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August 10, 2017

Mr. Michael Transue  
Attorney & Counselor at Law  
State and Local Governmental Affairs  
5420 North Commercial  
Ruston, WA 98407-3114

RE: MARKET RENT STUDY OF AIRPORT-OWNED PROPERTIES LOCATED AT THE TACOMA NARROWS AIRPORT, IN GIG HARBOR, WASHINGTON (Our File #17-0094).

Dear Mr. Transue,

At your request, we have completed an Appraisal of Market Rent, providing an opinion of Improved Rental Rates for select individual parcels on the Tacoma Narrows Airport in Gig Harbor, Washington. This report is intended to review the airport properties in light of current market activity. The conclusions have been generated primarily through the study of other regional airport activity as well as our inspections of the facilities at Tacoma Narrows. This report includes descriptions, comparable analysis, and opinions of market rent ranges for improvements owned by the Tacoma Narrows Airport. The improved analysis is intended to provide guidance for leasing airport-owned facilities within the defined ranges, and based on building quality and characteristics.

This assignment was prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and is intended to comply with the appraisal standards of the entity requesting this appraisal. The conclusions herein are given subject to the specific assumptions and limiting conditions stated immediately following this transmittal letter.

The primary function of this assignment is to convey opinions of Market Rent, presented in a Restricted Appraisal Report format. It is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP). As such, this report briefly summarizes the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser’s opinion of value, while some of the supporting documentation is retained in the appraiser’s file. The depth of discussion contained in this report is specific to the needs of the client, the agreed upon scope, and is intended for the use stated below. The appraiser is not responsible for unauthorized use of this report.

Based on the information contained in the following report, our opinion of rental rates for the various buildings, as of May 1, 2017, is summarized as follows.
Tacoma Narrows: Recommended Rental Rates (Stand-alone Buildings)

<table>
<thead>
<tr>
<th>Hangar Bldg. ID</th>
<th>Bldg. Unit</th>
<th>Current Rate/Mo.</th>
<th>Recommended Rate/Mo.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1202 - Spoilers</td>
<td>3,690</td>
<td>$575.92</td>
<td>$593.20</td>
</tr>
<tr>
<td>1412 - Stand Alone Hangar</td>
<td>3,136</td>
<td>$631.00</td>
<td>$784.00</td>
</tr>
<tr>
<td>1620 - Helitrak</td>
<td>7,680</td>
<td>$7,129.26</td>
<td>$7,389.25</td>
</tr>
<tr>
<td>1624 - Vacant (Airport Storage)</td>
<td>7,200</td>
<td>$2,600.00</td>
<td>$2,600.00</td>
</tr>
</tbody>
</table>

1) Rates concluded are Prior to LH Tax
2) Bldg. 1624 conclusion is the current advertised asking rate

Tacoma Narrows: Recommended Rental Rates for General Aviation T's/Quad/Communal/Corporate Hangars

<table>
<thead>
<tr>
<th>Hangar Bldg. ID</th>
<th>Bldg. Unit</th>
<th>Current Rate/Mo.</th>
<th>Recommended Rate/Mo.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1524-A GA T-Hangars (40' door)</td>
<td>16,104</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524-B GA T-Hangars (40' door)</td>
<td>12,408</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524-C GA T-Hangars (40' door)</td>
<td>11,550</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524 - GA T’s w/ office</td>
<td>2,775</td>
<td>$426.28/Mo. (Inc. LH Tax)</td>
<td>$433/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1422 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1432 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1712 - Communal Hangar (40’ door)</td>
<td>10,000</td>
<td>$279.15/Mo. (Inc. LH Tax)</td>
<td>$279.15/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1724 - Communal Hangar (50’ door)</td>
<td>15,000</td>
<td>$326.37/Mo. (Inc. LH Tax)</td>
<td>$326.37/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1402-1 Corporate Hangar (63’ door)</td>
<td>15,960</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-2 Corporate Hangar (63’ door)</td>
<td>“ 3,710 (approx.)</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-3 Corporate Hangar (63’ door)</td>
<td>“ 3,710 (approx.)</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-4 Corp. Hangar w/ office (63’ door)</td>
<td>“ 4,830 (approx.)</td>
<td>$2,065.97</td>
<td>$2,128.00</td>
</tr>
</tbody>
</table>

Rates for Corporate Hangars are prior to LH Tax.

If you have further questions not answered in the accompanying report, please do not hesitate to call.

Sincerely,

VALBRIDGE PROPERTY ADVISORS | ALLEN BRACKETT SHEDD | MACAULAY & ASSOCIATES

S. Murray Brackett, MAI

David Coleman, Senior Associate

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# Executive Summary

**Project:** Tacoma Narrows Airport  
**Location:** 1202 26th Avenue NW; Gig Harbor, Washington  
**Description of Airport:** Tacoma Narrows Airport includes a total of approximately 568 acres on the Gig Harbor side of Pierce County. It is a general aviation airport facility.  
**Overview of Airport Ownership:** Building leases are typically short term, between 3-5 years, while some may be in excess of 20 years. Airport property (land) is leased for long terms, typically 20 to 50 years. Adjustments to the lease rates are made periodically. Leasehold excise taxes are also payable by the tenants at 12.84% of the lease amount.  
**Summary of Conclusions:** Please see transmittal letter  
**Date of Value:** May 1, 2017  
**Appraisers:**  
- S. Murray Brackett, MAI  
- David Coleman, Senior Associate  
**File:** 17-0094
Subject Photographs

1) Bldg. 1202 (Spoilers - interior).

2) Bldg. 1202 (Spoilers - interior).
SUBJECT PHOTOGRAPHS

3) Bldg. 1402 (interior).

4) Bldg. 1402.
SUBJECT PHOTOGRAPHS

5) BLDG. 1412.

6) BLDG. 1412 (INTERIOR).
SUBJECT PHOTOGRAPHS

7) BLDG. 1524 - GENERAL T-HANGARS.

8) BLDG. 1524 (INTERIOR).
SUBJECT PHOTOGRAPHS

9) BLDG. 1620.

10) BLDG. 1620 (INTERIOR HANGAR.)
SUBJECT PHOTOGRAPHS

11) BLDG. 1620 (INTERIOR).

12) Bldg. 1620 (interior).
SUBJECT PHOTOGRAPHS

13) BLDG. 1624.

14) BLDG. 1624 (INTERIOR).
SUBJECT PHOTOGRAPHS

15) BLDG. 1712 & 24 (COMMUNAL HANGARS).

16) Bldg. 1712 & 24 (Interior).
SUBJECT PHOTOGRAPHS

17) Quad Hangar.

18) Quad Hangar (interior).
Parcel Map
Zoning Map
PART I - INTRODUCTION

Identification of the Subject Property
The subject of this assignment includes airport owned improvements at the Tacoma Narrows Airport located in Pierce County, Washington. Property on the airport is currently utilized for aircraft maintenance and storage, administrative offices, various manufacturing facilities, as well as other aviation related uses. The various parcels, as identified in this report, are shown on the enclosed mapping. This analysis presents our opinion of the fair market rental rate for the specifically identified improvements owned by the Airport. The rental rate reflects the building, as well as underlying land on an economic site.

Legal Description
No legal descriptions were provided. We have relied on maps and plans provided by Airport staff for general identification. Specific improvements were also identified by these maps, as well as by the appraisers’ estimate.

History and Ownership
The Tacoma Narrows Airport is a well-established County airport, which offers a wide range of flight related services. The airport ownership remains with Pierce County, having had no significant changes to ownership in the past five years.

Date of Inspection/Valuation
The subject property was formally inspected on May 1, 2017. The effective date of this appraisal is May 1, 2017. All improvements noted in this report were inspected by the Appraisers.

Intended Use/User of Report
The purpose of this report is to provide an opinion as to the fair market rental rate for the identified improvements. The intended user/use is the client, Mr. Michael Transue, representing the Tacoma Narrows Airport to assist in an overall County review of airport operations.
Property Rights Appraised

As a rental study, this appraisal essentially reflects an opinion of the market rental rates for various buildings on the subject property. It does not consider any potential accrued leasehold value, since the conclusion is a periodic fair rental rate. Market rent is defined as:\(^1\)

\[\begin{align*}
\text{The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs).}
\end{align*}\]

The basis of a market rental rate is founded in the concept of Market Value, and is derived from several data sources. To further clarify, Market value is defined as:\(^2\)

\[\begin{align*}
\text{The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:}
\end{align*}\]

1. buyer and seller are typically motivated;
2. both parties are well-informed or well-advised and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

In this analysis, we have considered the restrictive (special) use (i.e. similar to all FAA uses) as an airport property, as well as similar uses at comparable facilities. The rental opinion is based, in part, on current rents being received (or asked for) on comparable properties. In providing an opinion of the economic rent for the selected subject improvements, the concluded rental rates do not include the leasehold excise tax applicable to all leases on airport property (unless otherwise stated). This leasehold tax is 12.84% and is essentially in lieu of real property taxes.

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Scope of the Appraisal

The scope of this appraisal considers improved rental rates at Tacoma Narrows Airport for County-owned buildings. We have surveyed a variety of airports in the region and analyzed the comparable rates for properties with similar use potential. In appraising the subject property, the appraisers did the following:

- Discussed pertinent information on regional airports with airport managers.
- Researched Allen Brackett Shedd’s existing data bank.
- Developed extensive interviews with airport managers throughout the region.

