

Executive Summary Report

Appraisal Date 1/1/02 -2002 Assessment Roll

Specialty Name: Business Parks

Sales – Improved Analysis Summary:

Number of Sales -19

Range of Sales Dates: 2/25/1999 – 8/27/01

Sales – Ratio Study Summary:				
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	Avg. Improved Value	Sale Price	Ratio	COV
2001 Value	6,760,400	7,307,300	.925	13.34
2002 Value	6,412,800	7,307,300	.878	11.67
Change	-347,600	0	-.812	-1.67
% Change	-5.14%	0	-5.08%	-12.52%

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

Sales used in Analysis: All sales verified as good were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2001 Value	253,383,800	623,162,450	876,546,250
2002 Value	280,096,300	561,378,800	841,475,100
Percent Change	10.5%	-11.0%	-4.2%

Number of Parcels in the Population: 222

Conclusion and Recommendation:

No new sales occurred between August 27th, 2001 and May 31st, 2002. During this time vacancies have increased, rents have softened, and owners are offering rent and move in incentives. Korpacz Real Estate Investor Survey 4th Quarter 2002 estimates that for the National Industrial market, overall cap rates increased from an average of 9.08% to 9.25%. The impact of the national and regional economy on King Counties Business Park properties has been considered in the 2002 assessment. The terrorist events of September 11, 2001 as well as changes in the travel, software, high tech and aircraft manufacturing businesses have been considered. Applying these lower assessed values to the 19 sales (all of which occurred before September 11th) caused the level of assessment (or ratio) to decline from 92.5% to 87.8%. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. As a result total assessed value from 2001 to 2002 has decreased by 4.2%.

Since the values recommended in this report improve uniformity, and equity, we recommend posting them for the 2002 Assessment Roll.

Analysis Process

Specialty and Responsible Appraiser

Specialty Areas – 520 Business Parks

The following Appraiser did the valuation for this specialty:

Name: Kent Walter – Job Title: Commercial Senior Appraiser

Highest and Best Use Analysis

As if vacant: Market analyses of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find that the current improvements do add value to the property, in most cases, and therefore are 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 token value of \$1,000.00 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 1/99 to 12/01 (at minimum) were considered in all analyses.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of two years of market information without time adjustments averaged any net changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

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:

The Business Park Specialty Properties are defined as being mostly multi-tenant properties and are generally of a low-rise architectural style with twelve to sixteen foot building heights. The frontage or street exposure tends to have the glass curtain wall and entry to the office space. The rear of the buildings has the roll up doors and access to the warehouse and/or light industrial space. They are also defined by their build-out ratio which is below the 40%, typical of High-Tech, and above the minimal 15% to 20% office build out typical of distribution warehousing and light industrial uses. The concentration of Business Parks is in the Kent Valley (Kent, Auburn, & Tukwila) and the Sammamish Valley (Redmond & Woodinville) with a scattering of properties around King County in Bellevue, Renton, Issaquah, Preston, and the South Seattle Industrial area. There are four neighborhoods that have been established for valuation purposes in this specialty. Neighborhood 520-10 is primarily Bothell, Woodinville, the Willows area of Redmond, and portions of Bellevue. The second neighborhood is 520-20, which generally encompasses properties in Totem Lake, Overlake, and portions of Bellevue and Renton. The third neighborhood is 520-30, which includes the cities of Kent, Auburn, Tukwila, and Federal Way. The fourth neighborhood is the South Seattle Industrial area.

The impact of the national and regional economy on King Counties Business Park properties has been considered in the 2002 assessment. The terrorist events of September 11, 2001 as well as changes in the travel, software, high tech and aircraft manufacturing businesses have been considered. While sales activity over several years has been analyzed, primary consideration was given to current economic conditions including vacancy and lease rates. No new sales of business park properties occurred after 8/27/01 and through 5/31/02. As a result assessed value to sales price has declined from .925 to .878. In all cases, properties were valued uniformly with similar properties.

According to CB Richard Ellis 4th Quarter 2001 Industrial Market Brief for the Puget Sound Area:

Puget Sound Industrial vacancies increased from a low of 3.04 percent (4th qtr 2000) to 5.35 percent (does not include the sublease market). The Eastside market vacancy increased to 9.82% while the Kent Valley increased to 5.69 percent. The Seattle close in market has a vacancy rate of 1.54%.

In the February 4th issue of the Puget Sound Business Journal, Colliers International reports that “industrial vacancies in the Kent Valley climbed to 11 percent in the fourth quarter of 2001”.

Brian Dennehy, a broker with Grubb & Ellis states in the April 1st, 2002 issue of the Puget Sound Business Journal that “Vacancy is 8 percent or higher”.

