

Executive Summary Report

Appraisal Date 1/1/04 - 2004 Assessment Roll

Specialty Name: Major Office Buildings
 Previous Physical Inspection: March/April/May 2003

Sales - Improved Summary:

Number of Sales: 9
 Range of Sale Dates: 1/4/02 to 5/10/04

Sales – Ratio Study Summary:				
	<u>Average AV</u>	<u>Average Sale Price</u>	<u>Ratio</u>	<u>COV</u>
2003 Value	\$ 31,406,700	\$ 41,227,900	76.2%	44.73%
2004 Value	\$ 36,384,900	\$ 41,227,900	88.3%	9.13%
Change	\$ 4,978,200		+ 12.1%	- 35.60%
%Change	+ 15.9%		+ 15.8%	- 79.60%

*COV is a measure of uniformity, the lower the number the better the uniformity. The 2003 COV is high due to the inclusion of the East Valley Office Center which sold for substantially less than the previous assessed value.

Sales used in Analysis: All improved sales, which were verified as good, and have not been remodeled since purchased, were included in the analysis.

Population - Average Improved Parcel Summary Data:

	<u>Land</u>	<u>Imps</u>	<u>Total</u>
2003 Value:	\$5,146,826	\$26,747,873	\$31,890,533
2004 Value:	\$5,201,243	\$27,902,560	\$33,103,803
Percent Change:	+ 1.06%	+ 4.32%	+ 3.80%

2003 Total Assessed Value: \$7,685,618,300
 2004 Total Assessed Value: \$7,978,016,500

Number of Improved Parcels in the Ratio Study Population: 194

Conclusion and Recommendation:

The sample size used to determine this assessment/market ratio is below the recommended IAAO sample size. Because of the lack of sales, a reliable conclusion of the data is difficult. But, since the values recommended in this report improve values and achieve better equity, I recommend posting them for the 2004 Assessment Roll.

Analysis Process

Responsible Appraiser

The following appraiser did the valuation of this specialty:

👤 Dan Margonelli Appraiser II

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 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 token value of \$1,000 is assigned to the improvements.

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

Special Assumptions, Departures and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

- ✚ 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 adjustment for time averaged any net changes over the two-year 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: 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 the 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 major office specialty properties were revalued this year. Included in the addendum of this report is a list of the parcels physically inspected for the 2004 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 2004 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 one, which is described by its primary use. The following is a brief description of each of these market segments.

North

This region represents a small portion of the total specialty population and includes buildings located as far north as the City of Bothell and as far south as the University District and Capital Hill. The largest concentrations of buildings in this segment are located in the Northgate and University Districts. New office construction included the 401 Broadway Building which will be leased to King County as administrative offices for Harborview Medical Center.

Seattle Central Business District (Seattle CBD)

The office specialty is predominately comprised of properties located in this region. Approximately 45% of the office specialty population is located here. The Seattle CBD's geographic boundaries are loosely described for purposes of this analysis as extending from Lower Queen Anne on the north to the Safeco Field on the south, from Puget Sound on the west to Interstate 5 on the east. The Arcade Building was demolished for construction of a new office tower that will be occupied by Washington Mutual. The old City Municipal Building was also demolished in 2003.

Bellevue Central Business District (Bellevue CBD)

This region, while comprised of a smaller number of properties, is considered to be the second most significant of the office specialty regions. It is comprised of mid and high-rise office buildings in the Bellevue CBD as well as two larger Mercer Island buildings. The Summit/PSE two building project was completed last year. Construction of the upper floors of the three-story building will resume in a build-to-suit project for Puget Sound Energy. This will be the first new office development project in the Bellevue CBD since the downturn of the regional economy.

Suburban Eastside

This region includes properties outside of the Bellevue CBD, on the East Side of Lake Washington. This analysis considers properties from Kirkland, Redmond, Issaquah and Suburban Bellevue to comprise the Suburban Eastside. At present, while this region has a large geographic expanse, it is somewhat small in number; however continued growth patterns indicate the potential for an increase in the future.

Southend

Properties located within the Renton, Tukwila, Southcenter, Kent, SeaTac, Auburn and Federal Way areas generally describe this region. Weyerhaeuser is the predominant property owner in the Federal Way area.

Medical Office Buildings

These are analyzed independent of the remainder of the specialty as medical/dental office buildings. They typically have a significantly different construction cost and income and expense profile. The properties in this category are generally located on First Hill, the University District, Northgate and Downtown Seattle.

Puget Sound Economic Conditions

With the national and regional economy making gains, many observers believe that most segments of the office market has reached bottom and a recovery cycle has started. The job market remained generally unchanged in 2003 but is expected to expand slowly by 1.5% in 2004 and 2.2% in 2005 according to the Puget Sound Economic Forecaster. Local job growth and a minimal amount of new office construction are positive signs of an office market recovery. There is little new

construction. Of the 600,000 square feet of new office space under construction, approximately 75% has been pre-leased. In addition, absorption has improved in most sub-markets for several quarters and sublease space has decreased.

According to a report from Grubb & Ellis, the year-end office vacancy for the region was 16.3% or down slightly from 16.8% at the beginning of 2003. The positive net absorption for the year was 552,000. Overall this is a slight improvement from the previous year. Class A space had a positive absorption of 962,000 square feet while Class B space had a negative absorption of -369,000 square feet. The best performing sub markets were Class A offices in the Seattle CBD, Bellevue CBD, and 1-90 Corridors. The worst performing sub market was the Southend, where vacancy increased and there was a negative absorption of 366,000 square feet of office space. Renton was particularly affected by increased vacancy.

In 2003 lease rates were generally lower or flat, and landlords were often willing to give generous tenant allowances and concessions. However, prime spaces in the desirable buildings, particularly space in upper view floors was less available. In these buildings landlords are cutting back on tenant allowances and concessions.

Most observers believe that any recovery in the Puget Sound office market will depend on the strength of the local economy and job growth and that the office market recovery will lag the economic recovery by six months to a year. Positive signs include Boeing's decision to assemble the new 7E7 aircraft in Everett, Microsoft's continued hiring, and the local growth in the biotech and life science industry. Increased leasing activity in the Seattle CBD may be offset somewhat by several large vacancies which will be occurring in the Seattle market in the next several years.

Preliminary Ratio Analysis

The inclusion of the Ratio Study Summary is done for administrative consistency only. Due to the national, regional and local economic downturns of the past few years which ultimately affected the current strength of the Seattle commercial real estate market, there were very few sales occurring in the office specialty in 2002, with slightly more sales in 2003 and early 2004. Sales prior to 6/01/2004 were included in the ratio study. However, the sale sample size is less than the recommended minimum. Therefore, the results presented in the final ratio study are not considered to be an entirely reliable analysis of recommended assessed values as compared with market sales. Recommended assessed values are based on market conditions as of January 1, 2004.

A Preliminary Ratio Study was completed just prior to the application of the 2004 recommended values. This study benchmarks the current assessment level using 2003 posted values. The study was also repeated after application of the 2004 recommended values. The results are included in

the validation section of this report, showing a change in the level of assessment from 76.2% to 88.3%, the Coefficient of Dispersion (C.O.D.) from 29.76% to 7.12%, the Coefficient of Variation (C.O.V.) from 44.73% to 9.13% and the Price-related Differential from 1.17 to 1.03.

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 calling either the purchaser or seller, inquiring in the field, or calling the real estate agent. Characteristic data is verified for all sales, if possible. Due to time constraints, interior inspections were limited. 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 population of office building sales in King County utilized in the analysis for the current revalue was segmented into six market segments. The segmentation was 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 applied in determining market comparability.

The Sales Comparison Approach was considered but less weight was given to this approach than the income approach due to the lack of sales available. Of the sales that have occurred in 2003 several were in a "better than typical" financial state. Millennium Tower was one of these buildings. This building had leases in place in the \$42/SF range and terms that typically extended beyond what most consider the "recovery years". Current market rents for similar buildings are in the \$28 to \$32

range. Such sales are indicators of the leased fee value and are high in comparison to similar buildings valued on a fee simple basis, using market lease rates as of 1-1-04.

In contrast, the two buildings of the East Valley Office Center in Renton have been vacant for two years. The Center sold in February 2004 for \$10,000,000. It represents an extreme low indicator of value when compared with other low and mid-rise office buildings in South King County that have been valued using typical lease, vacancy, and expense rates for 1/01/2004.

Sales comparison calibration

Some market activity occurred in all of the geographical market areas except North Seattle during the period from 1/01/02 to 6/01/04. Other market sales of office buildings that were smaller than the office specialty threshold of 100,000 square feet net rentable, were included in the analysis but not the ratio study (See list of Improvement Sales Used). No sale calibration was done due to the reasons stated above.

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. This approach was not relied upon in the final reconciliation of values, however the ratio of sale price to replacement cost new was considered in comparison to the ratio range reported in Korpacz Real Estate Investor Survey, 4th quarter, 2003 where participants reported a price range of between 80% and 110% of replacement cost new, with the average being 98.13%.

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

The income approach to value was considered for all office specialty properties this revalue. 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 income table program to recognize parking stalls as an income generator prohibited the use of income tables in this year's revaluation of the office specialty. Therefore, no tables were created. Instead three direct capitalization workbooks were created showing each property's income value estimate. A

discounted cash flow analysis was completed on four properties. This approach to valuation was considered to be the most appropriate for these four properties, as each is experiencing vacancy rates far in excess of the market norm. In fact two of the projects (three buildings) are 100% vacant.

Income approach calibration

The models were calibrated after setting base rents by considering adjustments based on location, size, effective age, construction class and quality. Appraisal judgment was employed in adjusting for differences between individual buildings based on their perceived investment competitiveness in their respective markets. Location, effective age, construction class, quality and size as recorded in the Assessor’s records were items considered to be of primary importance in determining a property’s investment competitiveness and therefore, 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 grouping of properties based on their investment competitiveness. Rent, expense and overall capitalization rate data was 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 reflective in the current office lease market. The information gathered is considered to be the most indicative of the current office-leasing environment. The result of this survey is included at the end of this report. 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.