It should be noted that during our onsite inspection, we inspected sample units. This report is not intended to be a conditions assessment typically done by an engineer; however, our observations regarding specific items noted is discussed in the General Aviation T-hangar section of this report.

In terms of improved rental rates (as opposed to bare land), the scope included a review of the current leasing activity at the subject and other regional airports. Owner improvements are improvements that have been completed by the property owner (in the case of the subject and comparables, the airport). Tenant improvements done on the part of the tenant may or may not be required by an airport to be removed upon expiration of the lease. And, may or may not reflect additional value in the market.

Hazardous Waste/Extraordinary Assumptions

An Extraordinary Assumption is an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraisers’ opinions or conclusions.

A Hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. It is noted that the use of a Hypothetical Condition may affect the results of an assignment.

We have been provided no information regarding the presence or absence of hazardous waste on the subject property. This report assumes the absence of any and all hazardous waste on the subject property. If hazardous waste is found to be present on the subject property, we reserve the right to change the conclusions contained in this report.

This appraisal incorporates the following Extraordinary Assumptions:

1. The concluded values the restrictive (special) use (i.e. similar to all FAA uses) as an airport property.
2. Improved Rental rates include interior improvements, if any.
Personal Property
There is no personal property included within the concluded rates.

Marketing and Exposure Periods
This is an analysis of individual buildings at a municipal airport. The airport will, in all likelihood, never be sold, and thus no marketing period estimate is necessary. The individual subject parcels are owned by the airport, while other properties are typically leased on a long-term basis (20 to 50 years) but are not sold in fee simple.
Regional/National Aviation Description

The subject property is a general aviation airport, and as such, is an integral part of the greater Puget Sound Region. The location adjacent to the City of Tacoma is well known to the reader. A discussion of other airports in the region follows.

We have conducted a survey of Northwest airports in the region, with respect to operations, uses and values. The airports in our survey vary dramatically according to size, location, surrounding land values, and type of aircraft that is typically handled. The subject property is a general aviation facility located adjacent to a relatively large city with industrial, residential and commercial land surrounding. The following chart identifies the airports reviewed in our survey:

<table>
<thead>
<tr>
<th>Airport</th>
<th>Location</th>
<th>Proximity to Tacoma Narrows</th>
<th>Size (ac.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington Airport</td>
<td>Arlington</td>
<td>84 miles north</td>
<td>1,137</td>
</tr>
<tr>
<td>Auburn</td>
<td>Auburn</td>
<td>23 miles east</td>
<td>110</td>
</tr>
<tr>
<td>Bellingham</td>
<td>Bellingham</td>
<td>135 miles north</td>
<td>2,055</td>
</tr>
<tr>
<td>Boeing Field</td>
<td>Seattle</td>
<td>37 miles north</td>
<td>594</td>
</tr>
<tr>
<td>Bremerton</td>
<td>Bremerton</td>
<td>26 miles NW</td>
<td>1,100</td>
</tr>
<tr>
<td>Hillsboro Airport, OR</td>
<td>Hillsboro</td>
<td>164 miles south</td>
<td>900</td>
</tr>
<tr>
<td>Olympia</td>
<td>Olympia</td>
<td>40 miles SW</td>
<td>1,632</td>
</tr>
<tr>
<td>Paine Field</td>
<td>Everett</td>
<td>64 miles north</td>
<td>1,250</td>
</tr>
<tr>
<td>Renton Municipal</td>
<td>Renton</td>
<td>35 miles NE</td>
<td>170</td>
</tr>
<tr>
<td>Sea-Tac Airport</td>
<td>Seattle</td>
<td>30 miles NE</td>
<td>2,430</td>
</tr>
<tr>
<td>Skagit/Bayview</td>
<td>Burlington</td>
<td>112 miles north</td>
<td>1,835</td>
</tr>
<tr>
<td><strong>Tacoma Narrows</strong></td>
<td><strong>Tacoma</strong></td>
<td><strong>Subject Property</strong></td>
<td><strong>568</strong></td>
</tr>
<tr>
<td>Thun Field</td>
<td>Puyallup</td>
<td>26 miles E/SE</td>
<td>185</td>
</tr>
</tbody>
</table>

Most of the above airports exist within 50-60 miles of Tacoma Narrows, in the relatively busy Puget Sound vicinity. In addition to these, Sea-Tac Airport is the major commercial service airport in the region. Auburn Airport is closest geographically. While we recognize that all airports are unique and, therefore, not “directly” comparable, it is relevant to review the characteristics and operations of the other similar airports in the region, as follows:
## Summary of Runway/Navigational Characteristics

<table>
<thead>
<tr>
<th>Airport</th>
<th>Tower</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington Airport</td>
<td>No</td>
<td>NonPrec. Instr.</td>
</tr>
<tr>
<td>Auburn Municipal</td>
<td>No</td>
<td>NonPrec. Instr.</td>
</tr>
<tr>
<td>Bellingham</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Boeing Field</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Bremerton</td>
<td>No</td>
<td>Precision</td>
</tr>
<tr>
<td>Hillsboro (OR)</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Olympia</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Paine Field</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Renton Municipal</td>
<td>Yes</td>
<td>NonPrec. Instr.</td>
</tr>
<tr>
<td>Sea-Tac</td>
<td>Yes</td>
<td>Precision</td>
</tr>
<tr>
<td>Skagit/Bayview</td>
<td>No</td>
<td>NonPrec. Instr.</td>
</tr>
<tr>
<td><strong>Tacoma Narrows</strong></td>
<td><strong>Yes</strong></td>
<td><strong>Precision</strong></td>
</tr>
<tr>
<td>Thun Field</td>
<td>No</td>
<td>Precision</td>
</tr>
</tbody>
</table>

A summary of overall airport operations is summarized on the facing page:
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington Airport AOW</td>
<td>No</td>
<td>135,050</td>
<td>133,492</td>
<td>133,492</td>
<td>unk</td>
<td>133,492</td>
<td>-0.10%</td>
<td></td>
</tr>
<tr>
<td>Auburn Municipal *</td>
<td>No</td>
<td>unk</td>
<td>164,539</td>
<td>142,000</td>
<td>164,539</td>
<td>142,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Bellingham BLU</td>
<td>Yes</td>
<td>80,300</td>
<td>64,812</td>
<td>62,783</td>
<td>65,885</td>
<td>62,783</td>
<td>-1.82%</td>
<td></td>
</tr>
<tr>
<td>Boeing Field BFI</td>
<td>Yes</td>
<td>298,570</td>
<td>295,187</td>
<td>259,396</td>
<td>165,571</td>
<td>259,396</td>
<td>-1.09%</td>
<td></td>
</tr>
<tr>
<td>Bremerton</td>
<td>No</td>
<td>108,040</td>
<td>60,285</td>
<td>64,577</td>
<td>64,577</td>
<td>64,577</td>
<td>-3.35%</td>
<td></td>
</tr>
<tr>
<td>Hillsboro, OR</td>
<td>No</td>
<td>219,227</td>
<td>260,957</td>
<td>215,861</td>
<td>186,402</td>
<td>unk</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Olympia OLM</td>
<td>Yes</td>
<td>94,170</td>
<td>74,818</td>
<td>52,658</td>
<td>56,534</td>
<td>53,473</td>
<td>-3.60%</td>
<td></td>
</tr>
<tr>
<td>Paine Field PAE</td>
<td>Yes</td>
<td>149,579</td>
<td>137,311</td>
<td>110,270</td>
<td>112,788</td>
<td>110,270</td>
<td>-2.19%</td>
<td></td>
</tr>
<tr>
<td>Renton Municipal *RNT</td>
<td>Yes</td>
<td>113,150</td>
<td>97,952</td>
<td>80,059</td>
<td>112,335</td>
<td>80,059</td>
<td>-2.44%</td>
<td></td>
</tr>
<tr>
<td>Sea-Tac</td>
<td>Yes</td>
<td>346,744</td>
<td>345,047</td>
<td>313,954</td>
<td>381,408</td>
<td>313,954</td>
<td>-0.79%</td>
<td></td>
</tr>
<tr>
<td>Skagit/Bayview BVS**</td>
<td>No</td>
<td>81,030</td>
<td>61,480</td>
<td>61,480</td>
<td>61,900</td>
<td>61,480</td>
<td>-2.01%</td>
<td></td>
</tr>
<tr>
<td>Tacoma Narrows TiW</td>
<td>Yes</td>
<td>88,642</td>
<td>60,362</td>
<td>38,607</td>
<td>68,889</td>
<td>78,841</td>
<td>-0.92%</td>
<td></td>
</tr>
<tr>
<td>Thun Field</td>
<td>No</td>
<td>61,638</td>
<td>90,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>5.19%</td>
<td></td>
</tr>
</tbody>
</table>
Many of the greater Puget Sound airports reported a reduction in annual operations after 2000, which can be attributed to several factors including the Boeing downturn following 9/11, which impacted Paine Field, Renton and Boeing Field more than the outlying locations. In addition, the close-in locations generally reflect higher tenant rates, a factor that may have contributed to the relative increases at other airports. Since the great recession of the later part of the 2000’s, general aviation has remained flat based on our interviews with multiple market participants, though some recovery has occurred. Despite this, overall occupancy levels at airports regionally are relatively strong.

