

Executive Summary Report

Appraisal Date 1/1/03 - 2003 Assessment Roll

Specialty Name: Hotels/Motels

Sales – Improved Analysis Summary:

Number of Sales: 26

Range of Sales Dates: 1/2002 – 1/2004

Sales – Ratio Study Summary:

	Improved Value	Sale Price	Ratio	COV
2003 Value	\$5,290,600	\$5,523,600	95.80%	17.44%
2004 Value	\$5,136,900	\$5,523,600	93.00%	6.98%
Change	-\$153,700		-2.80%	-10.46%
% Change	-2.91%		-2.92%	-59.98%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -10.46% and -59.98% actually represent an improvement.

Sales used in Analysis: 26 sales were verified as open-market transactions and considered in the valuation. Multi-parcel sales verified as good were used, displaying a total value for all parcels in the sale.

Population - Parcel Summary Data:

	Land	Imps	Total
2003 Value	\$537,190,600	\$1,719,951,687	\$2,257,142,287
2004 Value	\$550,974,700	\$1,705,884,800	\$2,256,859,500
Percent Change	+2.57%	-0.82%	-0.01%

Number of Parcels in the Population: 307

Conclusion and Recommendation:

The values recommended in this report reflect the market in 2003. With less travel, the occupancy rate fell in most of the major hotels/motels. Recognizing the lower occupancy resulted in less income attributable to the properties, which resulted in some lower values. We will continue to further monitor this industry as people begin to travel again.

Analysis Process

Specialty

Specialty Area – 160 - Hotels/Motels

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.

Standards and Measurement of Data Accuracy:

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 1/2002 to 1/2004 (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.

Identification of the Area

Name or Designation: Hotels/Motels

Boundaries: All Hotels/Motels in King County

All hotels have been physically inspected and photographed in the past four years. New hotels were inspected and their data and photographs were entered into the system. All hotels were checked for accuracy of characteristics. Current photographs were also taken.

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:

Market Regions:

The Hotel Specialty has been segmented into four market regions for King County. The following is a brief description of each market region.

Downtown Hotels & Motels – 160-10

This is primarily the Seattle CBD geographic boundary. The region extends from Lower Queen Anne on the north to Safeco Field on the south, from Puget Sound on the west to Lake Washington on the East. There are presently 67 hotels and motels in this area.

Greater Eastside Hotels & Motels – 160-20

This region is comprised of all properties located east of Lake Washington from the Bellevue city limits all the way north to the county line. This includes Mercer Island, Bellevue, Issaquah, North Bend, Snoqualmie, Kirkland, Redmond, Woodinville, and Bothell. There are 49 hotels and motels in this region.

Northend Hotels & Motels – 160-30

All properties west of Lake Washington and from the University District north are in this region. Most of the motels are located along the Aurora Strip. There are 53 hotels and motels in this area.

Southend Hotels & Motels – 160-40

Properties located within West Seattle, Renton, Tukwila, Southcenter, Kent, SeaTac, Auburn, and Federal Way generally describe this region. A majority of the hotels and motels are along Pacific Highway S., also called International Blvd. S, and Highway 167. This is the largest market region with over 138 hotels and motels.

Hotel & Motel Types:

Hotels and motels have been segregated into three major types. Several models have been made for each type based on room rate and number of rooms. More models were developed this year to address the many variables. The following is a brief description of each type of hotel or motel.

Economy/Limited-Service Hotels/Motels

Hotels with “rooms only” operation and no food and beverage except possibly continental breakfast. They have lower-tier pricing and do not offer restaurant, lounge, or banquet service. Most limited-service hotels are very dependent on their chain affiliation for consumer recognition, reservation contribution, and a perception of quality. There are three models for this category. One model for a room rate of under \$50.00, another model for room rates of \$50.00 to \$70.00, and one more model for over a \$70.00 room rate.