According to the CB Richard Ellis Fourth Quarter 2003, 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 (includes all multi-tenant office buildings 10,000 square feet and greater in size) 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 sublease	Overall Vacancy Rate w/o sub-lease	Direct Asking Lease Rate Class A (full service)	Direct w/ sublease Rate Class A (full service)
Canal	6.23%	8.21%	0%	6.66%	5.23		
CBD	13.66%	18.54%	27.76%	14.98%	11.05%		

Denny Regrade	13.35%	19.56%	29.39%	15.87%	13.68%		
Lake Union	27.02%	12.08%	4.48%	23.43%	19.28%		
Lower Queen Anne	14.80%	28.58%	0%	17.53%	13.47%		
Pioneer Square	14.29%	20.29%	18.14%	16.80%	10.74%		
Waterfront	17.68%	9.66%	13.39%	15.51%	9.13%		
Downtown (overall)	14.71%	18.38%	21.30%	15.81%	11.84%	\$26.98	\$25.95

Market Area	Full Service Lease Rates			Operating Expenses		
	Class A	Class B	Class C	Class A	Class B	Class C
Canal	\$15-\$28	\$15-\$24	\$12-\$18	\$5.75-\$7.75	\$6-\$7.25	\$4.50-\$6.50
Seattle CBD	\$22-\$38	\$15-\$26	\$10-\$20	\$8.00-\$9.50	\$6.00-\$9.00	\$5.00-\$7.00
Denny Regrade	\$14-\$32	\$16-\$23	\$12-\$20	\$7.50-\$9.50	\$6.00-\$8.50	\$5.50-\$7.00
Lake Union	\$18-\$28	\$17-\$23	\$12-\$18	\$7.00-\$9.25	\$6.25-\$8.25	\$5.50-\$6.50
Lower Queen Anne	\$18-\$26	\$10-\$23	\$10-\$20	\$6.00-\$8.50	\$6.00-\$7.25	N/A
Pioneer Square	\$20-\$26	\$17-\$24	\$10-\$20	\$7.25-\$8.50	\$6.00-\$7.75	\$4.00-\$6.50
Waterfront	\$18-\$25	\$17-\$25	\$12-\$20	\$7.00-\$9.50	\$6.25-\$8.25	\$5.50-\$6.50
Seattle Downtown	\$14-\$38	\$10-\$26	\$10-\$20	\$5.75-\$9.50	\$6.00-\$9.00	\$4.00-\$7.00

According to the CB Richard Ellis Fourth Quarter 2003, 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 (includes all multi-tenant office buildings 10,000 square feet and greater in size) 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 sublease	Overall Vacancy Rate w/o sublease	Direct Asking Lease Rate Class A (full service)	Direct W/ Sublease Rate Class A (full service)
CBD	20.48%	24.87%	.01%	20.75%	19.70%		
I-405	17.91%	10.09%	0.00%	15.79%	10.49%		
SR-520	18.37%	15.16%	9.69%	16.69%	13.37%		
I-90	14.34%	12.93%	--	14.22%	10.75%		
Bel-Red-Road Corridor	2.82%	8.87%	27.64%	10.12%	10.00%		
Kirkland	9.51%	6.68%	17.59%	9.29%	6.69%		
Redmond	11.90%	9.68%	--	11.62%	6.93%		
Eastside (overall)	16.20%	12.07%	11.85%	15.38%	11.27%	\$23.46	\$22.87

Market Area	Full Service Lease Rates			Operating Expenses		
	Class A	Class B	Class C	Class A	Class B	Class C
CBD	\$22.60-\$25.25	\$19.22-\$21.47	--	\$9-\$10.50	\$7-\$8	\$6-\$7
I-405	\$20.90-\$22.35	\$19.40-\$21.80	\$18.00-\$19.68	\$7-\$9	\$6.25-\$7.25	\$5.75-\$6.75
SR-520	\$22.05-\$24.75	\$18.71-\$20.01	\$18.70-\$19.00	\$7-\$9	\$6.25-\$7.25	\$5.75-\$6.75
I-90	\$24.55-\$24.99	\$21.70-\$22.25	--	\$6.75-\$9.50	\$6.50-\$7.50	\$6-\$6.50
Bel-Red-Road Corridor	\$22.30-\$22.86	\$20.07-\$20.86	\$17.10-\$17.93	\$6-\$7	\$5.50-\$6.25	\$5-\$5.75
Kirkland	\$24.60-\$28.32	\$21.60-\$22.18	\$20	\$7-\$8.25	\$6-\$7	\$5.50-\$6.50
Redmond	\$23.75-\$24.70	\$20.65-\$22.10	--	\$6.75-\$7.50	\$5.75-\$6.75	\$5.25-\$6.25
Total – Eastside	\$20.90-\$28.32	\$18.71-\$22.25	\$17.10-\$20.00	\$6-\$10.50	\$5.50-\$8	\$5-7

According to the CB Richard Ellis Fourth Quarter 2003, 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	Vacancy Rate	Direct Asking Lease Rate Class A (full service)	Direct w/sublease Asking Lease Rate Class A (full service)
Auburn	10.40%		
Kent	22.94%		
Renton	23.55%		
Sea-Tac	8.38%		
South Seattle	14.16%		
Tukwila	26.55%		
Federal Way	12.62%		
Total Southend Vacancy	19.48%	\$19.59	\$19.33

GVA Kidder Mathews in their Year-End 2003 “Seattle Real Estate Market Review” suggest a forecast for the Seattle CBD and surrounding market area for typical lease rates to be in the range of \$22 to \$26 per sq. ft. (full service) for space in Class “A” buildings and the supply of space available to begin to slowly decrease.

This same forecast suggests fully serviced annual rents to remain between \$21 and \$25 per sq. ft. for Class “A” space in the Bellevue CBD, and \$18 to \$24 for suburban areas.

The South King County office market forecast suggests fully serviced annual lease rates will remain between \$18 and \$22 per sq. ft. for Class “A” space and the supply of space will remain high.

This report also indicates the 2003 year-end vacancy percentages for Seattle dropped from 16.3% in January 2003 to 15.6% at the end of 2003. East King County dropped from 18% to 15.2%, and South King County increased from 15.6% to 19.1%.

In the “Greater Puget Sound Statistical Summary” for year-end 2003” Cushman & Wakefield breaks out the Direct Weighted Average Class A & Class B Rental Rate for the different markets and submarkets.

<u>Market</u>	<u>Class A</u> - Direct Wtd. Avg. Lease Rate	<u>Class B</u> - Direct Wtd. Avg. Lease Rate
SEATTLE CBD	\$28.83	\$20.79
Financial District	\$29.59	\$20.51
Denny Regrade	\$25.49	\$22.41
Pioneer Sq/Intn. District	\$34.77	\$19.75
SEATTLE IN-CITY	\$23.54	\$19.31
North Seattle/Northgate	\$25.77	\$19.73
East Seattle/Capital Hill	\$18.60	\$18.36
BELLEVUE CBD	\$23.68	\$19.95
EASTSIDE SUBURBAN	\$22.35	\$20.09
SOUTHEND	\$20.20	\$17.48
Seattle Close-in	\$17.60	\$14.33
Tukwila	\$20.06	\$16.94
Sea Tac	\$21.33	\$18.19
Renton	\$20.00	\$18.97
Kent/Auburn	\$21.40	\$18.32
FEDERAL WAY	\$20.72	\$17.17

Corporate Real Estate Service Advisors (CRESA) in their 4th Quarter Tenant’s Guide for Seattle and Bellevue indicate the following average rental and direct vacancy rates:

<u>Seattle CBD</u>	<u>Average Rental Rates</u>	<u>Direct Vacancy Rate</u>
Class A	\$22-\$35	7.3%
Class B	\$16-\$22	
<u>Bellevue</u>	<u>Average Rental Rates</u>	

<u>CBD</u>	
Class A	\$23
Class B	\$20
<u>Suburban</u>	
Class A	\$22
Class B	\$19

A closer review of individual building vacancy rates within their respective building class and geographic market segments for 2004 revalues reveals a somewhat different picture of vacancy rates as compared with the reports noted above. There are instances where the vacancy rates reported above may have been “skewed” by one or a few buildings which are experiencing vacancies significantly different than the “norm” for the class and geographic market segment of which it is a part. Confirmation of this phenomenon through personal verification as well as a review of the raw data used to create the vacancy information reported above suggests a more neighborhood, class specific vacancy analysis should be incorporated into the income analysis done for this year’s revaluation effort. A direct vacancy rate assumption as opposed to an overall vacancy rate (includes sublease space available) assumption is used throughout the following analyses. The specific “norm” vacancy rate(s) will be indicated below in the brief description of the income parameters utilized in each of the six market segments. Properties which varied from the “norm” rate were treated in a few different ways depending upon their unique situation. Higher capitalization rates and/or higher vacancy rates were recognized for some buildings while others whose situation was deemed far inferior from the “norm” were valued via a discounted cash flow analysis thereby allowing recognition of the “extreme” vacancy situation. These buildings ranged in vacancy from 94% to 100%. The properties valued via the DCF method are noted in the income approach workbooks. In addition, the DCF analysis for each property is saved in its own workbook.

The Korpacz Real Estate Investor Survey for the Fourth Quarter of 2003 indicates an overall Cap Rate range of 8%-11% with an average of 9.24% and an underlying vacancy and credit loss range of 5%-10% for the Pacific Northwest Office Market based on investor survey responses for institutional grade office properties, both CBD and suburban. The 4th Quarter Cap Rate range for National CBD Office indicates a range of 6% to 10.75% with an average of 9.02%, 18 basis points less than the 3rd Quarter average rate of 9.20%.