In their Aerospace Forecast: 2017-2037, the Federal Aviation Administration (FAA) estimates that the U.S. general aviation aircraft fleet will grow from 209,800 aircraft in 2017 (projection) to 213,420 aircraft by 2037. This is equivalent to an average annual rate of growth of less than 0.1%.

As a result of the recession of the late 2000’s as well as changing market dynamics (such as higher aircraft prices), the U.S. general aviation aircraft inventory has declined from 231,606 aircraft in 2007 to 209,905 at the end of 2016, which reflects a 9.4% decrease. Looking at just the next five years, the FAA expects the number of small-model hobbyist drones to triple in size to 3.5 million units by 2021. The number of small commercial drones in the domestic UAS fleet is expected to grow from 42,000 at the end of last year to 442,000 by the end of 2021. That number could go as high as 1.6 million,
with the FAA acknowledging it as a dynamic market in which increased commercial applications could result in even greater growth.

The following is a graph produced by the FAA in the 2017 aviation forecast report with regard to the number of Air Transport Pilots (ATP’s):

![Active Pilots by Type of Certificate](image)

The number of active general aviation pilots (excluding ATPs) is projected to decrease about 7,500 (down 0.1 percent annually) over the forecast period, while the ATP category is forecast to increase by 15,500 (up 0.5 percent annually). The student pilots are forecast to increase by 0.4 percent and much smaller category of sport pilots are predicted to increase by 4.1 percent annually over the forecast period. On the other hand, both private and commercial pilot certificates are projected to decrease at an average annual rate of 0.7 and 0.6 percent, respectively until 2037.

According to the report, the long-term outlook for general aviation is stable to optimistic, as growth at the high end offsets continuing retirements at the traditional low end of the segment.

In terms of the local market (as previously mentioned), since the great recession of the later part of the 2000’s, general aviation has remained flat based on our interviews with multiple market participants, though some recovery has occurred. Despite this, overall occupancy levels at airports regionally are relatively strong.
Market Analysis/Industrial

Recent surveys as well as information obtained from CoStar Inc.\(^3\) provides data for the industrial and office markets in the subject area and surrounding marketplace. According to the Kidder Mathews 1st Quarter 2017 Industrial Market Report, the region’s industrial market continues to be very active on all fronts, including leasing, sales and development. The industrial market continued its strong performance in early 2017 with another robust quarter of leasing activity. Two million square feet was absorbed in the first quarter and with deliveries of nearly 974,000 square feet, brought the vacancy rate down to its lowest point ever in the region at 3.02%. Construction activity remains very active with 3.35 million square feet underway. Absorption should continue to do well as 46% of these projects are pre-leased. Over the past five years, the region’s industrial market has absorbed an average of 4.8 million square feet per year. Another 15.5 million square feet is in the pipeline that may or may not start over the next several years.

Pierce County continues to lead the way both in leasing and development activity. On the leasing side, the market achieved 726,558 square feet of positive net absorption in the quarter. Two buildings totaling 318,370 square feet were delivered in the quarter. This resulted in a drop-in vacancy from 5.86% to 5.06%. Average asking blended rents continue to increase, now at $0.51/sf, a $0.01/sf increase over the past quarter. On the development side, eight projects totaling 1,753,773 square feet are underway. Notable projects include Prologis Park Tacoma Buildings A & B (241,140 sf and 770,195 sf), North Country Sumner Business Park-Building A (267,703 sf), and Logisticenter @ I-5 (210,700 sf) in Lakewood. With an ample amount of land still available in Sumner, Port of Tacoma/Fife, and Dupont, there is another 6.0 million square feet in the pipeline for future development. Several leases above 100,000 square feet (nearly 1.7 million sf) were signed in the first quarter but the tenants will not take occupancy until the second and third quarter, providing a continuing boost to this market. Significant move-ins this quarter include Regal Logistics (225,972 sf) at LogistiCenter at 167 and Dock High Logistics (90,000 sf) at Sumner 167, Building 2. Pierce County’s forecast is for shell rates to range between $0.35 to $0.50/sf/month, NNN, plus add-on office rates of $0.70 to $0.90/sf/month. Industrial building sale prices will range from $50/SF for older buildings to $100 to $140/SF for new or smaller buildings. Land values typically range between $10/SF and $15/SF.

The following charts summarize some of the market statistics in the SoDo/South Seattle industrial, office and retail markets as defined by CoStar:

---

\(^3\) CoStar is a real estate sales and leasing information database. It documents sales of all property types and lease information for specific buildings in virtually all geographic locations throughout the United States. This is a private service, available for subscription purchase. CoStar also provides market reports for the various sectors of the real estate market, including office, retail and industrial.
Industrial Lease Rates

<table>
<thead>
<tr>
<th>Gig Harbor/W. Pierce Co.</th>
<th>1st Qtr 2016</th>
<th>1st Qtr 2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flex Submarket</td>
<td>$9.00</td>
<td>$9.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>$7.92</td>
<td>$7.92</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Industrial</td>
<td>$8.56</td>
<td>$8.56</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

As can be seen, lease rates have not changed for any of the categories in the Gig Harbor/West Pierce County Industrial market.

The following chart shows vacancies for these same areas:

Vacancies - Industrial

<table>
<thead>
<tr>
<th>Gig Harbor/W. Pierce Co.</th>
<th>1st Qtr 2016</th>
<th>1st Qtr 2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flex Submarket</td>
<td>4.6%</td>
<td>0.0%</td>
<td>-64.44%</td>
</tr>
<tr>
<td>Warehouse</td>
<td>2.5%</td>
<td>1.6%</td>
<td>-20.00%</td>
</tr>
<tr>
<td>Total Industrial</td>
<td>3.2%</td>
<td>1.1%</td>
<td>-36.67%</td>
</tr>
</tbody>
</table>

The total industrial vacancy rate is down for all property types in the Gig Harbor/West Pierce County marketplaces, as seen in the above chart.

The following chart summarizes CAP rate information for the Puget Sound Region Industrial, Office and Retail markets:

CAP Rates
Puget Sound Region

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>7.89%</td>
<td>7.99%</td>
<td>8.20%</td>
<td>7.83%</td>
<td>7.11%</td>
<td>7.15%</td>
<td>6.32%</td>
<td>6.68%</td>
<td>-1.92%</td>
</tr>
<tr>
<td>Office</td>
<td>7.90%</td>
<td>7.43%</td>
<td>6.72%</td>
<td>6.61%</td>
<td>5.91%</td>
<td>6.10%</td>
<td>6.23%</td>
<td>6.49%</td>
<td>-2.23%</td>
</tr>
<tr>
<td>Retail</td>
<td>8.18%</td>
<td>6.85%</td>
<td>7.43%</td>
<td>7.35%</td>
<td>7.33%</td>
<td>6.50%</td>
<td>6.60%</td>
<td>6.26%</td>
<td>-2.93%</td>
</tr>
</tbody>
</table>

As can be seen, after the economic downturn of the late 2000's, CAP rates began to decline, with the bottom for both market types reaching a low in 2013. Industrial, Office and Retail have demonstrated an up and down pattern in CAP rates since the 2010 timeframe.
In summary, the subject is considered to be close-in relative to the Seattle/Tacoma marketplace. Its proximity to downtown Tacoma makes it a well-positioned property going forward. This is further supported by the local Industrial market reports, which indicate that all three market segments (Industrial, Office and Retail) should remain strong with continued demand in these sectors.
PART II - FACTUAL DATA

Description of the Subject Property

— Airport Description

The Tacoma Narrows Airport is an approximately 568-acre general aviation airport with a 5,002-foot long runway, 100 feet in width, as well as an extensive system of taxiways, aircraft parking aprons, hangars, a terminal building and various other airport facilities including a control tower. There are over 130 aircraft based at the airport, and approximately 78,000 operations (takeoffs and landings) each year. The bulk of its operations include small, single- or twin-engine aircraft.

The runway dimensions are as follows:

<table>
<thead>
<tr>
<th>Runway No.</th>
<th>Length(ft)</th>
<th>Width(ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/35</td>
<td>5,002</td>
<td>100</td>
</tr>
</tbody>
</table>

Runway 17/35 currently has a 4-light PAPI and 1,400-foot medium intensity approach lighting system with runway alignment indicator lights. The airport property is generally level throughout. Taxiway A runs parallel to the main runway. At 75 feet in width, it provides four connecting taxiways to the runway.

