322505-9016	170,921,000	186,990,000	7/24/2012	0.9141	0.0456
322505-9066	198,262,700	228,765,000	8/21/2012	0.8667	0.0018
012204-9110	46,277,300	46,245,000	9/4/2012	1.0007	0.1322
197470-0120	457,522,000	548,784,720	10/25/2012	0.8337	0.0348
322505-9058	319,558,400	374,650,000	11/2/2012	0.8530	0.0155
215465-0080	20,357,700	19,760,000	11/20/2012	1.0302	0.1618
065900-0750	239,945,000	278,680,000	11/28/2012	0.8610	0.0074
859040-0395	86,209,000	99,964,000	12/18/2012	0.8624	0.0061
198320-0150	55,828,000	75,891,506	12/21/2012	0.7356	0.1328
198320-0290	158,193,000	218,373,230	12/21/2012	0.7244	0.1440
198320-0325	140,160,100	177,769,223	12/21/2012	0.7884	0.0800
198320-0585	85,931,000	110,233,937	12/21/2012	0.7795	0.0889
198620-0350	163,847,000	209,206,999	12/21/2012	0.7832	0.0853
198620-0410	272,328,700	362,794,185	12/21/2012	0.7506	0.1178
198620-0185	147,076,000	169,950,000	1/16/2013	0.8654	0.0030
197570-0095	23,876,000	28,238,000	2/14/2013	0.8455	0.0229
093900-0260	67,256,000	76,605,111	3/1/2013	0.8780	0.0095
880970-0030	86,693,000	96,900,000	3/27/2013	0.8947	0.0262
094200-0590	32,868,000	35,450,000	3/28/2013	0.9272	0.0587
766620-2080	119,382,000	142,500,000	4/3/2013	0.8378	0.0307
610845-0130	482,100	607,608	4/15/2013	0.7934	0.0750
093900-0435	284,532,000	389,800,000	5/31/2013	0.7299	0.1385
094200-0550	27,539,000	34,500,000	7/10/2013	0.7982	0.0702
197720-0280	51,220,000	71,200,000	7/11/2013	0.7194	0.1491
066000-2381	78,889,000	106,407,264	7/31/2013	0.7414	0.1271
766620-6900	153,845,000	224,936,666	7/31/2013	0.6839	0.1845
880970-0050	69,069,000	97,893,651	8/20/2013	0.7056	0.1629
198620-0275	65,791,000	97,379,767	9/10/2013	0.6756	0.1928

392700-0270	23,221,200	26,312,014	10/15/2013	0.8825	0.0141
093900-0335	55,820,000	66,000,000	10/28/2013	0.8458	0.0227
012204-9012	18,985,800	17,600,000	12/19/2013	1.0787	0.2103
066000-1135	123,083,000	150,375,000	12/23/2013	0.8185	0.0499
766620-6220	22,405,000	27,675,000	12/24/2013	0.8096	0.0589
292505-9357	114,639,100	186,500,000	1/14/2014	0.6147	0.2538

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
East Crew	**1/1/2014**	**6/20/2014**	**1/1/11 - 05/31/14**
Area	*Appr ID:*	*Prop Type:*	*Trend used?: Y / N*
280	**RUPE**	**Improvement**	**N**

SAMPLE STATISTICS	
Sample size (n)	52
Mean Assessed Value	117,217,700
Mean Sales Price	139,045,000
Standard Deviation AV	103,594,967
Standard Deviation SP	124,400,424
ASSESSMENT LEVEL	
Arithmetic mean ratio	0.871
Median Ratio	0.868
Weighted Mean Ratio	0.843
UNIFORMITY	
Lowest ratio	0.6147
Highest ratio:	1.2325
Coeffient of Dispersion	10.27%
Standard Deviation	0.1174
Coefficient of Variation	13.48%
Price-related Differential	1.03
RELIABILITY	
95% Confidence: Median	
Lower limit	0.838
Upper limit	0.914
95% Confidence: Mean	
Lower limit	0.839
Upper limit	0.903
SAMPLE SIZE EVALUATION	
N (population size)	221
B (acceptable error - in decimal)	0.05
S (estimated from this sample)	0.1174
Recommended minimum:	20
Actual sample size:	52
Conclusion:	OK
NORMALITY	
Binomial Test	
# ratios below mean:	27
# ratios above mean:	25
z:	0.138675049
Conclusion:	***Normal****
*i.e., no evidence of non-normality	