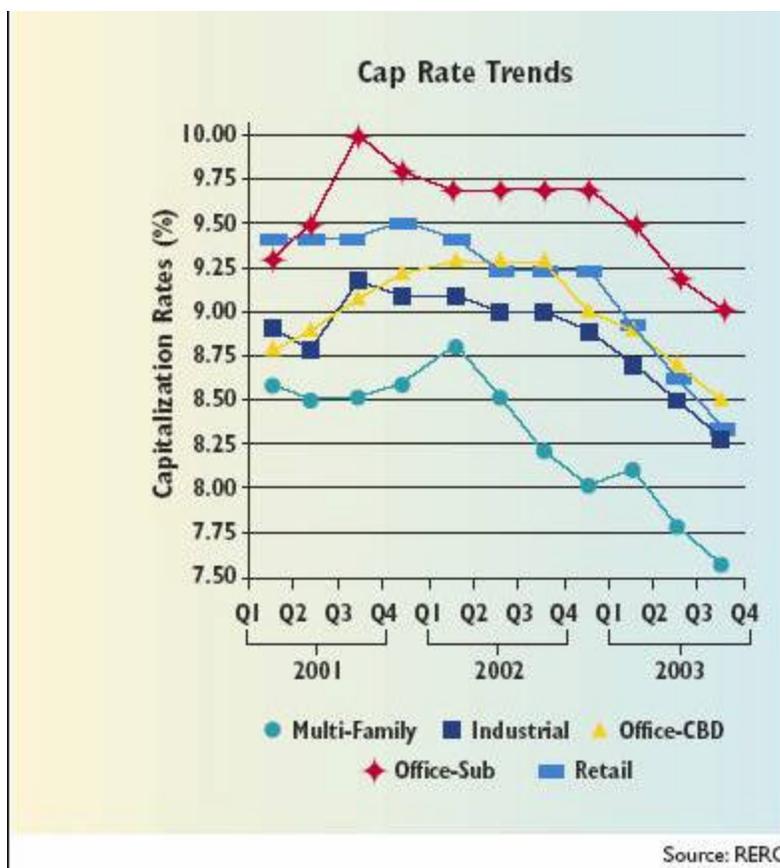
The American Council of Life Insurance (ACLI) provides data that is related to Commercial Mortgage Commitments (loans) made by its reporting members on commercial properties, including office properties. The most recent report is for the first quarter of 2004. The nation wide loan data on office properties for the 1st quarter of 2004 indicates that the more expensive investment quality properties that require larger loans are perceived as having less risk and trade at lower capitalization rates. See table below:

Office Loans by Loan Size	1 st Qtr. Loans	Avg Loan Amount	Cap. Rates
Less than \$2 million	26	998,000	9.3%
\$2 million - \$4,999,999	31	3,295,000	9.0%
\$5 million - \$14,999,000	43	8,053,000	8.9%
\$15 million - \$24,999,000	14	20,446,000	8.6%
\$25 million and over	15	63,083,000	8.7%
Total	129	Average 13,231,000	Average 8.7%

The same report indicates the average capitalization rate for office building loans in the Seattle-Bellevue-Everett area was 8.2% for the 1st quarter of 2004:

Seattle-Bellevue-Everett	Number Of loans	Amount	Average Loan Amt.	Contract Interest Rate	Loan/ Value	Cap. Rate
Office Building	6	47,530,000	7,922,000	5.61%	72.8%	8.2%

Colliers US Real Estate Review 2004 states that although vacancy rates and rental rates were down for most property types, low interest rates and an abundant flow of capital resulted in cap rates trending downward 50 to 75 basis points for most property types during 2003. In the office market “cap rates for CBD properties are generally in the 8.5%-9.0% range, while the suburban properties are in the 9.0%-9.5% range.” See graph below.



The following table from the Cushman & Wakefield/Appraisal Institute Spring/Summer 2003 “Real Estate Outlook” summarizes respondents’ criteria for CBD versus Suburban Office properties.

CBD versus Suburban Office Investments

Property Type Category		Weighted Averages/Ranges	
		Going-in Cap Rates	
CBD Office	Class A-Leased	8.5%	7.5 – 9.5%
Suburban Office	Class A-Leased	8.9%	8 – 10%
CBD Office	Class B-Leased	9.1%	8 – 11%
Suburban Office	Class B-Leased	9.4%	8 – 11%
CBD Office	Class A-Value Added	9%	6.5 - 12%
Suburban Office	Class A -Value Added	9.4%	7 - 12%
CBD Office	Class B -Value Added	11%	10 – 14%
Suburban Office	Class B - Value Added	10.6%	10 – 12%
CBD Office	All Categories	9.2%	6.5 – 14%
Suburban Office	All Categories	9.5%	7 – 12%

“Leased Asset”: refers to predominantly “passive” investments involving substantially leased assets. “Value Added”: denotes properties that require more active management due to leasing issues and/or additional capital investment for physical issues.

The following discussion of the disconnect between market fundamentals and the downward pressure on cap rate levels was included in the previous office report but is still relevant for the 2004 assessment year office specialty valuation.

The most likely explanation for today's real estate capital market is *not* that the market fundamentals do not matter, but that the downward pressure imposed on cap rate levels by the 40-year record-low interest rate is greater than the upward pressure exercised by the weak market fundamentals.¹

Institutional investors continue to seek stable core assets and are placing additional pressure on yields for new acquisitions. When coupled with the widespread erosion in market fundamentals, the question remains one of how far are investors willing to go. Some investors are pulling back, yet demand remains pent-up for product. While creating a downward drag on income returns, the lower yields being accepted by buyers are placing upward pressure on prices.²

With the U.S. economy in a recovery mode and the likely modest rise of short term interest rates, cap rate compression may not continue in the coming year. Office market fundamentals should continue to improve in 2004 and the improving equity markets may result in less money being invested in real estate, however investment grade real estate should remain in strong demand.

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 \$20-\$23 per square foot of net rentable area. Vacancy and collection loss figures used in this area was 5%-10%, expenses \$8.00- \$9.00/nra and overall capitalization rates were 9%-9.25%. In general, values on a price per square foot of net rentable area fell in the \$114-\$148 range.

Seattle CBD: Lease rates ranged from \$16.50-\$32 per square foot of net rentable area. Vacancy and collection loss figures used in this area ranged from 5%-20% with the majority typically being 5%-10%, expenses ranged from \$7.50-\$10.00/nra and overall rates ranged from 8.5% - 9.75% with the majority typically being 8.75% -9%. A few properties included consideration of income from retail rents. This was considered for properties where the retail space represented approximately 5% or more of total NRA. The retail lease rate range utilized was \$11.50-\$35/nra,

¹ Torto Wheaton Research About Volume 4, Number 18 "Cap Rate Spreads and Cap Rate Levels: Two Different Stories"

² The Appraisal Journal, April 2003

triple net rent. The vacancy and collection loss figure for retail space ranged from 5%-10% and the triple net expense rate was 5%. 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%. The Parking Inventory for Seattle and Bellevue 2002 prepared by the Puget Sound Regional Council was utilized as a basis for establishing parking rates in the various neighborhoods in Downtown Seattle and Downtown Bellevue. This report was supported by verified rates on sold properties when available. No turnaround on the daily spaces was recognized. A parking expense rate of 10% was applied to parking income to arrive at a net parking income contribution figure.

The following is a description of the parking income parameters used in the income approach to valuation for Downtown Seattle properties.

Seattle CBD			
<u>Neighborhood</u>	<u>Daily Rate</u>	<u>Monthly Rate</u>	<u>Occupancy</u>
1	\$8.91	\$136.48	46.6%
2	\$13.13	\$136.44	67.0%
3	\$10.60	\$152.84	79.5%
4	\$17.53	\$223.16	73.2%
5	\$20.75	\$251.57	74.3%
6	\$15.12	\$191.71	73.6%
7	\$18.18	\$221.22	75.9%
8	\$14.79	\$223.51	61.6%
9	\$11.89	\$168.87	63.5%
10	\$10.47	\$145.99	59.0%
11	\$9.57	n/a	76.0%
12	\$12.20	\$204.30	60.9%
13	\$10.30	\$157.69	69.9%

Lower Queen Anne			
<u>Neighborhood</u>	<u>Daily Rate</u>	<u>Monthly Rate</u>	<u>Occupancy</u>
17	\$5.41	n/a	53.7%
18	\$5.74	n/a	36.1%
19	\$8.04	n/a	52.5%
avg = \$106.03			

In general, values on a price per square foot of net rentable area fell in the \$85-\$269 range.

Bellevue CBD: Lease rates ranged from \$19-\$26 per square foot of net rentable area, with the majority of rents falling in the \$21- \$24 per square foot range. Two properties included consideration of income from retail rents. The retail lease rate utilized was \$25 /NRA, triple net rent with a 5%-10% 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. Vacancy and collection loss figures used in this area were 7%-20%, expenses ranged from \$7.50 to \$9.50/nra and overall rates ranged from 8.5%-9.25%.

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%. The Parking Inventory for Seattle and Bellevue 2002 prepared by the Puget Sound Regional Council was utilized as a basis for establishing parking rates in the various neighborhoods in Downtown Seattle and Downtown Bellevue. This report was supported by verified rates on sold properties when available. No turnaround on the daily spaces was recognized. A parking expense rate of 10% was applied to parking income to arrive at a net parking income contribution figure.

Bellevue CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$11.30	\$138.36	48.1%
2	\$11.30	\$138.36	48.2%
3	\$11.30	\$138.36	70.5%
4	\$11.30	\$138.36	49.3%
5	\$11.30	\$138.36	40.4%
6	\$11.30	\$138.36	40.2%
7	\$11.30	\$138.36	62.9%

In general, values on a price per square foot of net rentable area fell in the \$101-\$234 range.

Suburban Eastside: Lease rates ranged from \$20-\$28 per square foot of net rentable area, with the majority of rents falling in the \$22-\$23 per square foot range. Vacancy and collection loss figures used in this area were 5-20%, expenses \$7.50-\$10.00/nra with the majority falling in the \$7.50 range. Overall rates were 8.75%-9.5%. Most properties were capitalized at 9%. Parking was not analyzed as an additional income contributor as parking is generally included at no charge. In general, values on a price per square foot of net rentable area fell in the \$96-\$190 range.

Southend: Renton, Tukwila, Southcenter, Kent, SeaTac and Federal Way - Lease rates ranged from \$17.50-\$22 per square foot of net rentable area. Vacancy and collection loss figures used in this area were 5%-20%, 10% for the Tukwila properties, 10%-20% for Renton, and 5%-10% for Kent. Expenses in these Southend submarkets were \$7.00-\$8.00. Overall rates in the Southend were 9%-9.5%. The only property in the SeaTac submarket is the Kilroy SeaTac Airport Office Towers. A \$19 lease rate, a 5%-20% vacancy and collection loss rate, expenses \$8.00/nra and a 9%-9.5% overall rate was used to value this property. The differences in cap rates used were due to recognition of higher than typical vacancy in one of the three buildings which comprise the project. Federal Way lease rates ranged from \$20.50-\$22.00 per square foot of net rentable area. Vacancy and collection loss figures used in this area were 5%, expenses \$7-\$7.50/nra and overall rates were 9%.