The following graphs depict the various airport sizes and runway lengths:

[Graph of Select Regional Airports - Size (Ac.)]
Utilities

It is our understanding that there are 5 septic systems located on the Airport, as well as a private water system. The following is a breakdown as provided by the Airport:

**Tacoma Narrows Airport: Utility Breakdown**

<table>
<thead>
<tr>
<th>Building Address</th>
<th>Utility Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>1202</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1402</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1412</td>
<td>Electricity</td>
</tr>
<tr>
<td>1422</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1432</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1524-A</td>
<td>Electricity</td>
</tr>
<tr>
<td>1524-B</td>
<td>Electricity</td>
</tr>
<tr>
<td>1524-C</td>
<td>Electricity</td>
</tr>
<tr>
<td>1620</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1624</td>
<td>Electricity, Water &amp; Sewer</td>
</tr>
<tr>
<td>1712</td>
<td>Electricity</td>
</tr>
<tr>
<td>1724</td>
<td>Electricity</td>
</tr>
</tbody>
</table>

It is typical that General Aviation T’s do not have their own sewer & water, but the tenants have access to joint facilities on the airport. Typical utilities are limited to electrical service (outlets & lighting). Our survey, as well as experience with other airport appraisals, indicate that it is rare to have a restroom at the end of the building. Conversely, private or stand-alone hangars typically have private water and sewer service.
— **Zoning/Land Use**

The Airport is owned by Pierce County, having been acquired from the City of Tacoma in 2008. As a result, the airport is located under Pierce County jurisdiction and is zoned Essential Public Facility Rural Airport with the Rural Airport Overlay zone. The Rural Airport Overlay (RAO) functions as a safety buffer adjacent to the Tacoma Narrows Airport in rural designated land. The overlay provides restrictions on the use of land, which are intended to protect the airport from neighboring land uses that are incompatible with aviation activities. The area also provides buffering between those more intensive uses related to aviation activities and the uses authorized in the rural-residential classifications. In terms of the subject property, the actual use is generally considered to be under the control of the Airport. Current and proposed uses are most comparable to uses allowed in Pierce County under an Industrial zone with aviation limitations.

— **Assessed Value and Real Estate Taxes**

The subject property is a municipal property and, therefore, no real estate taxes are collected. The on-airport lessees pay a 12.84% leasehold excise tax plus personal property taxes on privately-owned improvements.

— **Description of Improvements: County-owned buildings**

The following chart provides a summary of the buildings on the Tacoma Narrows Airport that are the focus of this rental study. Following the chart is a brief description of each of the buildings that have been included.

---

4 Chpt. 82.29A RCW establishes an excise tax on the act or privilege of occupying or using publicly owned real or personal property or property of a community center which is exempt from property tax through a leasehold interest.
**Tacoma Narrows: County-owned Buildings**

<table>
<thead>
<tr>
<th>County-owned Buildings</th>
<th>Bldg. Size (SF)</th>
<th>Unit Size (SF)</th>
<th>Relative Quality/Condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1202 - Airport office/Spoilers</td>
<td>3,690</td>
<td>Spoilers: 822</td>
<td>Average</td>
</tr>
<tr>
<td>1402-1 Corporate Hangar (63' door)</td>
<td>15,960</td>
<td>3,710 (approx.)</td>
<td>Good</td>
</tr>
<tr>
<td>1402-2 Corporate Hangar (63' door)</td>
<td>&quot;</td>
<td>3,710 (approx.)</td>
<td>Good</td>
</tr>
<tr>
<td>1402-3 Corporate Hangar (63' door)</td>
<td>&quot;</td>
<td>3,710 (approx.)</td>
<td>Good</td>
</tr>
<tr>
<td>1402-4 Corp. Hangar w/ office (63' door)</td>
<td>&quot;</td>
<td>4,830 (approx.)</td>
<td>Good</td>
</tr>
<tr>
<td>1412 - Stand Alone Hangar</td>
<td>3,136</td>
<td>-</td>
<td>Avg./Good</td>
</tr>
<tr>
<td>1620 - Helitrak</td>
<td>7,680</td>
<td>-</td>
<td>Good</td>
</tr>
<tr>
<td>1624 - Airport Storage</td>
<td>7,200</td>
<td>-</td>
<td>Good</td>
</tr>
<tr>
<td>1712 - Communal Hangar (40' door)</td>
<td>10,000</td>
<td>1,000 (approx.)</td>
<td>Fair/Avg.</td>
</tr>
<tr>
<td>1724 - Communal Hangar (50' door)</td>
<td>15,000</td>
<td>1,500 (approx.)</td>
<td>Fair/Avg.</td>
</tr>
<tr>
<td>1422 - Quad Hangars (42' door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>Fair</td>
</tr>
<tr>
<td>1432 - Quad Hangars (42' door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>Fair</td>
</tr>
<tr>
<td>1524-A GA T-Hangars (40' door)</td>
<td>16,104</td>
<td>947 (approx.)</td>
<td>Average</td>
</tr>
<tr>
<td>1524-B GA T-Hangars (40' door)</td>
<td>12,408</td>
<td>954 (approx.)</td>
<td>Average</td>
</tr>
<tr>
<td>1524-C GA T-Hangars (40' door)</td>
<td>11,550</td>
<td>963 (approx.)</td>
<td>Average</td>
</tr>
</tbody>
</table>

*Fair: Generally to min. code req’s; min. regard to architectural appearance or other amenities
Avg: Designed for greater economic potential w/out some of the prestige amenities of higher-quality const.
Good: Designed for good appearance, comfort, convenience. Amenities of better lighting or mech. Work.*

**Building 1202**
This consists of a concrete-block construction with a flat built-up roof. Interior consists of industrial grade carpeting, central heating and insulated ceiling. It has a 16’ electric roll-up door. This facility is occupied by the Airport office as well as Spoilers. The airport office occupies the majority of the 1st floor space. Although a precise age is unknown based on our review of County Assessor’s records, it appears to be of 1960’s vintage. The building has a total of 3,690 square feet, with Spoilers occupying a reported 822 square feet in this facility.

**Building 1402 (Corporate Hangars)**
This facility consists of 4 contiguous hangars. This building is of older construction with wood frame construction and corrugated metal siding and roof. Interior consists of some sheetrock walls, with concrete slab flooring. There is commercial grade carpeting and painted sheetrock walls in the office area of the hangar which includes an office. Hangar doors consist of powered, bifold doors and suspended radiant heat in the hangar area. Door openings are 63’ on the Corporate hangars.

**Building 1412 (Stand-alone Hangar)**
This is a stand-alone box hangar. This building is of older construction with wood frame construction, wood truss roof and corrugated metal siding and roof. Interior consists of insulated walls. There are incandescent lights and power roll-up door with 18’ of clear-height. There is no heating reported in this facility. Door opening is 52 feet.
Building 1620
This is a stand-alone hangar/office facility. This building is of older construction with wood frame construction, hardiplank siding and composition roof along with metal gutters and downspouts. Interior consists of painted sheetrock walls, commercial grade carpeting, baseboard trim and a combination of 2’x2’ and 2’x4’ dropped ceiling (containing ceiling tiles) as well as florescent lighting. There are 2’x4’ florescent lights in the hangar portion. The building has full heating and air conditioning. The hangar has a bifold electric door, with approximately 14’ of clear height and suspended space heaters.

Building 1624
This is a stand-alone hangar. This building is of older construction with steel frame construction, metal siding and roof along with metal gutters and downspouts. There is an office/restroom area, with wall heaters in the office. It contains insulated walls and roof. Hangar consists of a 16’ clear height manual sliding door. There is 3-phase power along with radiant heat and the facility is sprinklered.

Buildings 1712/1724
These are the communal hangars located on the subject property. Both of these buildings consist of multiple hangar spaces (12 in each building, 24 spaces total). By definition, you are likely to have more than 1 plane in a hangar. These are hangars to accommodate multiple airplanes, but with only 1 door. They are of steel truss framing with metal siding and metal roofing. The walls and ceiling are insulated; however, there is no heating available. They consist of manual sliding doors with florescent lighting. 40’ and 50’ door openings are offered in the communal hangars. By definition, in terms of operation, one is likely to have more than a single plane in a hangar. The communal hangars therefore, accommodate multiple airplanes, but with only 1 door.

Buildings 1422/1432 (Quad Hangars)
The Quad Hangars consists of 2 buildings, with 4 units per building. These are of older construction, consisting of wood frame with a flat built-up roof. They each have concrete slab flooring with 7 panels per wood slider door for each hangar. There are hanging florescent lights in each hangar space. Each Quad hangar has a 42’ door opening.

Buildings 1524 (General Aviation T-Hangars)
The General Aviation T-Hangars consists of 3 separate buildings. Each building is 33 feet in width and range between 350 and 488 feet in length. In total there are 42 hangars, of which 6 contain a small office. The buildings are summarized as follows:

- Bldg. 1524-A: 17 hangars
- Bldg. 1524-B: 13 hangars
- Bldg. 1524-C: 12 hangars

All three buildings are of older construction and consist of wood frame construction with metal siding, metal roof and metal gutters/downspouts. All consist of manual sliding metal hangar doors and all contain 1 outlet, with 4’ florescent lighting. There is no heat or insulation and they have approximately 13’ of clear height, with a 40’ door.
PART III - HIGHEST AND BEST USE

Highest and best use is defined as: 5

The reasonably probable use of property that results in the highest value... To be reasonably probable, a use must meet certain conditions.

A determination of highest and best use is guided by the following parameters: 1) physically possible; 2) legally permissible; 3) financially feasible; and 4) maximally productive. Highest and best use is analyzed both on an as vacant and as improved basis.

For purposes of this report, we are conducting a rent study of the existing airport owned buildings. Our scope of work therefore includes fair market rent of the existing facilities. A detailed Highest & Best Use of the airport is therefore, not necessary, and is considered beyond the scope of this assignment.

5 From The Appraisal of Real Estate, Fourteenth Edition, 2013, Appraisal Institute, page 332
PART IV - ANALYSES AND CONCLUSIONS

Methodology
The valuation of airport improvements (including conclusions of fair market rent) requires an analysis of the subject property, as well as other airports which offer similar services. The descriptions of each property are based in part on information provided by the Airport office and our onsite inspection. We have analyzed a variety of hangars, including those at Tacoma Narrows and other airports. These comparable properties support a range of lease rates.