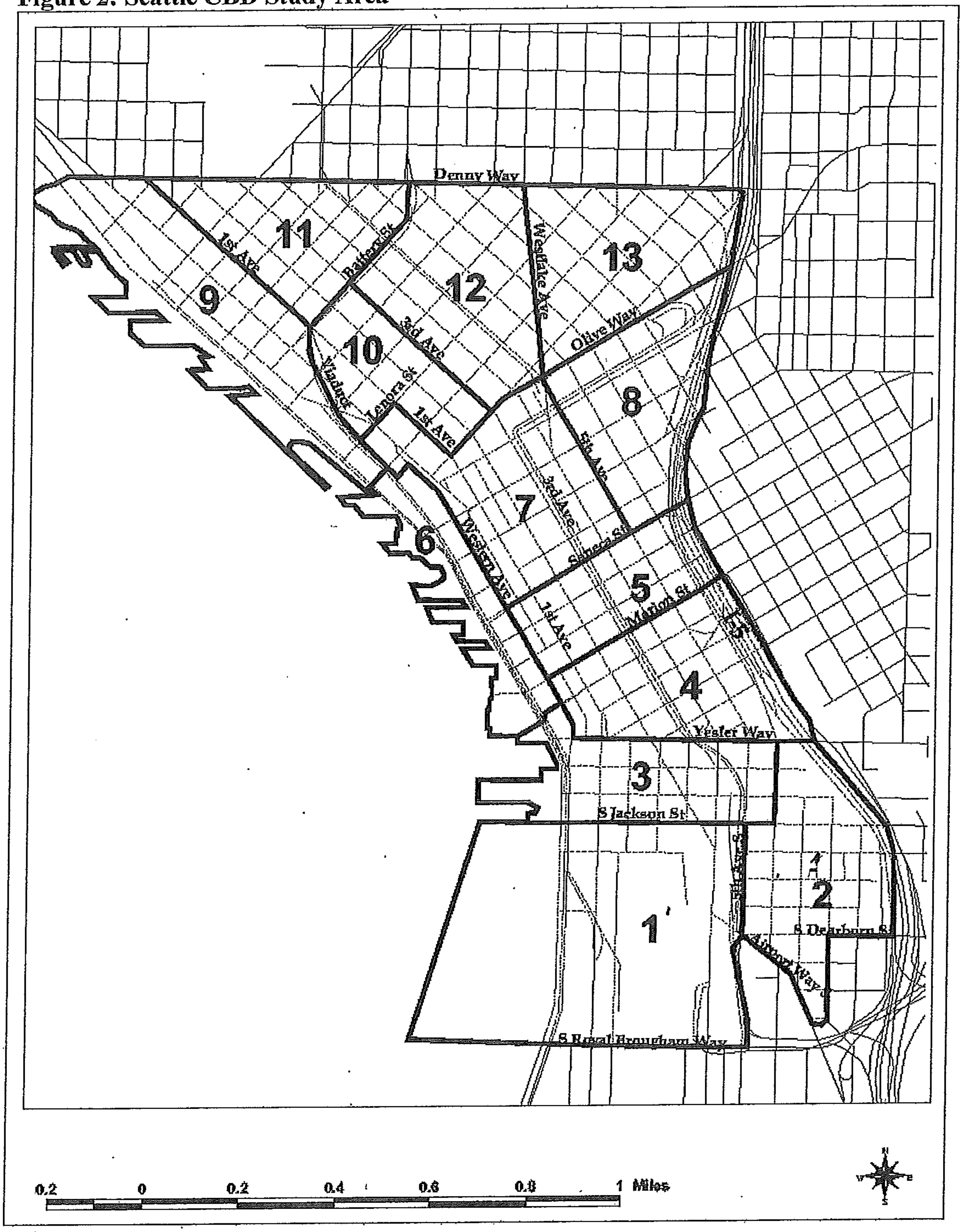


These figures reflect measurements after posting new values.