Full-Service Hotels/Motels

Hotels with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing. Also includes high-quality hotels offering personalized guest services typically with extensive amenities; upper-tier pricing; includes even four and five-star resorts. There are five models for this category of hotel. The first three models are for hotels with less than 125 rooms. The first model is for room rates under \$70.00, the second for room rates \$70 to \$100, the third for room rates over \$100. The fourth model is for room rates over \$75 with 125-200 rooms, and the fifth model for room rates over \$75 and over 200 rooms.

Economic Conditions

Limited-service lodgings have a greater dependence on leisure travelers. Full-service lodgings rely heavily on the business travel market. Short-term airline disruption, concerns about safety and inconvenience, and business pessimism were a few leading causes for the drop in both leisure and corporate travel these past years.

Since September 11, 2001, when the lodging industry experienced the worst hit in many years, the hotel markets have been slowly and gradually shedding off the effects of the event and a weak economy. After feeling the negative effects of the terrorist attacks and recession in 2001, hotel managers have cut their operating expenses. In 2003 SARS (severe acute respiratory syndrome) had a negative affect on travel. Seattle was once named as one of the “hottest U.S. hotel markets” but is now viewed by developers and lenders with a cautious eye. Slow growth in the hotel supply is allowing for gradual improvement in the performance of existing properties. Occupancy and room rates have remained flat in 2003. Recovery is expected to begin in 2004 and be well underway by 2005.

Two major downtown hotel sales occurred this past year. The leasehold interest of the Olympic hotel sold for \$222,000 per room, or per key. This sale is on the low end due to 40 years remaining on the land lease. To buy the land and build a comparable hotel would probably be

\$350,000 to \$400,000 per key. The Seattle Waterfront Marriott Hotel also sold for \$215,000 per key.

Two new Silver Cloud Motels have been built. The 184 room Silver Cloud on Broadway is complete and also the 152 room Eastgate Silver Cloud Inn is now open.

The 358 room Seattle Waterfront Marriott was completed this past year and opened May, 2003. The new Redmond Town Center Marriott opened June 12, 2004. Another Courtyard by Marriott in Bellevue at 10th and N.E.8th St. is approximately 25% complete.

There are still plans to build a 24 story hotel and condominium tower on the old Warshal's site at first and Madison in downtown Seattle. An upscale hotel is planned for Kirkland. The 106-unit Kirkland Hotel will cost \$12 million to develop at Kirkland Avenue and Third St... The hotel is set to open spring of 2005. The hotel at Lincoln Square in Bellevue is expected to be completed in 2005.

Preliminary Ratio Analysis

A Ratio Study was done May 20, 2004 with 2003 assessed values.

The study included sales of improved parcels and showed a COV of 17.44%.

An additional Ratio Study was completed using the recommended values for 2003. The results are included in the validation section of this report and show a change in the COV from 17.44% to 6.98%.

Land Value

Land Sales, Analysis, Conclusions

The respective geographic appraiser valued 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 several data sources from the Assessor's records; whether a full or limited service hotel, number of rooms, year built, sale date, sale price, and sale price per room. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field, or calling the real estate agent. Characteristic data was verified for all sales if possible. Sales are listed in the attached "Hotel Sales" report.

Sales comparison calibration

After an initial search for comparable sales within each geographic area a search is made in neighboring areas and expands to include all of the county and nation if necessary.

Cost approach model description

A cost approach was done on all hotels and motels with an automated Marshall & Swift Commercial Estimator. 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 calibration

Each appraiser valuing by cost can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the computerized valuation model supplied by Marshall & Swift.

Income capitalization approach model description

Eight income models were developed for income capitalization of hotels/motels. Each model is specific and is used for any hotel/motel depending on number of rooms, average daily rate, full, limited service, or suite hotel. All expenses used in the eight models were obtained from industry averages compiled by PKF (PKF-Trends in the Hotel Industry-2003 Edition). Model examples are contained in the Sample Worksheet Section.

Income approach calibration

Each hotel and motel was valued on an individual basis. All values were then reviewed and calibrated to market tendencies.