In general, values on a price per square foot of net rentable in the South County office market fell in the \$76-\$154 range. This range of \$/square feet value does not include the several properties that had close to or 100% vacancy. These properties were valued by a DCF method. They included Three Renton Place, East Valley Office Center I and II, and Riverfront Technical Park.

Medical Office Buildings: Full service lease rates ranged from \$20-\$30.50 per square foot of net rentable area. Vacancy and collection loss figures in this segment were 5%-10%. Expenses ranged from \$10.50-\$11.25/nra. Overall rates ranged from 8.5% -9.50%. 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%. The Parking Inventory for Seattle and Bellevue 2002 prepared by the Puget Sound Regional Council was utilized as a basis for establishing parking rates in the various neighborhoods in Downtown Seattle and Downtown Bellevue. This report was supported by verified rates on sold properties when available. No turnaround on the daily spaces was recognized. A parking expense rate of 10% was applied to parking income to arrive at a net parking income contribution figure.

First Hill			
<u>Neighborhood</u>	<u>Daily Rate</u>	<u>Monthly Rate</u>	<u>Occupancy</u>
14	\$13.18	\$110.20	73.5%
15	\$11.19	n/a	82.1%
16	\$12.52	n/a	74.0%
avg = \$91.71			

University District			
<u>Neighborhood</u>	<u>Daily Rate</u>	<u>Monthly Rate</u>	<u>Occupancy</u>
1	\$7.15	\$74.37	60.1%
2	\$7.15	\$74.37	63.4%
3	\$7.15	\$74.37	65.6%
4	\$7.15	\$74.37	77.4%

Values on a price per square foot of net rentable area fell in the \$99-\$242 range.

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

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 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 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.

Application of the total value model described above results in the following standard statistical measures of valuation performance and uniformity based: the C.O.D. is 7.12%, the C.O.V. is 9.13%, and the P.R.D is 1.03. In addition, the resulting assessment level is 88.3%. These measures, with the exception of the assessment level are all within IAAO guidelines and are presented in the Executive Summary and in the 2004 Ratio Analysis chart included in this report. The weighted mean assessment level improved from 76.2% in the previous year, using the same

sales sample. As discussed, too few sales from the current market were available for the ratio study, to result in a ratio analysis of sales that is a completely reliable gage of assessment performance.

Application of these recommended values for the 2004 assessment year (taxes payable in 2005) results in an total change from the 2003 assessments of + 3.8 %. This increase is due partly to the market changes over time and the previous assessment levels. The total assessed value for the 2003 assessment year was \$7,685,618,300 and the total recommended assessed value for the 2004 assessment year is \$7,978,016,500.

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

Improved Sales for Area 280 Used

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
BELLEVUE CBD SALES												
280	322505	9134	147,384	2011300	\$29,106,000	12/24/03	\$194.48	LINCOLN PLAZA	OLB	1	2	Microsoft net lease of 89% of space until 1/31/06 -not occupied
080	322505	9220	71,738	1942945	\$11,730,000	03/03/03	\$163.51	400 BUILDING	CBD-01	1	2	NOT IN SPECIALTY (too small); not in ratio study
SUBURBAN EASTSIDE SALES												
280	222406	9044	157,546	2008304	\$29,950,000	12/11/03	\$190.10	EASTPOINTE CORPORATE CENTER	R	1	2	Boeing net lease of until 6/30/06

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
SOUTHEND SALES												
280	012204	9012	218,586	1861777	\$30,354,820	01/04/02	\$138.87	CENTER POINT CORPORATE PARK - CREEKSIDE	M1	1	2	
280	012204	9110	436,170	2010783	\$54,193,760	12/22/03	\$124.25	CENTER POINT - ATRUIM, CASCADE EAST, WEST BLDGS.	M1	2	2	Three midrise offices and retail portion seg'd after sale
280	334040	3341	238,140	2021364	\$10,000,000	02/27/04	\$41.99	EAST VALLEY OFFICE CENTER I & II	CO	3	2	Flashcube" Bldgs.- vacant 2 yrs -high capital expenditures expected
	926501	0130	46,984	2023068	\$8,300,000	03/09/04	\$176.65	ABAM BUILDING	OP	1	2	NOT IN SPECIALTY (too small)
	926504	0160	47,347	1932205	\$5,450,000	01/03/03	\$115.11	WASHINGTON PARK I	OP	1	2	NOT IN SPECIALTY (too small)
SEATTLE CBD SALES												
280	553050	0010	199,736	1963105	\$64,750,000	06/02/03	\$324.18	Millennium Tower	DOC 2/240	1	2	sold fully occupied with actual rents in \$42/sf range
032	058640	0000	117,746	1906781	\$20,357,185	08/26/02	\$172.89	Bay Vista Office Tower	DMR/C 125/65	12	2	Office condo with 12 units located in Belltown
280	534290	0010	309,400	1966211	\$89,474,954	06/13/03	\$289.19	One Convention Place	DOC 1/450		2	
280	880790	0130	192,733	1996942	\$29,950,000	10/23/03	\$155.40	WEST LAKE UNION CENTER	C2-65	1	2	33% VACANT

280	069700	0235	237,162	2037591	\$32,999,000	05/10/04	\$139.14	BLANCHARD PLAZA	DMC 240	1	2	
030	524780	0300	53,400	1982412	\$7,500,000	08/22/03	\$117.53	WESTLAND BUILDING	PSM	1	2	NOT IN SPECIALTY (too small)

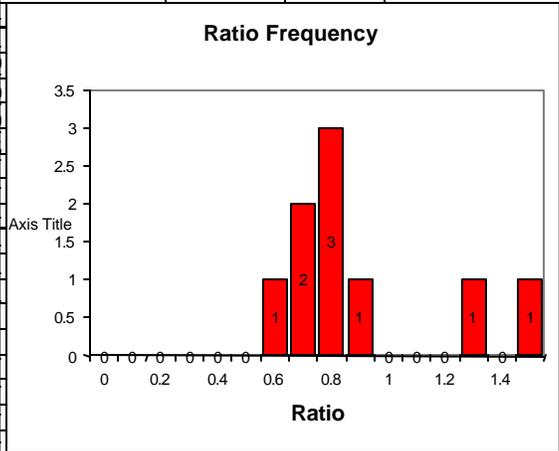
Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
				NORTHEND SALES								
010	292604	9490	83,361	2026413	\$11,996,023	03/25/04	\$143.90	NORTHWAY SQUARE WEST BLDG.	C1-85	1	2	NOT IN SPECIALTY (too small)
				MEDICAL OFFICE BUILDING SALES								

Improved Sales for Area 280 Not Used

		Major	Minor	Total NRA	E #	Sale Price	Sale Date	Area	Neighborhood	Zone	Par. Ct.	Ver. Code	Remarks
280	000	197520	0015	160,000	1904159	\$25,423,298	08/16/02	\$158.90	U S WEST	DOC1	1	13	
280	020	065600	0480	195,297	1898007	\$162,000	07/05/02	\$0.83	FOURTH & BATTERY BUILDING	DMRC240	1	18	
280	078	066287	0010	100,700	1904849	\$3,013	07/12/02	\$0.03	BELLEVUE GATEWAY BLDG	OLB/C	1	24	

2003 Assessment Year Ratio Study

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
Central Crew	1/1/2003	6/9/2004	1/4/02 - 05/10/04
Area	Appr ID:	Prop Type:	Trend used?: Y / N
280	DMAR	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	9		
Mean Assessed Value	31,406,700		
Mean Sales Price	41,227,900		
Standard Deviation AV	12,701,589		
Standard Deviation SP	24,078,105		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.890		
Median Ratio	0.714		
Weighted Mean Ratio	0.762		
UNIFORMITY			
Lowest ratio	0.5967		
Highest ratio:	1.8223		
Coefficient of Dispersion	29.76%		
Standard Deviation	0.3982		
Coefficient of Variation	44.73%		
Price-related Differential	1.17		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.688		
Upper limit	1.258		
95% Confidence: Mean			
Lower limit	0.630		
Upper limit	1.150		
SAMPLE SIZE EVALUATION			
N (population size)	194		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.3982		
Recommended minimum:	110		
Actual sample size:	9		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
# ratios below mean:	7		
# ratios above mean:	2		
z:	1.33333333		
Conclusion:	Normal*		



These figures reflect the 1-1-03 assessment as compared with the current market. Too few sales are included in this analysis to indicate a "true" reflection of the assessment/market value ratio.

Figure 1

*i.e., no evidence of non-normality

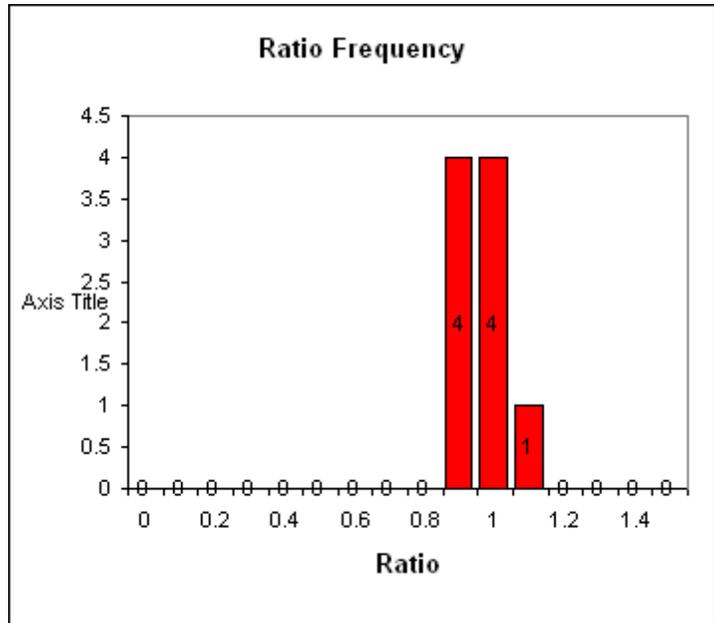
2003 Assessment Year Ratio Study

<i>Parcel Number</i>	<i>Assessed Value</i>	<i>Sale Price</i>	<i>Sale Date</i>	<i>Ratio</i>	<i>Diff: Median</i>
012204-9012	21,031,000	30,354,820	1/4/2002	0.6928	0.0216
012204-9110	37,296,000	54,193,760	12/22/2003	0.6882	0.0262
069700-0235	23,562,000	32,999,000	5/10/2004	0.7140	0.0004
222406-9044	24,102,100	29,950,000	12/11/2003	0.8047	0.0904
322505-9134	20,952,000	29,106,000	12/24/2003	0.7199	0.0055
334040-3341	18,223,100	10,000,000	2/27/2004	1.8223	1.1079
534290-0010	53,550,000	89,747,954	6/13/2003	0.5967	0.1177
553050-0010	46,257,000	64,750,000	6/2/2003	0.7144	0.0000
880790-0130	37,687,000	29,950,000	10/23/2003	1.2583	0.5439