Improvement Sales for Area 280 with Sales not Used 08/20/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	000	131830	0020	101,252	2485411	$5,068,805	03/21/11	$50.06	Legacy Corporate Center Redmond	BP	1	31	Exempt from excise tax
280	000	131830	0020	101,252	2490025	$14,179,900	05/02/11	$140.05	Legacy Corporate Center Redmond	BP	1	61	Financial institution resale
280	020	065900	0930	156,737	2513870	$25,000	10/13/11	$0.16	Active Voice Building (formerly Sixth & Len	DOC2 500/300-500	1	24	Easement or right-of-way
280	020	065900	0930	156,737	2513896	$25,000	10/13/11	$0.16	Active Voice Building (formerly Sixth & Len	DOC2 500/300-500	1	24	Easement or right-of-way
280	020	065900	0930	156,737	2513898	$50,000	10/13/11	$0.32	Active Voice Building (formerly Sixth & Len	DOC2 500/300-500	1	24	Easement or right-of-way
280	000	524780	0200	128,774	2523835	$1,458,859	12/16/11	$11.33	MERRILL PLACE	PSM 100/100-120	4	22	Partial interest (1/3, 1/2, etc.)
280	000	524780	0200	220,461	2523826	$23,933,674	12/21/11	$108.56	MERRILL PLACE	PSM 100/100-120	4	22	Partial interest (1/3, 1/2, etc.)
280	000	524780	0200	128,774	2523832	$675,962	12/22/11	$5.25	MERRILL PLACE	PSM 100/100-120	4	22	Partial interest (1/3, 1/2, etc.)
280	000	066000	2381	184,691	2535062	$61,000,000	03/23/12	$330.28	METROPOLITAN PARK NORTH BUILDIN(	DMC 240/290-400	1	63	Sale price updated by sales id group
280	020	093900	0060	256,481	2536294	$36,795,000	03/29/12	$143.46	SMITH TOWER	PSM-245	2	62	Auction sale
280	000	766620	2515	128,763	2577606	$97,000	11/29/12	$0.75	NATIONAL BUILDING	DMC-160	1	63	Sale price updated by sales id group
280	020	094200	0550	171,305	2605257	$227,250	05/15/13	$1.33	CENTRAL BUILDING	DOC1 U/450/U	1	43	Development rights parcel to prvt se
280	000	069600	0175	196,487	2633955	$160,000	09/10/13	$0.81	5TH & BELL BUILDING	DMR/C 240/125	1	66	Condemnation/eminent domain