The physical inspection area for the 2002 revalue consisted of the Business Park sales, rental comparables, and a portion of the Business Parks located in neighborhood 30 which amounted to a total of approximately 30% of the Business Parks in King County.

Preliminary Ratio Analysis

A Preliminary Ratio Study was done 6-17-02. The study included sales of improved parcels and showed a COV of 13.34% and a weighted-mean ratio of 92.5%.

Land Value

Land Sales, Analysis, Conclusions

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on four data sources from the Assessor's records; occupancy codes, age, quality, size, and location. There were 19 improved sales within the Business Park Specialty dating from 2/25/99 to 8/27/2001 and considered fair market transactions. These sales were organized by neighborhood. Because of the limited number of comparable sales the sales comparison approach was not used exclusively. These 19 sales were used though in the development of capitalization, rental, expense, and vacancy rates within the income approach. All sales were verified if possible by calling or written inquiry with either the purchaser or seller, inquires in the field, various publications, or calling the real estate agent. Characteristic data was verified for all sales if possible.

Sales comparison calibration

The search for comparable sales was within each economic neighborhood and expanded to include the surrounding neighborhoods within the geographic area. Location, quality, sizes, occupancy use, and effective age were factors considered for adjustment.

Cost approach model description

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used to automatically calculate cost estimates for all properties. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Cost estimates were also relied upon for special use properties where limited or no income data or market data exists.

Cost calibration

The Marshall & Swift Valuation modeling system built into the Real Property Application is calibrated to the western region and the Seattle area. Depreciation is also based on studies done by Marshall & Swift Valuation Service.

Income capitalization approach model description

The economic income driven mass appraisal model was used as the primary valuation method.

The Business Park Specialty Properties in King County are divided into four neighborhoods 520-10, 520-20, 520-30, and 520-40. The model consists of economic rent tables for the types of interior space that are typically found in these properties. Economic income information was collected predominately from the market place. Other sources of income information include but are not limited to sales reporting services such as "Costar", data collected in the field (both asking and actual rates), fee appraisals, journals and publications. Economic income tables were then developed to perform an income approach for the Business Parks. These economic income tables are contained at the end of this report.

According to CB Richard Ellis 4th Quarter 2001 Industrial Market Brief for the Puget Sound Area:

Their survey and analysis indicates that for the Eastside industrial market warehouse shell space rents between \$5.40 to \$7.80 per year per square-foot and the office space in these industrial buildings rent between \$12.00 to \$15.60. In the Kent Valley, warehouse shell space indicates rental rates from \$3.36 to \$5.40 per square foot per year and that office space in these industrial buildings rents from \$6.00 to \$9.00.

Per PricewaterhouseCoopers - Korpacz Real Estate Investor Survey, 1st^h Quarter 2002, states that the National Industrial Market, overall capitalization rates range from 8 to 11% with the average being 9.25%. Last year the average was 9.08 % or a change of .17 percent.

The models that are used for this revaluation are based on the building size parameters specific to the specialty and are dependent on effective age and quality data. Vacancy rate, expense rate and capitalization rate ranges were interpolated from data obtained from the market.

AREA 520-10

The rental rates per square foot range from \$12 to \$15.60 for the warehouse office space and \$5.40 to \$7.20 per square foot for warehouse space. The vacancy and expense rates are constant at 8.5% and 10% for all properties respectively. The market capitalization rates range from 8.25% to 10.25%.

AREA 520-20:

The rental rates per square foot range from \$12 to \$15.00 for the warehouse office space and \$6.00 to \$7.80 per square foot for warehouse space. The vacancy and expense rates are constant at 13% and 10% for all properties respectively. The market capitalization rates range from 7.75% to 10.25%.

AREA 520-30:

The rental rates per square foot range from \$7.20 to \$7.80 for the warehouse office space and \$4.00 to \$4.80 per square foot for warehouse space. The vacancy and expense rates are constant at 11% and 10% for all properties respectively. The market capitalization rates range from 7.25% to 10.25%.

AREA 520-40:

The rental rates per square foot range from \$12.00 to \$15.00 for the warehouse office space and \$6.00 to \$7.80 per square foot for warehouse space. The vacancy and expense rates are constant at 9% and 10% for all properties respectively. The market capitalization rates range from 7.75% to 10.25%.

Income approach calibration

The models were calibrated after setting base rents by using adjustments based on effective age, and construction quality as recorded in the Assessor's records.

There are 12 parcels that are exceptions to the model driven income approach to value. The exceptions are due to excess land or insufficient land to support the economic unit involved. New construction that was a percent complete as of 7-31-02 were valued using the Marshal and Swift Cost Estimator. Parking is assumed to be included in the rent for the office/ warehouse space.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed by the specialty appraiser for correctness before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

The new assessment level is 87.8%. This statistical measure of valuation performance is below standard statistical measures of valuation performance but is warranted given a lack of recent comparable sales. The other standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2001 and 2002 Ratio Analysis charts included in this report.