2004 Assessment Year Ratio Study

Quadrant/Crew: Central Crew	Lien Date: 1/1/2004	Date: 6/9/2004	Sales Dates: 1/4/02 - 05/10/04
Area 280	Appr ID: DMAR	Prop Type: Improvement	Trend used?: Y / N N

SAMPLE STATISTICS	
Sample size (n)	9
Mean Assessed Value	36,384,900
Mean Sales Price	41,227,900
Standard Deviation AV	19,111,248
Standard Deviation SP	24,078,105
ASSESSMENT LEVEL	
Arithmetic mean ratio	0.913
Median Ratio	0.917
Weighted Mean Ratio	0.883
UNIFORMITY	
Lowest ratio	0.8223
Highest ratio:	1.0717
Coefficient of Dispersion	7.12%
Standard Deviation	0.0834
Coefficient of Variation	9.13%
Price-related Differential	1.03
RELIABILITY	
95% Confidence: Median	
<i>Lower limit</i>	0.830
<i>Upper limit</i>	0.992
95% Confidence: Mean	
<i>Lower limit</i>	0.859
<i>Upper limit</i>	0.967
SAMPLE SIZE EVALUATION	
<i>N (population size)</i>	194
<i>B (acceptable error - in decimal)</i>	0.05
<i>S (estimated from this sample)</i>	0.0834
Recommended minimum:	11
Actual sample size:	9
Conclusion:	Uh-oh
NORMALITY	
Binomial Test	
<i># ratios below mean:</i>	4
<i># ratios above mean:</i>	5
<i>z:</i>	0
Conclusion:	Normal*
*i.e., no evidence of non-normality	



These figures reflect the recommended 1-1-04 assessed values as compared with the current market. Too few sales are included in this analysis to indicate a "true" reflection of the

2004 Assessment Year Ratio Study

<i>Parcel Number</i>	<i>Assessed Value</i>	<i>Sale Price</i>	<i>Sale Date</i>	<i>Ratio</i>	<i>Diff: Median</i>
012204-9012	25,767,000	30,354,820	1/4/2002	0.8489	0.0678
012204-9110	49,676,000	54,193,760	12/22/2003	0.9166	0.0000
069700-0235	30,724,000	32,999,000	5/10/2004	0.9311	0.0144
222406-9044	28,445,000	29,950,000	12/11/2003	0.9497	0.0331
322505-9134	24,885,000	29,106,000	12/24/2003	0.8550	0.0617
334040-3341	10,717,000	10,000,000	2/27/2004	1.0717	0.1551
534290-0010	73,802,000	89,747,954	6/13/2003	0.8223	0.0943
553050-0010	53,751,000	64,750,000	6/2/2003	0.8301	0.0865
880790-0130	29,697,000	29,950,000	10/23/2003	0.9916	0.0749

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class A++ High-rise	neg 4/02 - 10/02 starts Jan. 03	26,366	10 yrs			\$27		"turn key finish in TI's		direct	12th & 13th fls, lease is 3 tier rate starting at \$27 and ending at \$31
office	Seattle CBD	Class A++ High-rise	signed 1/03 starts 10/03	20,490	5 yrs.			\$25	\$9.20			renewal	36th fl, tenant took renewal option of lease rate of \$25 or 95% of mkt.
office	Seattle CBD	Class A++ High-rise	signed 11/02 starts 2/04	2,419	5yrs.			\$32	\$9.20	\$25		phase 2	
office	Seattle CBD	Class A++ High-rise	signed 1/03 starts 10/03	8,308	5 yrs.			\$31	\$9.20	\$7		new	flat rate over term, 17th floor
office	Seattle CBD	Class A++ High-rise	signed 2/03 starts 10/03	2,412	5 yrs.			\$32	\$9.20	\$30		new	32nd fl,
office	Seattle CBD	Class A++ High-rise	starts June 03	33,121	6 yrs		\$24.80	\$24.00	\$9.20	\$29		new	9th & 10th fls, rates increase to \$25 and ends at \$26
office	Seattle CBD	Class A++ High-rise	signed 1/03 starts May 03	28,482	10 yrs		\$29.00	\$27.00	\$9.20	\$30		new	31st & port of 32nd fl, \$27 yrs 1-5 & \$31 yrs 6-10
office	Seattle CBD	Class A++ High-rise	signed 1/03 starts Feb. 03	20,543	5 yrs.		\$29.50	\$29.00	\$9.20	\$0		new	22nd fl,
office	Seattle CBD	Class A++ High-rise	signed 12/02 starts Feb. 03	9,443	5 yrs.		\$36.50	\$35.00	\$9.20	\$36		new	32nd fl, \$35 in yr 1-3, \$38 in yrs 4-5
office	Seattle CBD	Class A++ High-rise	Jan. 03	106,014	5 yrs.			\$22.46	\$9.20	\$0		renewal	fls. 18-21, 10 yr tenant took renewal option of lesser of lease rate of \$22.46 or 95% of mkt.
office	Seattle CBD	Class A++ High-rise	signed 11/02 starts Jan. 03	1,800	5 yrs.			\$27.00	\$9.20	\$25		renewal	2 phases, 1st phase - 23rd fl, 2nd phase - 30th fl at \$32
office	Seattle CBD	Class A++ High-rise	4th Qtr 02	7,681	10 yrs			\$29.00		\$8 for renewal		renewal	16th floor

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class A++ High-rise	Nov. 02	7,681	10 yrs			\$28.90		\$9		renewal	\$30 in yr 6, \$31 in yr 7, \$32 in yr 9
office	Seattle CBD	Class A++ High-rise	3rd Qtr 02	5,300	5 yrs.			\$28.47		\$22		direct	9th floor, \$1/sf/yr increase
office	Seattle CBD	Class A++ High-rise	4th Qtr 02	4,967	10 yrs.			\$28.13		\$25		direct	11th floor, \$1/sf/yr increase
office	Seattle CBD	Class A++ High-rise	Jun-02	31,000	5 yrs.			\$32.00		\$5		direct	33rd & 34th floors, flat rate
office	Seattle CBD	Class A++ High-rise	Aug. 03	20,491	10 yrs.			\$27.28		\$21		renewal	\$30 yr 5 & \$31 yr 8, base yr stop on expenses
office	Seattle CBD	Class A++ High-rise	signed 11/02 starts 4/03	7,681	10 yrs.			\$28.90		N/A		direct	1/08 - 3/09 \$30 4/09 - 3/12 \$31 4/12 - 4/13 \$32
office	Seattle CBD	Class A++ High-rise	Jan-03	26,366				\$27		N/A		direct	neg began March/April 2002, completed Oct, 12th & 13th floors, 10yrs/3 tiers
office	Seattle CBD	Class A++ High-rise	signed 10/03 starts 05	6,783	5yrs.			\$33.70	\$6.77 & taxes in 03	\$10		renewal	starts in 05- reduction in current lease until then
office	Seattle CBD	Class A++ High-rise	signed 10/03 starts 06	11,453	5 yrs.			\$28.80	\$6.77 & taxes in 03	\$10		renewal	
office	Seattle CBD	Class A++ High-rise	signed 4/03 starts 3/04	22,415	10 yrs.			\$26.68 as is	\$9.50		space leased as is	renewal	parking @ reduced rate & option to terminate 50% of office space
office	Seattle CBD	Class A++ High-rise	Dec. 03	13,568	5 yrs.			\$30 with \$0.50 /yr increases	est \$11-12	\$20		new direct	20th floor, concessions of 5 months free rent

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class A++ High-rise	10/03	25,000	7 yrs.	\$22, \$26 in 6th yr.			\$8.85	\$50 range with expense cap		new direct	24th fl, 1000 SF pocket- no rent,
office	Seattle CBD	Class A++ High-rise	9/03	11,600	5 yrs.	\$23, \$24 in yr 2, \$26 in yr 5			\$8.85			new direct	39th fl, 1,500 SF pocket space with no rent
office	Seattle CBD	Class A++ High-rise	10/04	12,000	7 yrs.	\$20			\$9.62	\$55		new direct	grows from 8,000 SF in Yr1, 10,000 SF in Yr 5 and 12,000 SF in Yr 6, pocket space- no rent
office	Seattle CBD	Class A++ High-rise	7/04	12,797	10 yrs.	\$21, to \$22.50 in Yr 5, \$26 in Yr.10			\$9.62	\$55		new direct	2 yrs of rent credits - \$12 in yr1 and \$7 in yr 2
office	Seattle CBD	Class A++ High-rise	4/04	16,942	5 yrs.	\$16			\$9.62	\$55		new direct	1,000 SF pocket space- no rent, rent credits-free rent for 1 yr for 8,800 SF
office	Seattle CBD	Class A++ High-rise	9/03	8,500	10 yrs.	\$18 for yr 1-5, \$21 for yr 6-10			\$8.85			new direct	23 fl,
office	Seattle CBD	Class A+ High-rise	Sept. 02	20,000	5 yrs.			\$30.00		\$10		direct	33rd floor,
office	Seattle CBD	Class A+ High-rise	3th Qtr 03	18,000	10 yrs.			\$29.00		\$45		direct	new tenant with build out from shell, \$1/sf/yr increase