As defined by our assignment Scope, we have been specifically asked to present building rental rates. In addition, the buildings located on the airport are leased along with a presumed usable ground component.

Improved Rental Analysis
We have conducted a study of regional airports, ranging from small community airfields to large metropolitan airports. The subject property falls in the medium or municipal size range, with characteristics typical of medium sized airports. In this analysis, we will directly compare the subject property to other airports, attempting to adjust for differences in the various characteristics.

We will begin with a discussion of some of the general factors relevant to making comparisons with the various airports surveyed.

— Location
In an effort to evaluate the overall locational characteristics of the airports in our survey, we have considered the purchasing power, or the total household income within defined boundaries surrounding each airport. These are summarized in the following chart on the facing page.
### Demographics of Regional Airports

<table>
<thead>
<tr>
<th>Description</th>
<th>Tacoma Narrows (Washington)</th>
<th>Paine Field (Everett, Wash)</th>
<th>Auburn Airport (Auburn, Wash)</th>
<th>Bellevue Airport (Bellevue, Wash)</th>
<th>Boeing Field (Seattle, Wash)</th>
<th>Olympia Airport (Olympia, Wash)</th>
<th>Kennewick Municipal (Kennewick, Wash)</th>
<th>Yakima Regional Airport (Yakima, Wash)</th>
<th>Kellogg (Omaha, NE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 Households:</td>
<td>692</td>
<td>763</td>
<td>606</td>
<td>4,227</td>
<td>1,107</td>
<td>1,209</td>
<td>5,164</td>
<td>4</td>
<td>2,731</td>
</tr>
<tr>
<td>2-Mile Ring</td>
<td>10,229</td>
<td>9,625</td>
<td>15,925</td>
<td>11,816</td>
<td>32,314</td>
<td>117,545</td>
<td>46,854</td>
<td>1,671</td>
<td>6,171</td>
</tr>
<tr>
<td>5-Mile Ring</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
<td>50,012</td>
</tr>
<tr>
<td>2016 Median Income (1 mile ring)</td>
<td>$83,511</td>
<td>$85,925</td>
<td>$95,367</td>
<td>$95,367</td>
<td>$95,367</td>
<td>$95,367</td>
<td>$95,367</td>
<td>$95,367</td>
<td>$95,367</td>
</tr>
<tr>
<td>Market Size (2 mile ring)</td>
<td>$64,705,612</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
<td>$66,875,697</td>
</tr>
<tr>
<td>2016 Population (1 mile ring)</td>
<td>62,940</td>
<td>100,990</td>
<td>28,229</td>
<td>26,681</td>
<td>26,681</td>
<td>26,681</td>
<td>26,681</td>
<td>26,681</td>
<td>26,681</td>
</tr>
<tr>
<td>Traffic Counts (Average Daily Primary Arterial)</td>
<td>79,867</td>
<td>204,586</td>
<td>79,867</td>
<td>204,586</td>
<td>204,586</td>
<td>204,586</td>
<td>204,586</td>
<td>204,586</td>
<td>204,586</td>
</tr>
<tr>
<td>Density (3 mile ring) (population per acre)</td>
<td>9.31</td>
<td>22.33</td>
<td>9.31</td>
<td>22.33</td>
<td>9.31</td>
<td>22.33</td>
<td>9.31</td>
<td>22.33</td>
<td>9.31</td>
</tr>
<tr>
<td>Purchased Parking (1 mile ring)</td>
<td>$129,904</td>
<td>$125,686</td>
<td>$107,298</td>
<td>$100,614</td>
<td>$100,614</td>
<td>$100,614</td>
<td>$100,614</td>
<td>$100,614</td>
<td>$100,614</td>
</tr>
<tr>
<td>Purchased Parking (2 mile ring)</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
<td>$287,348</td>
</tr>
</tbody>
</table>
As shown on the facing chart, the market area surrounding Tacoma Narrows is relatively strong, relative to some of the other airports. Paine Field, Renton, and Boeing Field are all closer-in to the influences of the Seattle marketplace. This information, while not necessarily aviation related, does provide a comparative measure regarding the overall size of the surrounding markets.

— Operations

We can review the airports in terms of total activity. The facing chart (presented earlier in this report), summarizes the operations at the various airports with the most recent data available:
## Aircraft Operations
### Summary of Selected Northwest Airports

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington Airport</td>
<td>AOW</td>
<td>No</td>
<td>135,050</td>
<td>133,492</td>
<td>133,492</td>
<td>133,492</td>
<td>-0.10%</td>
</tr>
<tr>
<td>Auburn Municipal</td>
<td></td>
<td>No</td>
<td>unk</td>
<td>164,539</td>
<td>142,000</td>
<td>164,539</td>
<td>142,000</td>
</tr>
<tr>
<td>Bellingham BL</td>
<td></td>
<td>Yes</td>
<td>80,300</td>
<td>64,812</td>
<td>62,783</td>
<td>65,885</td>
<td>62,783</td>
</tr>
<tr>
<td>Boeing Field BFI</td>
<td></td>
<td>Yes</td>
<td>298,570</td>
<td>295,187</td>
<td>259,396</td>
<td>165,571</td>
<td>259,396</td>
</tr>
<tr>
<td>Bremerton</td>
<td></td>
<td>No</td>
<td>108,040</td>
<td>60,285</td>
<td>64,577</td>
<td>64,577</td>
<td>64,577</td>
</tr>
<tr>
<td>Hillsboro, OR</td>
<td></td>
<td>No</td>
<td>219,227</td>
<td>260,957</td>
<td>213,861</td>
<td>186,402</td>
<td>unk</td>
</tr>
<tr>
<td>Olympia OLM</td>
<td></td>
<td>Yes</td>
<td>94,170</td>
<td>74,818</td>
<td>52,658</td>
<td>56,534</td>
<td>53,473</td>
</tr>
<tr>
<td>Paine Field RAE</td>
<td></td>
<td>Yes</td>
<td>149,579</td>
<td>137,311</td>
<td>110,270</td>
<td>112,788</td>
<td>110,270</td>
</tr>
<tr>
<td>Renton Municipal *RNT</td>
<td>Yes</td>
<td>113,150</td>
<td>97,952</td>
<td>80,059</td>
<td>112,335</td>
<td>80,059</td>
<td>-2.44%</td>
</tr>
<tr>
<td>Sea-Tac</td>
<td></td>
<td>Yes</td>
<td>345,744</td>
<td>345,047</td>
<td>313,954</td>
<td>381,408</td>
<td>313,954</td>
</tr>
<tr>
<td>Skagit/Bayview BVS</td>
<td></td>
<td>No</td>
<td>81,030</td>
<td>61,480</td>
<td>61,480</td>
<td>61,900</td>
<td>61,480</td>
</tr>
<tr>
<td>Tacoma Narrows TIW</td>
<td></td>
<td>Yes</td>
<td>88,642</td>
<td>60,362</td>
<td>38,607</td>
<td>68,889</td>
<td>78,841</td>
</tr>
<tr>
<td>Thur Field</td>
<td></td>
<td>No</td>
<td>61,638</td>
<td>90,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

*Operations ('05-16) % Change/Yr values vary based on data availability and reliability.*
As can be seen in the facing chart, operations were generally down in 2016 as compared to 2015. The percentage change per year indicates decreased operations since the 2005 timeframe.

--- Survey of Airports: Other Airport Factors

As part of this study, we have surveyed airport operators to assist in identifying factors that may influence tenant choices or possibly hangar rates. In terms of the GA market, it appears that there are few significant trends that drive decisions. The chart on the facing page summarizes the responses:
## Factors for Leasing/Lease Rates

<table>
<thead>
<tr>
<th>Airport</th>
<th>Tenant-performed Improvements</th>
<th>Differences in Rates for various Amenities?</th>
<th>Non-aviation Storage in Hangars</th>
<th>U/B Ratio (Specific Example)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Airport Mgr. reports would not change more</td>
<td>Slightly higher rates for more power, insulated</td>
<td>Airport allows other storage as long as Aviation is primary</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td>Only Improvements allowed done by City</td>
<td>No specific example</td>
<td>Airport prohibits anything non-aviation related</td>
<td>N/A</td>
</tr>
<tr>
<td>3</td>
<td>Airport Mgr. reports no such examples</td>
<td>No specific example</td>
<td>Airport prohibits anything non-aviation related</td>
<td>N/A</td>
</tr>
<tr>
<td>4</td>
<td>Airport Mgr. reports no such examples</td>
<td>No specific example</td>
<td>N/A</td>
<td>None specified</td>
</tr>
<tr>
<td>5</td>
<td>Airport Mgr. reports no such examples</td>
<td>No specific example</td>
<td>Primary use must be aviation-oriented</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td>Don't allow tenants to make Improvements</td>
<td>No specific example</td>
<td>Airport allows other storage as long as Aviation is primary</td>
<td>4.83</td>
</tr>
<tr>
<td>7</td>
<td>Improvements done by tenants case-by-case</td>
<td>Newer hangars higher lease rate</td>
<td>Airport prohibits anything non-aviation related (July 1st)</td>
<td>Variates as low as 2.07:1</td>
</tr>
<tr>
<td>8</td>
<td>Airport Mgr. reports no such examples</td>
<td>No specific example</td>
<td>Airport prohibits anything non-aviation related</td>
<td>3.90</td>
</tr>
<tr>
<td>9</td>
<td>Airport Mgr. reports no such examples</td>
<td>No specific example</td>
<td>Primary use must be aviation-oriented</td>
<td>4.15</td>
</tr>
</tbody>
</table>
As can be seen in the facing chart, most of the airports surveyed reported the potential factors that would be considered to create some differentiation in rates do not reflect any specific commonality or tendency. In terms of our findings, location is certainly a factor (hangar rates are higher in the close-in market) as well as hangar size (in terms of the size of airplane that it can accommodate). Most airports indicated that they do not have any specific examples of differentiation in rates due to minor improvements performed by tenants, or for the various amenities offered. In the case of Paine Field, any improvements performed on the part of a tenant must be submitted to the Airport as part of a request for tenant improvements. They must be approved by the airport and must have cleared the regulatory requirements of the planning department. In addition, once approved, it becomes the discretion of the airport as part of lease negotiations if they want any of the items removed after tenancy or left, considered building improvements. Conversations with the airport indicate that they do not have any specific examples of such activity. In terms of amenities, Paine Field has constructed some newer airport-owned T-Hangars in the past 8-10 years. Since these are newer facilities, their rates are higher than the older general T-hangars on the airport.