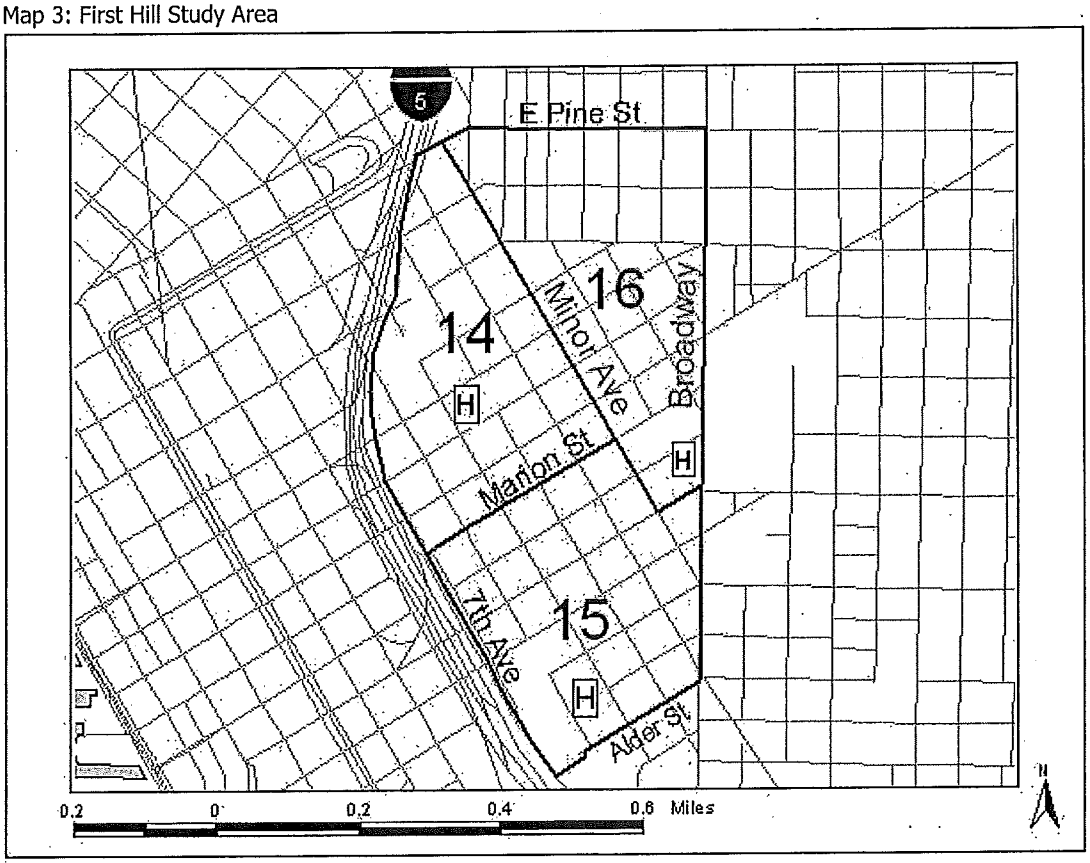
Figure 2: Seattle CBD Study Area



Study Area - Parking Neighborhoods

The First Hill study area consists of 212 acres and is bordered by E. Pine Street to the north, Broadway to the east, Alder Street to the south and I-5 to the west (Map 3). First Hill is made up of three zones, 14, 15 and 16. Only that portion of First Hill that provides parking for the CBD or includes the major medical complexes is included in the study area. This study area contains some of the major medical