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class A+ High-rise	Jul-03	14,495	7 yrs.			\$27.00		\$15		direct	\$1/sf/yr increase
office	Seattle CBD	Class A+ High-rise	starts 3/04	10,360	10 yrs.			\$24.50 - \$28 over 10 yrs	est \$10.25	\$48		direct	
office	Seattle CBD	Class A+ High-rise	starts 3/04	50,000				\$24				renewal	existing lease up in 3/04
office	Seattle CBD	Class A+ High-rise	May 03	51,179	15 yrs.			low \$20's for 1st 10 yrs then escalations	est \$10	est \$65		new direct	pkg avail & fees standard for CBD
office	Seattle S Lk Union	Class A+ Mid-rise	signed 10/03 starts 1/04	103,000	10 yrs.	\$17			\$10.00	\$15 TI allowance		renewal	renewal- can renegotiate & relinquish space, did reduce by 40,000 SF, net rate flat for 5 yrs then \$1/SF per yr increase
office	Seattle S Lk Union	Class A+ Mid-rise	signed 12/03 starts 4/04	50,000	10 years		\$16 NNN over first 5 yrs & \$22 NNN over second 5 yrs		NNN expenses \$8	\$20		direct	4 months free rent -
office	Seattle S Lk Union	Class A+ Mid-rise	end of 2004	78,000	10 yrs.	\$25.50 NNN with es to \$30 in last 2 yrs						pre-lease	will occupy floors 2-6 upon completion end of 04

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class A High-rise	signed 10/02 starts Mar. 03	1,550	5 yrs.			\$25.89	\$8.12	\$5		renewal	20th floor,
office	Seattle CBD	Class A High-rise	signed 11/02 starts Jan. 03	6,027	5 yrs.			\$27 rising to \$28 in yr 4-5	\$8.12	\$18		new	18th floor
office	Seattle CBD	Class A High-rise	3rd Qtr 03	8,300	5 yrs.			\$28.50 average over term		\$35		renewal	base yr stop on expenses
office	Seattle CBD	Class A High-rise	May-04	23,232	3yrs & 8 months			\$24		N/A		direct	\$25 year 2
office	Seattle CBD	Class A High-rise	starts 8/03	10,257	10 yrs.			confidential	\$9.70	turn-key		direct	
office	Seattle CBD	Class A High-rise	signed 1/03 starts 5/03	2,373	5 yrs.		\$23.25	\$21	\$8.12	\$30		new	3rd floor
office	Seattle CBD	Class A High-rise	signed 10/02 starts 6/03	27,337	5yrs.			\$24.75	\$8.12	\$15		new	5 yr flat deal, part of 13th fl & all of 14th floor
office	Seattle CBD	Class A High-rise	signed 1/03 starts 5/03	9,030	2 yrs.			\$25.00	\$8.12	\$3		renewal	16th floor,
office	Seattle CBD	Class A High-rise	signed 10/02 starts 5/03	7,214	10 yrs.		\$25	\$24.00	\$8.12	\$33		renewal	3rd floor, yrs 1-5 at \$24, yrs 6-10 at \$26
office	Seattle CBD	Class A High-rise	signed 3/03 starts 5/03	5,500	2 yrs			\$25.25	\$10.10	\$25		new	17th fl, \$1/yr increase to rate of \$29.25 in yr 5, 4 months free rent,
office	Seattle CBD	Class A High-rise	neg 10/02 starts 6/03	5,000	5 yrs.			\$29 flat rate	\$10.10	\$27		new	16th floor,
office	Seattle CBD	Class A High-rise	signed 2/04 starts 3/04	2,263	3 yrs.			\$22		minor-paint & carpet		new (direct)	23rd floor, 3 - 4% increase per yr, 2 months free rent

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
med/dental/retail	Seattle CBD/Regrade	Class A Mid-rise	Apr-03	1,475	10 yrs	\$25.40 with 2.5% increase per yr.			\$6.50	\$30		new	dental office in retail space - 1st floor
office	Seattle CBD/Regrade	Class A Mid-rise	Apr-03	3,027	3 yrs			\$19	\$9.52			new	op exp includes amortization of cap imps, rate increases to \$21 in yr 3
office	Seattle CBD/Regrade	Class A Mid-rise	Jun-03	1,656	3 yrs			\$20	\$9.52			new	op exp includes amortization of cap imps,
office	Seattle S Lk Union	Class A Mid-rise	starts 2/04	37,992	10 yrs.			\$26.50	\$6.75	\$36		direct	some free pkg.- lease steps are \$.50/yr
office	Seattle Waterfront	Class A Mid-rise	signed & starts 12/03	3,777	3 yrs.			\$23		minor such as paint,		direct	1 month free rent - minor TI's
office	Seattle Waterfront	Class A Mid-rise	neg 9/02 starts 12/03	15,136	5 yrs.		\$22.63	\$23		\$20		new	4 months free rent - rate at \$26.56 in yr 5
medical office	Seattle 1st Hill	Class A Mid-rise	Nov. 03	5,360	5 yrs.	\$22			\$11.76	\$9		new	14th fl, 3% annual rate increase, .57 of op exp is cap imp reserve
office	Seattle Waterfront	Class A Mid-rise	May 04	3,154	5 yrs.			\$22 with 3% increase/yr	est \$8	minor paint/carpet		new direct	some southwest views from mid-rise
office	Seattle N. Lake Union	Class A Low-rise	Jan. 03	16,750				\$22	\$8.00	\$22		renewal	renewal/expansion with 1 yr left on old, 5 yr deal increased space by 7,000 sf
office	Seattle S Lk Union	Class A Low-rise	signed 10/03 starts 12/03	5,297	5 yrs.		\$28.11		\$7.00	\$30		direct	Yr 2000 low-rise with approx 54,000 SF

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle S Lk Union	Class A Low-rise	signed 11/03 starts 1/04	3,700	5 yrs.		\$30.38		\$7.00	\$30		direct	Yr 2000 low-rise with approx 54,000 SF- top floor with views
office	Seattle Regrade	Class A-High-rise	Jun-04	3,437	1 yr extension	\$22			\$6-8	as is		extension of existing lease	
office	Seattle CBD	Class A-High-rise	11/03	17,043	8 yrs.			\$18 with \$1.50/yr increase	\$8.30	\$9		renewal & expansion form 13,000 sf	existing space on 17th floor & new space on 19th floor
office	Seattle CBD	Class A-High-rise	Jan. 03	54,834	7 yrs.			\$17		\$33		renewal	renewal of "named tenant" , 4.5 floors,
Condo office	Seattle Regrade	Class A-High-rise	neg 11/03 starts 1/04	2,100	5 yrs.			\$21	\$8.00	\$15		new	3% per yr annual increase after yr 2,
Condo office	Seattle Regrade	Class A-High-rise	starts 9/ 03	3,200	7 yrs.			\$18	\$8.00	As is except new paint		new	3% annual increase, 4 free parking stalls for two yrs then \$175 per stall
Condo retail	Seattle Regrade	Class A-High-rise	Sep-04	3,200	5yrs.	\$23			\$8 NNN	est \$10		new	2 - 5 year options available
office	Seattle CBD	Class A-High-rise	3/04	1,200	2 yrs.			\$22	\$8.30	minimal carpet cleaning etc.		new (direct)	\$1/ yr. increase, 12th fl location
office	Seattle Regrade	Class A-Mid-rise	neg in 11/02 starts Jan.03	4,183				low \$20's		\$15 +		direct	
office	Seattle Regrade	Class A-Mid-rise	signed 9/03 starts 10/03	3,518	3 yrs.			\$14.00 as is		0		direct	expansion of existing lease- space is 1st floor in rear- no TI's, no pkg,

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle Eastlake	Class A-Mid-rise	neg. 1/04 starts 4/04	4,248	5 yrs.			\$23	est \$8.50	\$12- \$15		new (direct)	lease rate increases to \$24 after 30 months, good lake & western views
office	Seattle CBD	Class B + High-rise	Jun-03	3,000 3,000 2,000 9,500				\$16-\$19		\$20 to \$30		direct	extensive renovation of elevators/bldg systems,
office	Seattle Westlake	Class B+ Mid-rise	05/04	1,821	5 yrs.			about \$18 per agent	est \$8.00	only paint & carpet		new (direct)	\$1 / yr increase
office	Seattle CBD	Class B + Mid-rise	signed 9/03 starts 1/04	22,119	11yrs.			\$20		est \$30		direct	1yr free rent- rate raises to \$24 over term,
office	Seattle CBD	Class B + Mid-rise	neg. 3/04 starts 5/04	5,500	3 yrs.			\$20	est \$6	\$16		new direct	5% per yr increase, 2 months free rent
office	Seattle Pioneer Sq	Class B High-rise	neg 1/03 starts 4/03	5,500	5 yrs.			\$17	\$10.37	\$20		new	6th fl, annual \$1 bumps,
office	Seattle CBD	Class B High-rise	neg 2/04 starts 4/04	1,696	5 yrs.		\$14 FS includes rent concessions			\$10		new (direct)	\$1 / yr annual increase
office	Seattle CBD	Class B High-rise	Apr-04	434	1 yr renewal	\$24.92				as is		renegotiation of existing lease	
office	Seattle CBD	Class B High-rise	May-04	3,043	1 yr renewal	\$11.83				as is		renegotiation of existing lease	

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class B High-rise	starts 5/04	8,226	5 yrs.		\$14.50 includes rent concessions		est \$7	\$15		new (direct)	\$1/ yr annual increase- 23 fl. Location
office	Seattle Pioneer Sq	Class B Mid-rise	6/04	5,124	5 yrs.			\$18	est \$6.50	not avail.		new direct	small annual steps
office	Pioneer Square	Class B Mid-rise	renews 9/01/04	10,587	3 yrs.			\$16.00	est \$7-\$8	none		renewal	\$0.25 increase per yr.
office	Seattle Waterfront	Class B-Mid-rise	4/04	1,930 sf	5 yrs.			Asking \$19 with 3-4% increase per yr		none		new (direct)	
office	Seattle CBD	Class B-Mid-rise	Oct. 03,	1,896	3 yrs.		\$15.00	6 months free , 1/2 or \$10 for remaining half term than \$20 for balance of lease term	\$8.50	none		new	
office	Seattle CBD	Class B-Mid-rise	pending 1st 1/4 04	5000	3 yrs.			\$13.50 , \$14.50, \$15.50	\$8.75	\$30,000		new	4th floor,
office	Seattle CBD	Class B-Mid-rise	2003	1,800	3 yrs.		\$15.25 over term			est \$5		new	
office	Seattle CBD	Class B-Mid-rise	1st 1/4 2004	2,100	5 yrs.		\$16 over term			\$9 - \$11		proposed	
office	Seattle CBD	Class B-Mid-rise	1st 1/4 2004	3,300	5 yrs.		\$16 over term			\$5 for		proposed	