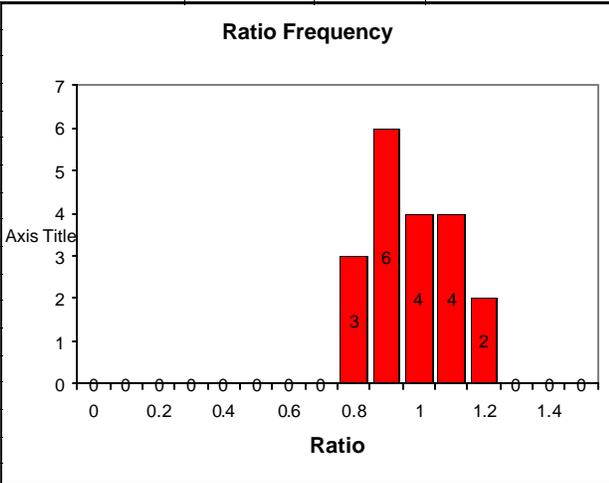
The total assessed value for the 2001 assessment year for the Business Park Specialty was \$876,546,250. The total recommended assessed value for the 2002 assessment year \$841,475,100.

Application of these recommended values for the 2002 assessment year (taxes payable in 2003) results in an average total change from the 2001 assessments of (-) 4.2%. This decrease is due partly to downward market changes in rents and increased vacancies, since last year and the previous assessment levels.

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

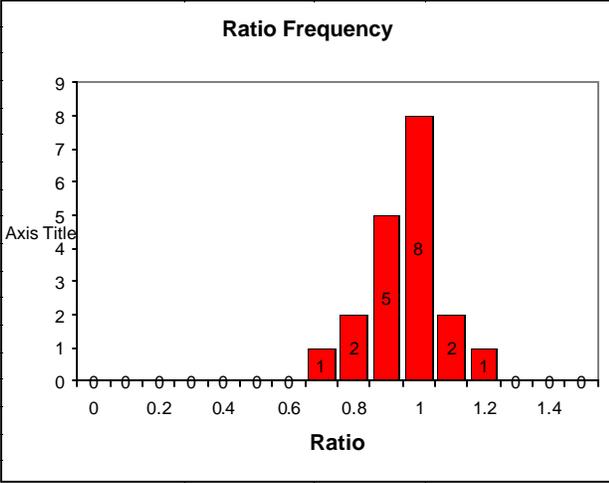
2001 Improved Ratio

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
South Crew	1/1/2001	6/17/2002	2/25/99 - 08/27/01
Area	Appr ID:	Prop Type:	Trend used?: Y / N
520	KWAL	Improvement	N
SAMPLE STATISTICS			
<i>Sample size (n)</i>	19		
<i>Mean Assessed Value</i>	6,760,400		
<i>Mean Sales Price</i>	7,307,300		
<i>Standard Deviation AV</i>	7,218,935		
<i>Standard Deviation SP</i>	8,172,303		
ASSESSMENT LEVEL			
<i>Arithmetic mean ratio</i>	0.931		
<i>Median Ratio</i>	0.948		
<i>Weighted Mean Ratio</i>	0.925		
UNIFORMITY			
<i>Lowest ratio</i>	0.7530		
<i>Highest ratio:</i>	1.1589		
<i>Coefficient of Dispersion</i>	11.33%		
<i>Standard Deviation</i>	0.1241		
<i>Coefficient of Variation</i>	13.34%		
<i>Price-related Differential</i>	1.01		
RELIABILITY			
95% Confidence: Median			
<i>Lower limit</i>	0.821		
<i>Upper limit</i>	1.042		
95% Confidence: Mean			
<i>Lower limit</i>	0.875		
<i>Upper limit</i>	0.987		
SAMPLE SIZE EVALUATION			
<i>N (population size)</i>	218		
<i>B (acceptable error - in decimal)</i>	0.05		
<i>S (estimated from this sample)</i>	0.1241		
Recommended minimum:	22		
<i>Actual sample size:</i>	19		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
<i># ratios below mean:</i>	9		
<i># ratios above mean:</i>	10		
<i>z:</i>	0		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



These figures reflect the current assessed values compared with the market.