Auburn Airport indicated that any improvements performed on airport-owned buildings are only done by the City, and any improvements proposed or otherwise on the part of a tenant would be prohibited. The remaining airports in our survey did not have any specific examples of rate differentiation for factors such as tenant improvements.

Some airports indicate that their facility is location-driven. Olympia (although more distant), Paine and Renton are all close to the I-5 corridor, which the managers indicated was important to their users. Airports such as Olympia and Arlington indicate that they have potential tenants that price-shop the lowest cost hangar, while others (like Renton) are willing to pay a premium to be closer to either home or work.

— Land-to-Building Ratios

In terms of specific land-to-building ratios at the various airports surveyed, buildings tend to be leased from a footprint to as high as a 4.83:1 land-to-building ratio, from specific examples identified. Many of the airports surveyed do not know or have record of the precise land area associated with their improved properties. Boeing Field indicates that they do not specify, or have a specific land-to-building ratio policy in their leasing guidelines.

— Discussion of FAA Non-Aeronautical Uses/Storage Policy for Hangars

According to the Federal Register Vol. 81; No. 115, the FAA’s summary of the Policy on the non-aeronautical use of airport hangars (effective July 1, 2017), airport operators that have accepted federal grants and/or those that have obligations contained in property deeds for property transferred under various Federal laws, such as the Surplus Property Act, generally may use airport property only for aviation-related purposes unless otherwise approved by the FAA. Historically, some airports have allowed non-aeronautical storage or uses in some hangars intended for aeronautical use, which the FAA has found to interfere with or entirely displace the aeronautical use of the hangar. At the same time, the FAA recognizes that storage of some items in a hangar that is otherwise used for aircraft storage will have no effect on the aeronautical utility of the hangar.
With regard to the airports that we surveyed, individual policies demonstrated a mix. Most airports indicate that they prohibit any non-aviation storage, though enforcement levels vary widely. Arlington, Olympia and Skagit/Bayview demonstrate some flexibility with regard to non-aviation storage within hangar facilities. All of the airports surveyed agreed that displacing aeronautical use of any hangar facility would not be permitted, but the types of “other” storage uses varies from airport-to-airport. There is also no evidence of displacement of aeronautical use of hangars at any of the airports surveyed.

— Current Subject Property Lease Rates

As previously mentioned, the primary method of valuation is the comparable airport analysis. While we recognize that all airports are unique and therefore, may not be directly comparable, an analysis of pricing for similar services is certainly appropriate. Specific lease information was derived from many regional airports.

*It is important to note that our analysis reflects periodic market rent, and is not intended to identify or quantify potential leasehold interests.* We will begin with a summary of the current rents at the subject property. The chart below summarizes the current rents at Tacoma Narrows Airport:

<table>
<thead>
<tr>
<th>Hangar Bldg. ID</th>
<th>Bldg. Units</th>
<th>Units #</th>
<th>Units Size (SF)</th>
<th>Size (SF)</th>
<th>Avail.</th>
<th>Occupied</th>
<th>Occupancy (%)</th>
<th>Rate/ Month</th>
<th>Rate/ SF/Mo.</th>
<th>Rate/ SF/Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1202 - Airport Office/Spoilers</td>
<td>3,690</td>
<td>822</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>$575.92</td>
<td>$0.70</td>
<td>$8.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1402-1 Corporate Hangar (63’ door)</td>
<td>15,960</td>
<td>3,710 (approx.)</td>
<td>4</td>
<td>3</td>
<td>75%</td>
<td>$1,593.76</td>
<td>$0.43</td>
<td>$5.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1402-2 Corporate Hangar (63’ door)</td>
<td>&quot;</td>
<td>3,710 (approx.)</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$1,593.76</td>
<td>$0.43</td>
<td>$5.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1402-3 Corporate Hangar (63’ door)</td>
<td>&quot;</td>
<td>3,710 (approx.)</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$1,593.76</td>
<td>$0.43</td>
<td>$5.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1402-4 Corp. Hangar w/ office (63’ door)</td>
<td>&quot;</td>
<td>4,830 (approx.)</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$2,065.97</td>
<td>$0.43</td>
<td>$5.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1412 - Stand Alone Hangar</td>
<td>3,136</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>$631.00</td>
<td>$0.20</td>
<td>$2.41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1620 - Helitrak</td>
<td>7,680</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>100%</td>
<td>$7,129.26</td>
<td>$0.93</td>
<td>$11.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1624 - Vacant (Airport Storage)</td>
<td>7,200</td>
<td>-</td>
<td>1</td>
<td>0</td>
<td>0%</td>
<td>$2,600 (Asking)</td>
<td>$0.36</td>
<td>$4.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1712 - Communal Hangar (40’ door)</td>
<td>10,000</td>
<td>1,000 (approx.)</td>
<td>12</td>
<td>12</td>
<td>100%</td>
<td>$279.15/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1724 - Communal Hangar (50’ door)</td>
<td>15,000</td>
<td>1,500 (approx.)</td>
<td>12</td>
<td>8</td>
<td>67%</td>
<td>$326.37/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1422 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>8</td>
<td>6</td>
<td>75%</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1432 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>(Included in above figure)</td>
<td></td>
<td></td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1524-A GA T-Hangars (40’ door)</td>
<td>16,104</td>
<td>947 (approx.)</td>
<td>42</td>
<td>26</td>
<td>62%</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1524-B GA T-Hangars (40’ door)</td>
<td>12,408</td>
<td>954 (approx.)</td>
<td>(Included in above figure)</td>
<td></td>
<td></td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1524-C GA T-Hangars (40’ door)</td>
<td>11,550</td>
<td>963 (approx.)</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1524 - GA T’s w/ office</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>&quot;</td>
<td>$426.28/Mo. (Inc. LH Tax)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Notes:
Vacancy in General T’s excludes those 6 with office, which are 100% occupied.
Rates are prior to LH Tax, unless stated otherwise.*

As can be seen, the stand-alone buildings located on the subject property represent an overall range of approximately $0.20/SF/Mo. to $0.93/SF/Mo. More specifically, Bldg. 1202 is currently in the 3rd year of a 3-year lease which includes 3% annual increases.

Bldg. 1412 is a stand-alone hangar that is leased similar to general aviation T’s. As a result, there is no long-term lease associated with this facility based on our discussions with airport staff.
Bldg. 1620 consists of a 30-year lease, with 2, 10-year options to extend. It is our understanding that the tenant has exercised their option to extend through August of 2056. Escalations are at 3%/year, or CPI (whichever is greater).

Bldg. 1624 is currently vacant, with an asking rate of $2,600/Mo. It is presently used for airport storage, as mentioned previously.

Although not dealt with directly in this section, briefly stating, Condo Hangars demonstrated an overall range of $1,593.76 to $2,065.97/Mo. (prior to LH Tax), with the highest priced hangar demonstrating some office area. The General Aviation T's demonstrated a range of $279.15 to $426.28/Mo. (including LH Tax).

— Occupancy
In terms of occupancy, most of the stand-alone buildings on the airport are occupied, with the exception of Building 1624, which is used for storage. The Corporate Hangars are 75% occupied, while the Communal Hangars are 67% occupied. Quad Hangars are 75% occupied, and the General Aviation T's are 62% occupied, based on information provided by the airport. It should be noted that in terms of the buildings on the subject property that are leased on a month-to-month basis, the above occupancies reflect an average. In other words, the occupancies reported to us could change within a 30-day period.

— Conclusions – Individual Buildings
Most of the airports in the survey have an appraisal based rate structure\(^6\), although there was some variance as to how the appraised values were used. Since our approach to value involves direct comparison with other airports, we assume that the effect of these factors is reflected in the rates being charged.

The chart on the facing page summarizes our comparable rentals at surrounding airports, supplemented with off-airport surrounding improved lease rates for industrial and office. It is important to note that the airport rates in the following chart are prior to Leasehold Excise Taxes (see Assessed Value page for definition). It should also be noted that the leases with older commencement dates reflect the current lease rates paid by the tenant.