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	Seattle CBD	Class B-Mid-rise	1st 1/4 2004	4,500	5 yrs.		est \$15 over term			\$6		proposed	
office	Seattle Pikes Mkt	Class B/C Mid-rise	signed 7/03 starts 11/03	4,181	5 yrs.		\$17		est \$7.50	teens		direct	av eff rent includes 4 months free rent, \$.50 bumps per yr, some western views,
retail	Seattle Regrade/Lower QA	Mixed Use Condo	starts 11/03	1,780	5 yrs.	\$35			NNN expenses \$7	\$17,800 cash available		direct	6 weeks free rent
office/lab	Seattle Regrade/South Lk Union	Class A++ Biotech	upon bldg completion	137,524 SF	15 yrs.		\$33 until 06 then rises incrementally to \$47.48 in 15th yr					direct	
office/lab	Seattle S Lk Union	Class A+ Biotech		164,000 SF div to 5,000 SF		\$30 NNN					available		
office/lab	Seattle S Lk Union	Class A + Biotech	upon completion in 2004	54,974 SF	10 yrs.	\$32.50 NNN for 1st yr then 2.5% increases				\$28		pre-lease	lease is for shell in core condition, remaining built-out by tenant for \$6,000,000 or \$109/sf -

Seattle Lease/Expense Survey

Type	Neighborhood	Rent Class	Commence Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office/lab	Seattle S Lk Union	Class A + Biotech	upon completion in 2004	47,477 SF	13 yrs.	\$35.50 NNN with 2.35% annual es.				\$20		pre-lease	est. completion 4/04
retail	Seattle S Lk Union	Class A + Biotech	upon completion in 2004	2,800	5 yrs.	\$21.75 NNN						pre-lease	est. completion 4/04
retail	Seattle S Lk Union	Class A + Biotech	upon completion in 2004	3,030	5.5 yrs.	\$18 NNN with es to \$21 in last 1.5 yrs.				\$20		pre-lease	est. completion 4/04

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Bellevue CBD	Class A mid-rise	Jan. 03	10,795	4 yrs	\$16.50		24.78	\$8.28			new	\$.75 annual increase	
Office	Bellevue CBD	Class A mid-rise	Feb. 03	9,979	5 yrs	\$12						new	one month free rent	
Office	Bellevue CBD	Class A mid-rise	Jan. 03	2,927	5 yrs	\$12.26						new	one month free rent	
Office	Bellevue CBD	Class A high-rise	Mar. 03	33,850	5 yrs	\$11				\$15		renewal	Flat rate	
Office	Bellevue CBD	Class A+ high-rise	Jan. 03	6,700	8 yrs	\$14.50	\$16.50			\$42.12		new	8 months free rent	
Office	Bellevue CBD	Class A+ high-rise	Mar. 03	11,046	5 yrs	\$13.20	\$14.20					renewal	Full floor tenant	
Office	Bellevue CBD	Class A mid-rise	Mar. 03	1,686	3.5 yrs		\$20.50	\$20.00				new	2nd floor tenant	
Office	Bellevue CBD	Class A high-rise	Mar. 03	17,833	10 yrs	\$15.25				\$50.25		new		
Office	Eastside suburban	Class A	Mar. 03	76,000	5 yrs	\$12.00	\$14.00			\$15.00		new		

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A low-rise	Apr. 03	21,000	5 yrs	\$10.03				\$10.00		renewal	Flat rate	
Office	Eastside suburban	Class A low-rise	May 03	15,531	5 yrs			\$20				renewal	Flat rate	
Office	Eastside suburban	Class A mid-rise	May 03	5,800	5 yrs	\$14.50	\$15.10			\$35.00		relocation		
Office	Eastside suburban	Class A mid-rise	Mar. 03	1,940	5 yrs	\$12.00				\$24.00		new		
Office	Eastside suburban	Class A mid-rise	Mar. 03	2,064			\$22.00	\$21		\$8.00		renewal		Parking \$20 for 1st 3 yrs then \$40 for 2 yrs
Office	Eastside suburban	Class A mid-rise	Mar. 03	5,373	10 yrs		\$22.00	\$23.48		\$26.00		new		Parking \$0 for 1-2 yrs then \$10 for 3-5 yrs, \$30 yr for 6-10
Office	Eastside suburban	Class A low-rise	Apr. 03	2,815	5 yrs	\$13.76	\$14.47	\$23		\$41.00		new		
Office	Eastside suburban	Class A mid-rise	Apr. 03	2,119	5 yrs		\$24.00	\$23		\$30.00		new		Parking \$15 months 13-36, \$30 months 37-60

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban		Jan. 03	1,695	2 yrs	\$13.00						new	one month free rent	
Office	Eastside suburban		Feb. 03	2,000	3 yrs			\$21	\$6.98			new	\$.50 increase per yr.	
Office	Eastside suburban	Class A mid-rise	Jan. 03	5,965	5 yrs	\$12.00	\$20.00		\$8.62			new	no free rent	
Office	Eastside suburban	Class A mid-rise	Mar. 03	74,245	3 yrs	\$11.87				\$5.00		new		
Office	Eastside suburban	Low-rise	May 03	7,100	5 yrs	\$10.00				\$18.50				
Office	Eastside suburban	Class A+ mid-rise	Nov. 03	50,500			\$24.25		\$10.48/SF	\$18/SF		renewal	\$.75/SF increase per yr	not included
Office	Eastside suburban	Class A low-rise	Nov. 03	4,423		\$8 sublease			\$7.50/SF	\$7/SF		new	3% annual increase	
Office	Eastside suburban	low-rise	signed 10/03 starts 2/04	3,558	5 yrs			19	\$7.00/SF	\$25/SF		new	\$.50/SF increase per yr. 1st & 6th month free	
Office	Eastside suburban	Class A low-rise	signed 7/03 starts 9/03	1,389	3 yrs			21	\$9/SF	\$11-12/SF		new	\$.50/SF increase per yr.	

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Bellevue CBD	Class A high-rise	signed 8/03 starts 9/03	3,500	5 yrs			22.5	est. \$8.75	\$18.50/SF		new	\$.50/SF increase per yr., 6 months free rent	flat rate of \$75/month
Office	Eastside suburban	Class A-low-rise	signed 9/03 starts 10/03	15,672	3 yrs			19	est. \$7.00	est \$10		extension	18 month CPI increase	
Office	Bellevue CBD	Class A mid-rise	signed 8/03 starts 9/03	30,898	5 yrs	\$13			\$8.65	\$15/SF		new	\$.50/SF increase per yr., 6 months free rent,	1 yr. free, 2 yrs @ \$50 per stall, then mkt rate
Office	Eastside suburban	Class B+ low-rise	37928	2,565	1 yr			18	\$6.50			renewal	no concessions or Ti's	
Office	Eastside suburban	Class B+ low-rise	signed 8/03 starts 10/03	4,034	62 months		\$18 - \$19		\$6.50	\$7.50/SF		new	2 months free rent,	
Office	Eastside suburban	Industrial Office	signed 10/03 starts 11/03	2,779	2 yrs with option for 3rd yr	\$9.27 1st \$14 2nd, option 3rd yr @ mkt			\$4000/mo 1st yr, \$5000/mo 2nd yr			new	no TI's, industrial office area	
Office	Eastside suburban	Class A low-rise	starts 10/03	1,112	5 yrs	\$12 1st yr, then \$.50 increase per yr			est \$9				no TI's,	

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A mid-rise	neg 10/03 starts 1/04	6,158	5 yrs				\$21.75 \$1 increase per yr est \$8.60	up to \$150,000, 4 months free rent		new		
Office	Bellevue CBD	Class A high-rise	starts 1/04	7,682	2 yrs				\$22-\$24 \$8.50	\$5/SF		new	only minor concessions	\$50 to \$1000 with 2 spaces/1000 SF
Office	Bellevue CBD	Class A+ high-rise	12/03	2,559	5 yrs	\$17			\$9.50 NNN	\$18.88		new	\$.50 increase in 12/04	
Office	Bellevue CBD	Class A+ high-rise	12/03	2,970	5 yrs	\$15			\$9.50 NNN	\$38.28		new	\$1 increase in 12/05	
Office	Bellevue CBD	Class A+ high-rise	4/03	15,258	5 yrs	\$10			\$9.50 NNN	\$20.06		new	\$10.65 in 5/04	
Office	Eastside suburban	Class A mid-rise	8/03	5,896	5 yrs	\$14.50		\$23	\$8.50 NNN	\$35		new	next bump 8/1/06	28 stalls @ \$965/month
Office	Eastside suburban	Class A mid-rise	8/03	2962	3 yrs	\$6.73	\$18.73	N/A		none		new	8/1/2004	\$25 per stall

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A mid-rise	4/04	6,094	10 yrs	\$14 with \$1 increase/yr till 2010 then \$20			\$7 NNN	\$10		new	6 months free rent,	
Office	Bellevue CBD	Class A high-rise	starts 1/04	7,500	2 yrs			\$24.25 for 1st yr, \$24.75 for 2nd yr.	\$9.50	\$10		new	2 months free rent - 15th floor	\$50/stall in 1st yr, \$75/stall in yr 2
Office	Bellevue CBD-fringe	Class A low-rise	12/15/03	5,159	5 yrs	Yr 1 & 2 - \$13.50 Yr 3 - \$14.25 Yr 4 - \$16.25 Yr 5 - \$17.25				\$20.15		new	3 months free rent,	36 months free then \$50/m/stall
Office	Bellevue CBD-fringe	Class A low-rise	12/8/03	4,383	5 yrs	Yr 1 & 2 - \$13.50 Yr 3 - \$14 Yr 4 - \$16 Yr 5 - \$17.25				\$20.15		new	3 months free rent,	36 months free then \$50/m/stall
Medical Office	Bellevue CBD-fringe	Class A mid-rise	2003	variable	15 yrs		\$22 SF with 3% per yr increase		\$8.16/SF CAM'S					first hr free 2nd hr at \$4
Office	Bellevue CBD	Class A+ high-rise	signed 12/02 Mar. 03	4,287	5 yrs	\$14.24			\$9.50 NNN	\$9.14		new	9th floor,	

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Bellevue CBD	Class A+ high-rise	signed 1/03 starts 2/03	670	45 mont hs			\$27.99	\$9.50			renewal	2nd floor	
Office	Bellevue CBD	Class A+ high-rise	signed 11/03 starts 2/03	1,534	5 yrs	\$15			\$9.50 NNN	\$13.24		new	9th floor,	
Office	Bellevue CBD	Class A mid-rise	signed 7/02 starts 1/03	1,600	5 yrs	\$12.50			\$10 NNN	as is		new	1st floor, rate flat in yrs 1-4, increase to \$13 in year 5	5 pkg stalls free
Office	Eastside suburban	Class A low-rise	Mar. 03	157,546	5 yrs	\$22.50 absolute net lease							net lease - tenant is Boeing, term expires in 6/30/06, rent steps of \$23.29 in 7/02, \$24.10 in 7/03, \$24.95 in 7/04, \$25.82 in 7/05	
Office	Eastside suburban	Class A low-rise	1st qtr 03	8,000	7 yrs			\$25	\$7.50	\$15		new	\$25 FS for 5 yrs then mkt rate remaining 2 yrs.	