2002 Improved Ratio

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
South Crew	1/1/2002	6/17/2002	2/25/99 - 08/27/01		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
520	KWAL	Improvement	N		
SAMPLE STATISTICS					
<i>Sample size (n)</i>	19	 <p style="text-align: center;">Ratio Frequency</p> <p>The histogram shows the distribution of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Axis Title' and ranges from 0 to 9. The bars represent the frequency of ratios in various bins. The frequencies are: 1 (0.7-0.8), 2 (0.8-0.9), 5 (0.9-1.0), 8 (1.0-1.1), 2 (1.1-1.2), and 1 (1.2-1.3).</p>			
<i>Mean Assessed Value</i>	6,412,800				
<i>Mean Sales Price</i>	7,307,300				
<i>Standard Deviation AV</i>	6,475,805				
<i>Standard Deviation SP</i>	8,172,303				
ASSESSMENT LEVEL					
<i>Arithmetic mean ratio</i>	0.908	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
<i>Median Ratio</i>	0.918				
<i>Weighted Mean Ratio</i>	0.878				
UNIFORMITY					
<i>Lowest ratio</i>	0.6953				
<i>Highest ratio:</i>	1.1138	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
<i>Coefficient of Dispersion</i>	8.70%				
<i>Standard Deviation</i>	0.1060				
<i>Coefficient of Variation</i>	11.67%				
<i>Price-related Differential</i>	1.03				
RELIABILITY					
95% Confidence: Median					
<i>Lower limit</i>	0.842	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
<i>Upper limit</i>	0.963				
95% Confidence: Mean					
<i>Lower limit</i>	0.860				
<i>Upper limit</i>	0.955				
SAMPLE SIZE EVALUATION					
<i>N (population size)</i>	218	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
<i>B (acceptable error - in decimal)</i>	0.05				
<i>S (estimated from this sample)</i>	0.1060				
<i>Recommended minimum:</i>	17				
<i>Actual sample size:</i>	19				
Conclusion:	OK	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
NORMALITY					
Binomial Test					
<i># ratios below mean:</i>	8				
<i># ratios above mean:</i>	11				
<i>z:</i>	0.458831468	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: auto;"> These figures reflect the recommended 2002 assessed values compared to the market. </div>			
Conclusion:	Normal*				
<i>*i.e., no evidence of non-normality</i>					

Improved Sales with Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
520	010	032505	9025	31,098	1826395	\$3,061,250	06/26/01	\$98.44	WEST WILLOWS	LI	2	2	
520	010	032605	9061	41,563	1830630	\$3,325,000	07/20/01	\$80.00	COURTAULDS AEROSPACE	I	1	2	
520	010	072506	9023	164,123	1672842	\$14,350,000	03/11/99	\$87.43	PARK EAST BLDGS A,B,C,D,E	LI	1	2	
520	010	272605	9009	33,100	1746901	\$2,550,000	04/13/00	\$77.04	ABRASIVE JET MACHINE CO	MP	2	2	
520	010	272605	9072	30,552	1669371	\$1,985,000	02/25/99	\$64.97	TOTEM PLACE	MP	1	2	
520	010	282605	9057	48,740	1719022	\$4,150,000	10/25/99	\$85.15	NORTH PARK BUSINESS CTR	LI	1	2	
520	010	519550	0010	35,748	1720368	\$2,575,000	11/03/99	\$72.03	ENVIRONMENTAL ACOUSTICS INC	LI	1	2	
520	010	519550	0190	32,502	1724666	\$3,500,000	11/22/99	\$107.69	PARK CENTER	LI	1	2	
520	010	943100	0010	27,844	1731124	\$3,960,000	01/03/00	\$142.22	WILLOWS NORTHWEST #1	L1	2	2	
520	020	272505	9079	64,888	1732598	\$5,122,000	01/11/00	\$78.94	NORTHUP PARK	GC	4	2	
520	020	282505	9001	51,000	1809579	\$5,900,000	04/02/01	\$115.69	NORTHUP DISTRIBUTION CENTER	LI	2	2	
520	020	644830	0010	136,765	1780462	\$10,194,992	10/06/00	\$74.54	BAXTER INC	BP	1	2	
520	020	644830	0090	49,706	1828911	\$6,000,000	07/11/01	\$120.71	EASTSIDE COMMERCIAL CENTER	BP	1	2	
520	030	022330	0020	475,414	1788175	\$37,482,500	11/15/00	\$78.84	PACIFIC GULF BUSINESS PARK	CM	4	2	
520	030	158060	0033	133,165	1786313	\$9,558,742	11/07/00	\$71.78	WEST PARK CORP CAMPUS BLDG A & B	M1	2	2	
520	030	202104	9099	78,151	1686241	\$3,740,000	05/13/99	\$47.86	WHSE+OFFICE (SEE 0080)	MP	2	2	
520	030	346280	0050	127,572	1838021	\$7,674,000	08/27/01	\$60.15	RIVERBEND COMMERCE PARK (C & E)	M1	2	2	
520	030	346280	0185	19,155	1744559	\$1,200,000	03/20/00	\$62.65	HAMPTON SQUARE	CM	1	2	
520	030	788880	0010	227,070	1750912	\$12,510,528	04/27/00	\$55.10	SUN SPORTSWEAR	M1	1	2	