facilities in the region including Swedish Hospital (Zone 16), Virginia Mason Hospital (Zone 14) and Harborview Medical Center (Zone 15).

Map 3: First Hill Study Area



Parking Availability

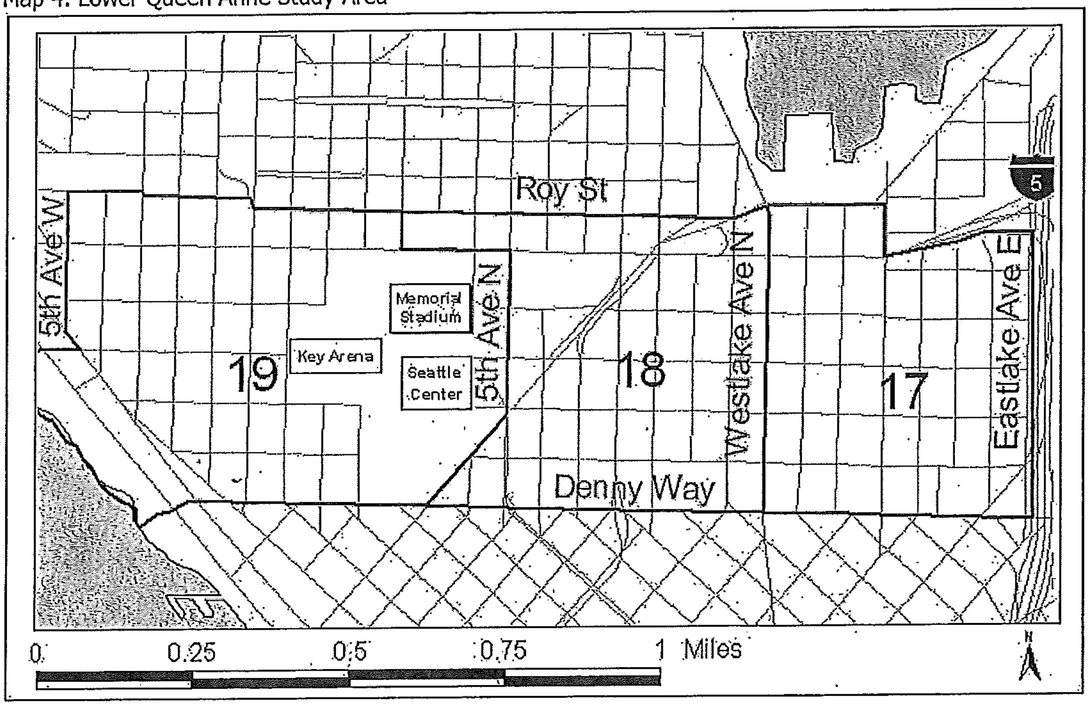
Parking stalls within the First Hill study area decreased by an average annual rate of 2.5 percent between 2002 and 2004, a total change of 5 percent (Table 8). This continued the trend seen between 1999 and 2002, when the First Hill area lost a total of 7.7 percent of its parking stalls.