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Bellevue CBD	Class A mid-rise	Mar. 03	963		\$11			\$8.53	0		new	3rd floor, 3 pkg stalls at \$100/stall	\$100
Office	Bellevue CBD	Class A+ high-rise	neg 10/02 starts 11/02	4,872	3 yrs			\$24.19	\$10	\$13.75		new	10th fl, tenant moved in 4/02 wanted to expand so renegotiated deal, signed NNN deal	
Office	Eastside suburban	Class A low-rise	neg 12/03 starts 3/04	7,025	5 yrs			\$22.50		were TI's but cost not avail.		expansion of exist tenant space in larger bldg.	est 3 to 4% increase in rate per yr,	Pkg avail at \$50 or \$75/month
Office	Eastside suburban	Class A mid-rise	neg 4th qtr 03 starts 3/04	30,923	5 yrs		approx. \$13-\$14 NNN		est 04 exp of \$7.48	\$30		new	1 month free rent	
Office	Eastside suburban	Class A+ mid-rise	neg. 12/03 starts 4/04	21,022	6 yrs		slightly under asking \$18-\$28 N per Office.com		\$10.25	\$25		new - direct		\$50 to \$75

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A mid-rise	7/03	15,350	5 yrs	\$14.50		\$21	\$6.50 NNN	\$15		new	escalation to \$24 in yr 5, 6 months free rent, \$5000 moving allowance	
Office	Eastside suburban	Class A mid-rise	9/03	15,350	5 yrs	\$13.50		\$20	\$6.50 NNN	\$10		renewal	size reduced, \$1 / yr increase, 2 months free rent	
Office	Eastside suburban	Class A mid-rise	12/04	9,915	10 yrs	\$14.50		\$21	\$6.50 NNN	\$25		new	\$28.67 FS at Yr 8, 90 days free rent \$3000 moving allowance	
Office	Bellevue CBD	Class A high-rise	neg. 02/04 starts 4/04	1,417	5 yrs			\$24 with \$0.50/yr increase	\$8	none		renewal	renewal lease - last 6 months of previous lease at \$30 reduced to \$26	4 stalls avail at \$35/stall for 2 yrs then \$50 after
Office	Bellevue CBD	Class A high-rise	10/03	1,310	3 yrs			\$25 with \$1/yr increase	\$10	none		renewal	10 fl location with avg views,	2 stalls avail at mkt

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A mid-rise	neg. 4/04 starts 9/04	22,005	10 yrs	\$12.50 in month 7 after free rent	\$14.12 NNN over term		\$7.96 in yr.1	\$20		new - direct		free pkg.
Office	Bellevue CBD	Class A mid-rise	3/03	1,542	5 yrs	\$25			\$7.50 NNN	\$26		renewal	\$0.50/yr increase	\$50
Office	Bellevue CBD	Class A mid-rise	9/03	4,233	3 yrs			\$14		\$3		renewal	\$0.25/yr increase	\$50
Office	Bellevue CBD	Class A mid-rise	2/03	963	1 yr	\$11			\$7.50 NNN	0		new - direct	0	\$100
Office	Bellevue CBD	Class A mid-rise	4/03	3,354	5 yrs	\$13			\$7.50 NNN	\$24		new - direct	\$0.50/yr increase	\$75
Office	Bellevue CBD	Class A mid-rise	5/15/04	13,834	5 yrs			est \$21	est \$9.50 to \$10	\$20		new - direct	4th fl, 5 months free rent,	3 yrs free pkg.
Office	Bellevue CBD	Class A+ high-rise	net 2/04 starts 3/04	2,933	76 months				\$21,25 yr 1 \$22 yr 2 \$22.50 yr3 \$22.75 bal	\$10	\$25	new - direct	20th floor,	3 stalls per 1000 SF @ \$100 / month

Eastside Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	FS Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes	Monthly Pkg Avail.
Office	Eastside suburban	Class A mid-rise	Neg. early 04 starts Feb. 05	24,692	9 yrs	\$14.00 with \$0.50 step per yr			\$8.60	\$150,000		renewal	last yr. of existing lease now at lower new rate	

South County Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	F.S. Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	South City Renton	B+ low-rise	signed 4th qtr 02 starts 4/03	19,594	10 yrs			15.50	\$6.50			new	whole bldg lease, rate increases to \$18 in yr 2, then +.50/yr thru yr 10
office	South City Kent	A mid-rise	3/3/2003	12,500	5 yrs	\$11-12			\$7.50-\$7.85 NNN			new	7th floor, "turn key"
office	South City	A	3/1/2004	11,520 SF				\$19.15		0		renewal of sublease	Fed. Way low-rise
office	South City Renton	A low-rise	signed 10/03 starts 1/04	11,188 SF	7.5 yrs			\$18.50 with 2.5% annual increases	\$6.25	\$40/SF with \$38,000 furn. Allow		new tenant	5 months free rent, next 3 months at 50%
office	South City Sea Tac	A mid-rise	6/1/2003	211,139	5 yrs	\$10.56							options to cancel in yrs 3 & 4 \$600,000 cash to use at tenant's discretion
office	South City Renton		3/1/2003	4,118	64 months			\$19		\$30 with 4 months free rent			3% annual bumps
office	South City Renton	A mid-rise	3/1/2003	61,000	7 yrs	\$10.20			Triple N exp @ \$7.80				started at \$8 NNN \$10.20 NNN effective, space pocketed
office	South City Auburn		3/1/2003	26,544	3.5	\$9.75					\$10	Sublease	Sublease from Key Bank, \$1 annual bumps

South County Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	F.S. Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	South City Kent	A	2/1/2003	2,600	6 yrs	\$ 13				\$17.31 & 3 months free rent			\$13 for yrs 1,2 & 3, \$14.25 for yrs 4,5,& 6
office	South City Kent	A	1/1/2003	2,600	6 yrs	\$14				\$28.50			\$17.25 yr 2 then \$.50 increases
office	South City Federal Way	A	10/1/2002	17,000	6 yrs		\$21 full service			\$48			Started at \$17 FS
office	South City Renton	A	10/1/2002	6,664	70 months			\$24		\$26.50			\$.50 annual bumps
office	South City Renton	A mid-rise	10/1/2002	35,000	10 yrs			\$22		\$22 allowance with 9000 SF for 6 mths			3% annual bumps
office	South City Renton	B	10/1/2003	2000	5 yrs	\$14			\$6.25	as is		new	3 months free rent
office	South City Federal Way	A low-rise	neg 10/02 begins 12/03	3,909	5 yrs			\$21	\$6.50	info not avail		new	yrly bumps of 3%
office	South City Federal Way	B	neg 11/02 begins 1/04	4,753	5 yrs			\$12 in 1st & 2nd yr, then \$14 & increases by \$1/yr	\$7	\$10		new	
office	South City Renton	B	signed 12/03 starts 1/04	10,707	64 months			\$16 with \$.50 increases per yr.	\$6.50	\$8/SF		new	4 months free rent

South County Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	F.S. Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	South City Federal Way	A	starts 1/04	4,344	5 yrs with 3 months free rent added to term			\$21 & 3% increase/yr	\$6.70	\$12/SF		new	
office	South City Federal Way	A	starts 1/04	2,608	5 yrs with 3 months free rent added to term			\$21 & 3% increase/yr	\$6.65	\$17/SF		new	
office	South City Tukwila	B	starts 10/03	3,387	5 yrs with 3 months free rent			\$19 & \$.50 increase per yr.	est \$6.50	minimal		new	
office	South City Kent	A mid-rise	neg. 12/03 starts 2/04	2,172	40 months	\$14			\$7.91 NNN for 2004	\$5 per sf		new	4 months free rent
office	South City Renton	A mid-rise	Jan. 03	674	3 yrs.		\$21	\$20		0		renewal	
office	South City Renton	A mid-rise	Aug. 03	3,400	5 yrs		\$16.50	\$15.50		\$2		new	\$.50 per yr increase, one 3 yr option to renew at market
office	South City Renton	A mid-rise	Jan. 03	2,177	5 yrs		\$18.95 average	\$19.25		\$25 (turnkey)		new	
office	South City Renton	A	Jan. 04	1,106	5 yrs.			\$18	est \$6.50	carpet/paint		new	2.5% increase per yr.
office	South City Federal Way	B+ mid-rise	4/04	1,914	3 yrs.			\$19	\$6	\$5		new direct	2 months free rent and \$.50 increase per yr.

South County Lease/Expense Survey

Type	Neighborhood	Rent Class	Commerce Date	Size	Term	NNN Rate	Eff Rent	F.S. Rate	Expenses (\$/sf) or (%)	T I's	Asking	In-place	Notes
office	South City Tukwila	B+ mid-rise	7/04	1,780	65 months			\$17.50	\$6.50	\$10		new direct	6 months free rent and \$0.50 increase per yr.