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

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

Application of the recommended values for the 2004 assessment year (taxes payable in 2005) results in an average total change from the 2003 assessments of -0.01% . This slight decrease is primarily due to the slow hotel market in 2003.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.

Area 160 Hotels Motels
2004 Assessment Year
Sales Used W/2003 AV

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
East Crew	1/1/2003	5/20/2004	1/1/02 - 01/30/04		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
160	CVEN	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	26				
Mean Assessed Value	5,290,600				
Mean Sales Price	5,523,600				
Standard Deviation AV	14,372,988				
Standard Deviation SP	15,456,518				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.967	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect reflect current sales compared to 2003 assessed values.</p> </div>			
Median Ratio	0.960				
Weighted Mean Ratio	0.958				
UNIFORMITY					
Lowest ratio	0.6939				
Highest ratio:	1.3977				
Coefficient of Dispersion	11.99%				
Standard Deviation	0.1686				
Coefficient of Variation	17.44%				
Price-related Differential	1.01				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.901				
Upper limit	1.004				
95% Confidence: Mean					
Lower limit	0.902				
Upper limit	1.032				
SAMPLE SIZE EVALUATION					
N (population size)	307				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.1686				
Recommended minimum:	40				
Actual sample size:	26				
Conclusion:	Uh-oh				
NORMALITY					
Binomial Test					
# ratios below mean:	14				
# ratios above mean:	12				
z:	0.196116135				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Area 160 Hotels Motels
2004 Assessment Year
Sales Used W/2004 AV

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
East Crew	1/1/2004	5/20/2004	1/1/02 - 01/30/04		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
160	CVEN	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	26				
Mean Assessed Value	5,136,900				
Mean Sales Price	5,523,600				
Standard Deviation AV	14,074,982				
Standard Deviation SP	15,456,518				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.946	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <p>These figures reflect current sales and the assessed values for 2004.</p> </div>			
Median Ratio	0.951				
Weighted Mean Ratio	0.930				
UNIFORMITY					
Lowest ratio	0.7751				
Highest ratio:	1.1314				
Coefficient of Dispersion	4.98%				
Standard Deviation	0.0661				
Coefficient of Variation	6.98%				
Price-related Differential	1.02				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.908				
Upper limit	0.980				
95% Confidence: Mean					
Lower limit	0.921				
Upper limit	0.971				
SAMPLE SIZE EVALUATION					
N (population size)	307				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0661				
Recommended minimum:	7				
Actual sample size:	26				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	12				
# ratios above mean:	14				
z:	0.196116135				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