The zone that experienced the largest decrease in parking stalls between 2002 and 2004 was Zone 14. This zone lost 14.2 percent, amounting to a total of 565 stalls. Zone 16 was the only zone in the First Hill study area to gain stalls between 2002 and 2004, with an increase of 2.9 percent. However, this zone had been losing parking options between 1996 and 2002.

Study Area

Map 4 shows the lower Queen Anne study area. This area is made up of three zones, 17, 18 and 19, and extends from I-5 on the east to Elliott Bay on the west, Denny Way on the south to Roy, Valley and Mercer streets on the north. Lower Queen Anne includes Seattle Center, the Key Arena and Memorial Stadium, facilities that require abundant parking supplies.

Map 4: Lower Queen Anne Study Area



Parking Availability

The lower Queen Anne study area had a total of 15,959 parking stalls in 2004 (Table 15). Overall, this study area had a total of 43.8 stalls per acre (Table 16). Available parking stalls, however, have decreased since 2002 by 7.3 percent. All three Queen Anne zones experienced a loss in parking stalls.

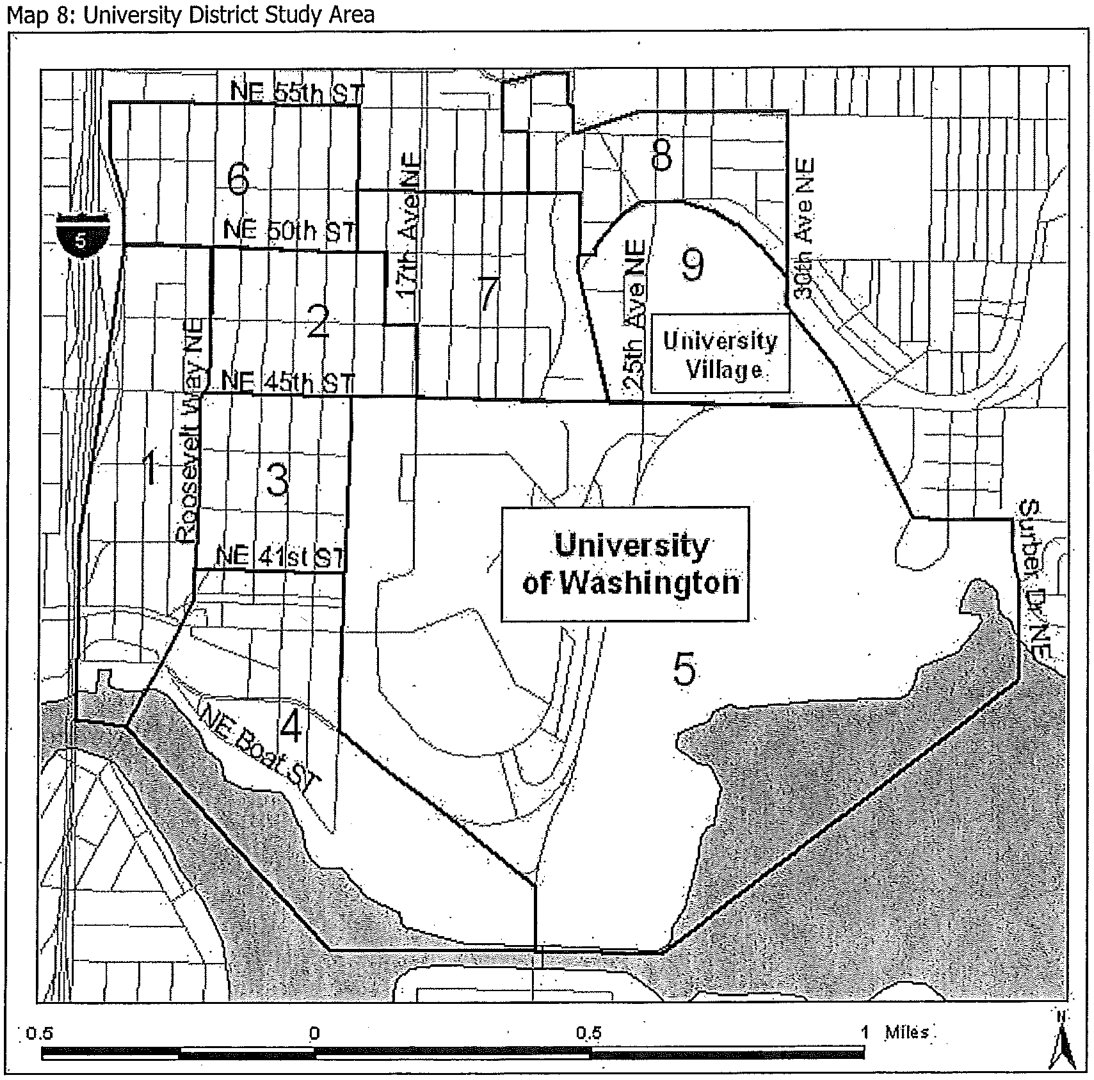
Table 15: Lower Queen Anne Parking Stalls, 1996-2004