---

\(^6\) Appraisal-based rate structure pertains to the process of obtaining an appraisal on the part of an airport to provide such things as: 1) an opinion of value for land; 2) an opinion of value for buildings; 3) determining the fair market rent (land, building improvements or both) based on an analysis of comparable airport facilities and rates of return. In the case of ground rent, an appraisal may include an opinion of off-airport land values immediately surrounding a subject property (airport) and applying a rate of return (secondary approach).
## Comparable Improved Rentals Chart

<table>
<thead>
<tr>
<th>Location</th>
<th>Year Built</th>
<th>Size (sf)</th>
<th>Date of Lease</th>
<th>Office (sf)</th>
<th>Hangar/W/H Rent/mo.</th>
<th>Office Rent/mo.</th>
<th>Current Rent/ s/f/year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arlington Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangar - Carrier</td>
<td></td>
<td>2,500</td>
<td>Current</td>
<td>-</td>
<td>$0.60</td>
<td>-</td>
<td>$7.20</td>
</tr>
<tr>
<td>Hangar</td>
<td>1960s/70s</td>
<td>1,575</td>
<td>Current</td>
<td>-</td>
<td>$0.30</td>
<td>-</td>
<td>$3.62</td>
</tr>
<tr>
<td>Hangar</td>
<td>1960s/70s</td>
<td>2,300</td>
<td>Current</td>
<td>750</td>
<td>$0.44</td>
<td>-</td>
<td>$5.28</td>
</tr>
<tr>
<td>Hangar</td>
<td>1960s/70s</td>
<td>8,287</td>
<td>Current</td>
<td>-</td>
<td>$0.34</td>
<td>-</td>
<td>$4.05</td>
</tr>
<tr>
<td>Hangar - Private</td>
<td>1960s/70s</td>
<td>5,600</td>
<td>Current</td>
<td>200</td>
<td>$0.37</td>
<td>-</td>
<td>$4.45</td>
</tr>
<tr>
<td><strong>Bellingham Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangar</td>
<td>-</td>
<td>3,600</td>
<td>1/2005</td>
<td>-</td>
<td>$0.14</td>
<td>-</td>
<td>$1.07</td>
</tr>
<tr>
<td><strong>Boeing Field</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive Hangars</td>
<td>-</td>
<td>2,500</td>
<td>asking</td>
<td>100</td>
<td>$1.24 - $1.72</td>
<td>-</td>
<td>$14.88 - $20.64</td>
</tr>
<tr>
<td>Hangar Sublease</td>
<td>1998</td>
<td>3,565</td>
<td>10/2014</td>
<td>100</td>
<td>$1.96</td>
<td>-</td>
<td>$21.52</td>
</tr>
<tr>
<td><strong>Bremerton Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terminal Bldg.</td>
<td>-</td>
<td>806</td>
<td>Current</td>
<td>806</td>
<td>-</td>
<td>$1.10</td>
<td>$13.20</td>
</tr>
<tr>
<td><strong>Olympia Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangar</td>
<td>-</td>
<td>3,600</td>
<td>Asking</td>
<td>100</td>
<td>$0.69</td>
<td>-</td>
<td>$8.33</td>
</tr>
<tr>
<td>Hangar - Solyo</td>
<td>1970s</td>
<td>7,040</td>
<td>08/2016</td>
<td>-</td>
<td>$0.36</td>
<td>-</td>
<td>$4.33</td>
</tr>
<tr>
<td>Hangar - WSP</td>
<td>1990s</td>
<td>11,080</td>
<td>07/2015</td>
<td>-</td>
<td>$0.55</td>
<td>-</td>
<td>$6.56</td>
</tr>
<tr>
<td>Office - WSP</td>
<td>-</td>
<td>4,596</td>
<td>10/2013</td>
<td>-</td>
<td>$1.17</td>
<td>-</td>
<td>$14.00</td>
</tr>
<tr>
<td>Office</td>
<td>-</td>
<td>725</td>
<td>01/2015</td>
<td>-</td>
<td>$1.43</td>
<td>-</td>
<td>$17.18</td>
</tr>
<tr>
<td>Office</td>
<td>-</td>
<td>1,450</td>
<td>01/2015</td>
<td>-</td>
<td>$1.83</td>
<td>-</td>
<td>$21.96</td>
</tr>
<tr>
<td><strong>Paine Field</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C-84 (GTE Hangar)</td>
<td>1992</td>
<td>19,900</td>
<td>4/1999</td>
<td>-</td>
<td>$0.70</td>
<td>90-1.20</td>
<td>-</td>
</tr>
<tr>
<td>C-71 (Aerospace Future Alliances)</td>
<td>1966/67</td>
<td>30,716</td>
<td>4/1944</td>
<td>-</td>
<td>$0.53</td>
<td>84-95</td>
<td>-</td>
</tr>
<tr>
<td>C-1 (Hangar)</td>
<td>1956</td>
<td>25,463</td>
<td>4/1999</td>
<td>-</td>
<td>$0.38</td>
<td>0.07</td>
<td>-</td>
</tr>
<tr>
<td>C-3 (Hangar)</td>
<td>1987</td>
<td>18,724</td>
<td>0/2000</td>
<td>-</td>
<td>$0.45</td>
<td>1.05</td>
<td>-</td>
</tr>
<tr>
<td>C-31 (Hangar)</td>
<td>1960</td>
<td>12,872</td>
<td>4/2001</td>
<td>-</td>
<td>$0.43</td>
<td>0.70</td>
<td>-</td>
</tr>
<tr>
<td><strong>Renton Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hangar - Air O, Inc.</td>
<td>1950s</td>
<td>22,746</td>
<td>03/2014</td>
<td>3,100</td>
<td>$0.36</td>
<td>-</td>
<td>$4.38</td>
</tr>
<tr>
<td><strong>SeaTac Airport</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alaskan Hangar/office</td>
<td>-</td>
<td>55,200</td>
<td>8/1981</td>
<td>21,200</td>
<td>$0.76</td>
<td>0.76</td>
<td>$9.12</td>
</tr>
<tr>
<td>Alaskan Shop</td>
<td>-</td>
<td>13,150</td>
<td></td>
<td>-</td>
<td>$0.56</td>
<td>-</td>
<td>$6.72</td>
</tr>
<tr>
<td><strong>Skagit/Bayview</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Air Center</td>
<td>1999/00</td>
<td>18,600</td>
<td>6/1/2017</td>
<td>6,000</td>
<td>$0.60</td>
<td>-</td>
<td>$7.20</td>
</tr>
<tr>
<td><strong>Thun Field</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18705 Hangar</td>
<td>1983</td>
<td>5,940</td>
<td>1992</td>
<td>1,920</td>
<td>$0.41</td>
<td>-</td>
<td>$4.96</td>
</tr>
</tbody>
</table>
As can be seen in the facing chart, hangar rates for stand-alone buildings at the various airports varied from a low of $0.14/SF/Mo. to as much as $1.96/SF/Mo. The highest rates were demonstrated at Boeing Field, while the lowest is Bellingham Airport. Excluding this, the range is much narrower, at between $0.14/SF/Mo. to $0.70/SF/Mo. Bellingham Airport reported that their one stand-alone hangar has had the same lease rate since 2005, and hasn’t adjusted since that time due to the more difficult accessibility for aircraft using this hangar. In many cases, it was difficult to ascertain the details of the various hangars at competing airports. In most cases, the buildings are older like that at the subject property. Similar to land-to-building ratio issue, in many cases, the precise amount of office build-out is not known or on any maintained record. Many of the comparable rentals are considered to bracket the subject buildings well in terms of overall size, age and condition.

Another important factor for Hangars is that of Door characteristics. Door openings varied from manual sliders to hydraulic bi-fold doors. In terms of clear height, General Aviation T-hangars are typically sized for a specific and consistent class of plane, and generally demonstrate clear heights of 13 feet at most of the airports in the Puget Sound Region. Stand-alone hangars will accommodate larger aircraft, all of which is subject to demand levels for such aircraft and may or may not be a factor at specific airports in the region. The subject properties stand-alone hangars demonstrated clear heights ranging from 14 to 18 feet. This is considered similar to the stand-alone hangars at the airports surveyed.

Many of the comparable leases provided by the various airports indicated lease terms from 3 years to as long as 30-years. Specific lease terms were not made available for several of the facilities; however, the general length of the lease term were provided in some instances.

Most of the facilities located on the subject property are older, constructed between the 1960’s and 1980’s, although precise years constructed of each of the buildings was not available. Based on our recent survey of comparable airports, the climate for general aviation has been stable, following the economic downturn of the late 2000’s. Rate increases are generally moderate, and often based on appraisals that have some basis in surrounding property values.

Our conclusion for the subject property’s stand-alone buildings is in the chart below. As for Bldg. 1202 (Spoilers) our conclusion that follows reflects a 3% escalation above the current lease rate.

Bldg. 1412 is leased like typical General Aviation T-Hangars and does not have a lease term associated with it. It does suffer from some deferred maintenance (roof leaks); however, the tenant reportedly attempts to maintain this presently. Arlington Airport, which includes multiple older stand-alone hangar type buildings could be considered similar in terms overall condition, age and deferred maintenance. Their lowest rate reported for these facilities is $0.30/SF/Mo. Based on our inspection and discussions with the subject tenant, it appears that the airport will attempt to resolve the roof issues. We believe the concluded rate in the chart that follows is considered supportable based on comparable data at other airports.