HOTEL SALES

HOTEL NAME	ADDRESS	ACCT.#	ROOMS	YR.BLT.	SALE DATE	EXCISE #	SALE PRICE	SALE \$ /ROOM
Travelodge Sea-tac	2900 S. 192nd. St.	332304-9142	106	1981	1/30/2004	2017216	\$3,000,000	\$28,302
Sleep Inn - Seatac	20406 International Blvd	344500-0132	105	1999	12/29/2003	2011303	\$5,120,000	\$48,762
Shoreline Motel	16526 Aurora Ave. N.	525430-0015	21	1948	11/17/2003	2002851	\$1,060,000	\$50,476
Day's Inn	1711 W. Meeker St.	232204-9068	80	1968	10/16/2003	1996412	\$2,390,000	\$29,875
Villager Lodge-Everspring Inn	8201 Aurora Ave. N.	643000-0810	33	1996	10/16/2003	1995965	\$1,849,500	\$56,045
Way West Motel	8600 Aurora Ave. N.	099300-1685	20	1920	8/22/2003	1982749	\$825,000	\$40,750
Quality Inn & Suites - Federal Way	34610 Pacific Hwy. S.	202104-9055	65	2002	8/20/2003	1989202	\$2,512,500	\$38,654
Boulevard Hotel	14440 Pacific Hwy. S.	004000-0190	26	1981	8/15/2003	1981588	\$1,219,480	\$46,903
Chief Seattle Motel	7016 E. Marginal Way S	273410-0245	8	1951	8/1/2003	1978408	\$320,000	\$40,000
Munson Motel	7060 E. Marginal Way S	346880-0465	14	1940	7/15/2003	1976706	\$350,000	\$25,000
The Georgian Motel	8801 Aurora Ave. N.	926670-0955	19	1953	7/14/2003	1973339	\$786,579	\$41,399
Kings Motel	1334 Roosevelt Ave. E.	001250-0030	44	1972	6/12/2003	1966173	\$1,400,000	\$31,818
Federal Way Travelodge	1505 S. 328th St.	172104-9078	45	1976	6/6/2003	1964803	\$1,600,000	\$35,556
Sun Hill Motel	8517 Aurora Ave. N.	604640-0805	23	1938	6/4/2003	1963830	\$936,000	\$40,696
Kings Inn	2106 5th Ave.	066000-0010	68	1957	5/28/2003	1967264	\$4,050,000	\$59,559
Seattle Waterfront Marriott	2100 Alaskan Way	766620-2345	358	2003	5/23/2003	1961408	\$77,082,725	\$215,315
Federal Way Motel	29815 Pacific Hwy. S.	042104-9259	30	1981	5/15/2003	1958655	\$1,100,000	\$36,667
Marriott Residence Inn-Redmond	7575 164th. Ave NE	720241-0060	180	1998	1/16/2003	1934865	\$26,907,000	\$149,483
Thunderbird Motel	4251 Aurora Ave N.	569400-1090	16	1956	8/19/2002	1905016	\$716,000	\$44,750
Wagon Wheel Motel	8042 N.E.Bothell Way	011410-1236 011410-1232	17	1957	7/11/2002	1897250	\$580,000	\$34,118
3 Bears Motel	2705 S 216th St.	215640-0322	22	1959	7/1/2002	1895579	\$700,000	\$31,818
La Quinta Inn Seattle South-Kent	25100 74th Ave. S.	000660-0026 000600-0036 000660-0061	60	1998	6/27/2002	1895479	\$2,344,992	\$39,083
Travelodge Suites	9 16th St. NW	000080-0049	95	1998	6/7/2002	1890746	\$2,931,000	\$30,853
Century Motel	23421 Military Rd. S.	152204-9046	23	1982	5/24/2002	1889070	\$1,100,000	\$47,826
Ridge Crest Motel	1830 S. 336th St.	797820-0070	8	1947	2/26/2002	1870365	\$389,000	\$48,625
Max Ivor Motel	6188 4th Ave. S.	536720-0695	42	1941	2/6/2002	1866859	\$2,355,000	\$56,071

USPAP Compliance

Client and Intended Use of the Appraisal:

*This summary mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **summary mass appraisal report** as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Cards, 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 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 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) . . . 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)

Highest and Best Use

WAC 458-12-330 REAL PROPERTY VALUATION—HIGHEST AND BEST USE.

All property, unless otherwise provided by statute, 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. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly

located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

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

Date of Value Estimate

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

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

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a 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

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

Special assumptions and limiting conditions:

That no opinion as to title is rendered. Data on ownership and the 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 the maps or property record cards. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.

That 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.

That rental areas herein discussed have been calculated in accord with standards developed by the American Standards Association as included in Real Estate Appraisal Terminology.

That the projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors, and a continued stable economy. 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.

That 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.

That 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 our analysis to any potential diminution in value should such hazardous materials be found. We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.

That 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.

That 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.

Exterior inspections were made of all properties however, due to lack of access few received interior inspections.

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

We appraise fee simple interest in every property. Unless shown on the Assessor's parcel maps, we do not consider easements as adversely affecting property value.

We have attempted to segregate personal property from the real estate in our appraisals.

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

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

The appraisers have no personal interest or bias toward any properties that they appraise.

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

SR 6-2 (g)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.