Zone	1996	1999	Annual Change 96-99	Total Change 96-99	2002	Annual Change 99-02	Total Change 99-02	2004	Annual Change 02-04	Total Change 02-04
17	4,289	4,108	-1.4%	-4.2%	4,406	2.4%	7.3%	4,240	-1.9%	-3.8%
18	5,830	5,819	-0.1%	-0.2%	5,830	0.1%	0.2%	5,561	-2.3%	-4.6%
19	6,810	6,555	-1.3%	-3.7%	6,982	2.1%	6.5%	6,158	-6.1%	-11.8%
Queen Anne Total	16,929	16,482	-0.9%	-2.6%	17,218	1.5%	4.5%	15,959	-3.7%	-7.3%

Study Area

The University District study area was expanded this year to coincide with Urban Center boundaries. This expansion added 4 more zones, 6 through 9, and includes the University Village, an area with abundant customer parking. The University District study area is 1,198 acres. Fifty-fifth and 52nd streets bound the study area to the north, I-5 to the west, Mary Gates Memorial Drive and NE Surber Drive to the east and Pacific and NE Boat Street to the south (Map 8). Zone 5 contains the University of Washington and Zone 9, University Village.

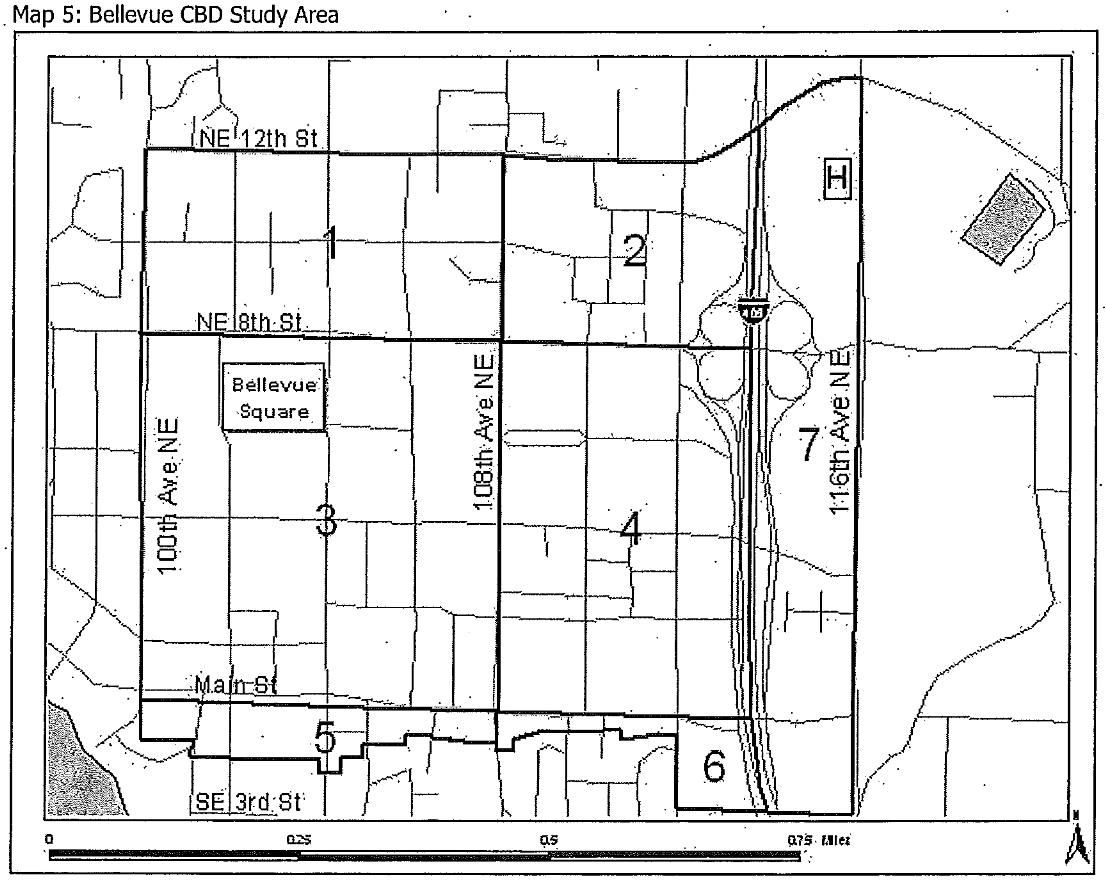
Map 8: University District Study Area



Study Area

The Bellevue CBD study area contains 539 acres. This area is bounded by 100th Ave NE to the west, NE 12th to the north, 116th Ave NE to the east and Main Street to the south. The Bellevue CBD study area contains the Bellevue Square Mall and Overlake Hospital. The survey included all businesses on the south side of Main Street that have access to that street and are an integral part of the downtown district.

Map 5: Bellevue CBD Study Area



Parking Availability

Available parking stalls within the Bellevue CBD have been increasing since 1999 (Table 22). Between 1999 and 2004, Bellevue added a total of 4,804 stalls, a 15.8 percent increase. Between 2002 and 2004, Zone 2 had the greatest increase in parking stalls. This zone increased by 63.2 percent, an average annual rate of 8.5 percent. This zone also had a moderately high stall to acre ratio, with 66.9 (Table 23). Zone 4 also had a high increase in stalls, at 19.3 percent. Zone 4 went from 7,089 stalls in 2002, to 8,454 n 2004, a gain of 1,365. Zone 5 had the highest decrease in stalls with a loss of 8.1 percent. This zone decreased by 58 stalls.

PHYSICAL INSPECTION PARCELS

Spec Area	Spec Nbhd	Major	Minor	Property Name	Address Line	District Name
280	60	012204	9012	The Creeksides at CenterPoint	20415 72ND AVE S	KENT
280	60	012204	9110	Center point Corporate Park	6811 S 204TH ST	KENT
280	60	030150	0120	ZONES OFFICE BLDG	1102 15TH ST SW	AUBURN
280	60	030150	0160	AUBURN CORPORATE CENTER II	1002 15TH ST SW	AUBURN
280	60	042304	9190	Riverfront Technical Park	2811 S 102ND ST	TUKWILA
280	60	114200	0530	ROOSEVELT COMMONS (U. of W. TENANT)	4311 11TH AVE NE	SEATTLE
280	60	114200	0550	ROOSEVELT COMMONS (Safeco - tenant)	4300 ROOSEVELT WAY NE	SEATTLE
280	60	131830	0020	MARYMOOR TECHNOLOGY CENTER	18300 REDMOND-FALL CITY RD	REDMOND
280	60	189570	0010	Center Point Corporate Park	20819 72ND AVE S	KENT
280	60	189570	0030	CENTER POINT CORP PARK	20829 72ND AVE S	KENT
280	60	192305	9001	TRITON TOWER TWO	700 S RENTON VILLAGE PL	RENTON
280	60	192305	9013	SOUTHGATE OFFICE PLAZA II	2001 LIND AVE SW	RENTON
280	60	192305	9023	TRITON TOWER THREE	707 S GRADY WAY	RENTON
280	60	192305	9076	SOUTHGATE OFFICE PLAZA I	2201 LIND AVE SW	RENTON
280	60	212104	9002	WEYERHAEUSER CORPORATE HEADQUARTER	33663 WEYERHAEUSER WAY S	FEDERAL WAY
280	60	215465	0010	EAST CAMPUS CORPORATE PARK I	32001 32ND AVE S	FEDERAL WAY
280	60	215465	0050	I-5 TECHNOLOGY CENTER (former East Campus II)	32125 32ND AVE S	FEDERAL WAY
280	60	215465	0080	32275 32ND AVENUE SOUTH - former WEYERHAEU	32275 32ND AVE S	FEDERAL WAY
280	60	222104	9006	EAST CAMPUS CORPORATE PARK VI	3455 S 344TH ST	FEDERAL WAY
280	60	222104	9031	WORLD VISION HEADQUARTERS	34834 WEYERHAEUSER WAY S	FEDERAL WAY
280	60	222406	9044	EASTPOINTE CORPORATE CENTER	22833 SE BLACK NUGGET RD	ISSAQUAH
280	60	243490	0010	NORTHGATE EXECUTIVE CENTER I	155 NE 100TH ST	SEATTLE
280	60	243490	0020	NORTHGATE EXECUTIVE CENTER II	9725 3RD AVE NE	SEATTLE
280	60	243490	0030	NORTHGATE PLAZA	9709 3RD AVE NE	SEATTLE
280	60	271600	0075	BOEING EMPLOYEES CREDIT UNION	12770 GATEWAY DR S	TUKWILA
280	60	282406	9363	Maple Street Office Bldg	1180 NW MAPLE ST	ISSAQUAH
280	60	320570	0000	HC ISSAQUAH		ISSAQUAH
280	60	322604	9177	NORTHWEST OUTPATIENT MEDICAL CENTER	10330 MERIDIAN AVE N	SEATTLE
280	60	332304	9001	SEA TAC TOWER OFFICE BLDG	18000 PACIFIC HWY S	SEA-TAC
280	60	334040	3320	LANDMARK WEST BLDG	1600 LIND AVE SW	RENTON
280	60	334040	3340	EC. UNIT OF LANDMARK EAST	1601 EAST VALLEY RD	RENTON
280	60	334040	3341	LANDMARK EAST	1601 EAST VALLEY RD	RENTON
280	60	334040	4000	VALLEY OFFICE PARK	1801 LIND AVE SW	RENTON
280	60	334040	4006	FAA OFFICE BLDG	1601 LIND AVE SW	RENTON
280	60	355750	0270	Costco Offices (3 bldgs)	1045 LAKE DR	ISSAQUAH
280	60	357320	0975	FEDERAL CENTER SOUTH	4735 EAST MARGINAL WAY S	SEATTLE
280	60	362930	0010	Parking for Maple Street Bldg	1185 NW MAPLE ST	ISSAQUAH
280	60	392700	0270	SCHNITZER NORTH CREEK BUILDING A	11724 NE 195TH ST	BOTHELL
280	60	392700	0280	EC LAND PARCEL- SCHNITZER N.CK BLDG A	19611 NORTH CREEK PKWY	BOTHELL
280	60	392700	0290	EC LAND PARCEL - OF SCHNITZER N.CK BLDG A	11800 NE 195TH ST	BOTHELL
280	60	697920	0050	PLAZA AT NORTH CREEK	18911 NORTH CREEK PKWY	BOTHELL
280	60	720241	0100	REDMOND TOWN CENTER (ATT OFFICE)	16331 NE 72ND WAY	REDMOND
280	60	720241	0150	REDMOND TOWN CENTER OFFICE BLDGS - Microso	7332 166TH AVE NE	REDMOND
280	60	723160	0542	TRITON TOWER ONE	555 S RENTON VILLAGE PL	RENTON
280	60	723160	0595	associated surface pkg lot for Two Renton Place	905 TALBOT RD S	RENTON
280	60	734060	0602	US DEPT. OF HOMELAND SECURITY BUILDING	12500 INTERNATIONAL BLVD	TUKWILA
280	60	788150	0200	WEST SEATTLE CORPORATE CENTER	4025 DELRIDGE WAY SW	SEATTLE
280	60	788260	0120	GOOGLE KIRKLAND PH II	451 7TH AVE S	KIRKLAND
280	60	788260	0180	Google Kirkland	777 6TH ST S	KIRKLAND
280	60	926500	0040	VACANT LAND	33520 6TH AVE S	FEDERAL WAY
280	60	926500	0050	VACANT LAND	650 S 335TH ST	FEDERAL WAY
280	60	926500	0060	EVERGREEN CORPORATE PLAZA (former Weyerhaus	33405 8TH AVE S	FEDERAL WAY