Bldg. 1620 is arguably the airports nicest facility, with good-quality office build-out and quality hangar space. It is our understanding that the tenant has committed long-term, through August of
Based on our examination of office (finished) rates at competing airports, they demonstrate an overall range of $0.84/SF/Mo. to $1.83/SF/Mo. Olympia Airport, located well south of the subject property, demonstrated some of the higher rates, ranging from $1.17/SF/Mo. to $1.83/SF/Mo. The lower rates demonstrated by Paine Field can partially be explained by the fact that these are much older facilities. Our conclusion above reflects a blended rate analysis for the subject property, for which we have concluded $0.55/SF/Mo. for the hangar and $1.10/SF/Mo. for the office portion. This equates to an overall blended rate of $0.96/SF/Mo. This reflects roughly a 4% increase over the current rent, although it is important to note that we are not aware of when the last rate increase was implemented.

Bldg. 1624 is currently used as airport storage, as previously mentioned. The airport reported that the current asking rate is $2,600/Mo. This reflects a rate of $0.36/SF/Mo. Based on our examination of comparable facilities at the airports surveyed, we believe that the current asking rate is considered supportable, and within the range of the comparables provided.

With consideration given to the factors discussed above, we can provide the following conclusions based on use and quality:

## Tacoma Narrows: Recommended Rental Rates (Stand-alone Buildings)

<table>
<thead>
<tr>
<th>Hangar Bldg. ID</th>
<th>Bldg. Size (SF)</th>
<th>Unit Size (SF)</th>
<th>Current Rate/Mo.</th>
<th>Recommended Rate/Mo.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1202 - Spoilers</td>
<td>3,690</td>
<td>822</td>
<td>$575.92</td>
<td>$593.20</td>
</tr>
<tr>
<td>1412 - Stand Alone Hangar</td>
<td>3,136</td>
<td>-</td>
<td>$631.00</td>
<td>$784.00</td>
</tr>
<tr>
<td>1620 - Helitrak</td>
<td>7,680</td>
<td>-</td>
<td>$7,129.26</td>
<td>$7,389.25</td>
</tr>
<tr>
<td>1624 - Vacant (Airport Storage)</td>
<td>7,200</td>
<td>-</td>
<td>$2,600.00</td>
<td>$2,600.00</td>
</tr>
</tbody>
</table>

1) Rates concluded are Prior to LH Tax  
2) Bldg. 1624 conclusion is the current advertised asking rate

These ranges provide a basis for revising and renewing rents for the identified subject property buildings. As for comparable facilities, Paine Field and Renton currently have very low vacancy. Some Improved properties remain available (at airports like Paine), with demand in and around these particular airports considered to be stable.

Rates at various off-airport facilities consistently are reporting the implementation of 3% per year annual CPI escalators generally built-in to the leases. The private sector is showing almost record signs of growth, with the industrial real estate market in the Puget Sound Region being one of the stronger sectors.

The above rates are considered reasonable in light of off-airport lease rate increases, as well as comparable rates at other airports. Essentially all of the buildings at the subject property are somewhat older, with some deferred maintenance noted. It is important to note that the recommended rates include the land component, and are prior to LH Taxes.
— General Aviation T-Hangars

The General Aviation T-hangars owned by Tacoma Narrows consist of wood frame construction with metal siding, metal roof and metal gutters/downspouts with 13’ of clear height. The ages vary (appear to be between the 1970’s and 1980s based on our review of Assessor’s information) and the minimum/standard hangars are all considered to be of average quality facilities, fully enclosed, with sliding doors. There are three primary T-hangar areas (1524 buildings) located on the airport. In addition, there are 2 Quad hangar buildings, 2 communal-hangar buildings as well as 4 Corporate Hangars situated in a single building. All of the facilities include power and are in reasonably good condition.

The survey chart on the facing page summarizes the current rental rates for a variety of T-hangar bays for airports throughout the northwest. Most of the airports have waiting lists at this time. According to information provided by the Airport, the subject property currently does not have a waiting list.
### Comparable T-Hangar Rates

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arlington</td>
<td>$219 (480, electricity)</td>
<td>No, Rec. DJ dollies</td>
<td>All manual sliding</td>
<td>Yes</td>
<td>Yes, basic outlets &amp; 110V</td>
<td>Yes</td>
<td>30-40 yrs.</td>
<td>No</td>
<td>Steel &amp; Frame</td>
</tr>
<tr>
<td>Auburn</td>
<td>$660 (48 ft doors)</td>
<td>None</td>
<td>Manual</td>
<td>No</td>
<td>Yes, yes, 30+ yrs.</td>
<td>No</td>
<td>Steel Frame</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Bellingham</td>
<td>$1.89</td>
<td>None</td>
<td>All manual sliding</td>
<td>Yes, yes</td>
<td>Yes</td>
<td>Yes, yes, 30 yrs.</td>
<td>No</td>
<td>Steel Frame</td>
<td>Yes</td>
</tr>
<tr>
<td>Boeing Field (Seattle)</td>
<td>$870 ($826 41 ft doors)</td>
<td>None</td>
<td>Manual</td>
<td>No</td>
<td>Yes, Yes, Yes, Yes</td>
<td>Yes</td>
<td>10-40 yrs.</td>
<td>Yes</td>
<td>Steel &amp; Frame</td>
</tr>
<tr>
<td>Bremerton</td>
<td>$189</td>
<td>None</td>
<td>All manual sliding</td>
<td>Yes, yes, Yes, Yes</td>
<td>Yes</td>
<td>Yes, yes, yes, yes</td>
<td>Yes</td>
<td>Steel &amp; Frame</td>
<td>Yes</td>
</tr>
<tr>
<td>Olympia</td>
<td>$274.10 (40 doors)</td>
<td>None</td>
<td>Manual</td>
<td>Yes, yes, Yes, Yes, Yes</td>
<td>Yes</td>
<td>Yes, yes, yes, yes</td>
<td>Yes</td>
<td>Steel &amp; Frame</td>
<td>Yes</td>
</tr>
<tr>
<td>Paine Field</td>
<td>$320 (50 doors, older)</td>
<td>None</td>
<td>Manual</td>
<td>No</td>
<td>Yes, Extra Power on</td>
<td>Yes</td>
<td>20 yrs.</td>
<td>Yes</td>
<td>Steel &amp; Conc Bk</td>
</tr>
<tr>
<td>Renton Municipal</td>
<td>$462</td>
<td>Not Available</td>
<td>All manual sliding</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes, yes, yes</td>
<td>Yes</td>
<td>Steel &amp; Conc Bk</td>
<td>Yes</td>
</tr>
<tr>
<td>Skagit/Bayview</td>
<td>$299.10 - 310.18 (Older 41 doors)</td>
<td>Not Available</td>
<td>Manual</td>
<td>No</td>
<td>Yes, Yes, Yes, Yes, Yes</td>
<td>Yes</td>
<td>20 yrs.</td>
<td>No</td>
<td>Steel &amp; Wood Frame</td>
</tr>
<tr>
<td>Tacoma Narrows</td>
<td>Prices vary</td>
<td>None</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes, yes, yes, yes</td>
<td>Yes</td>
<td>Wood Frame; Metal siding</td>
<td>No</td>
</tr>
<tr>
<td>Tillamook</td>
<td>$224.04 (40 doors)</td>
<td>None</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes, yes, yes</td>
<td>Yes</td>
<td>Metal siding</td>
<td>Yes</td>
</tr>
<tr>
<td>Hillsboro (OR)</td>
<td>$130</td>
<td>1/25 x Hanger of</td>
<td>Manual</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>30 yrs.</td>
<td>N/A</td>
<td>Steel No</td>
</tr>
</tbody>
</table>

**Notes:**
- Rates vary 48, 50 and 60 square feet of rectangular hangars.
- Hillsboro has been increasing T-hanger rates at CPI roughly 3%/y since the 2009 timeframe.
- All rates include U/facilities.
General Aviation T’s: Analysis & Concluded Rates

It is typical in this industry that private T-hangars receive higher rates than public hangars. However, the public units are generally older. In general, we believe that hangars of similar quality should achieve an equal rate whether they are publicly or privately owned, assuming equal levels of maintenance and quality of management. As can be seen by the above chart, all of the competing T-hangars at other airports include some level of power and lighting (either fluorescent or incandescent bulbs). The age of other hangars varies, representing an overall general range of 10 to 30+ years. Only one of the competing hangars contained windows, with the exception of end-unit storage facilities. Most consist of steel frame construction with metal siding. In addition, essentially all General Aviation T’s do not contain water and sewer facilities, but tenants do have access in common facilities at a given airport.

The current general rate at Tacoma Narrows for the basic single T hangar is $379 per month, including leasehold excise tax. Rates of increase at other airports in the region appear to range from roughly 4% to roughly 10% over a 3-year period, with some exceptions. Most appear to be achieving increases in the 2.0%-2.5% per year range. Auburn Municipal Airport is demonstrating rates well above $300, which is considered to have an inferior facility as compared to the subject property. At Renton, a single T is significantly higher, at $462; however, the rate of increase over the past three years is somewhat lower. In addition, rates at Renton are heavily influenced by the Region’s highest rates being achieved at nearby Boeing Field, which is full. As mentioned, most airports are still demonstrating a waiting list for general T-hangars.

Rates for similar product in Arlington, Skagit/Bayview and Bellingham are quite comparable and all would be considered by many owners looking to hang a single engine plane. The Arlington rates are lower, and the hangars are generally inferior, while the Skagit location is inferior to that of Tacoma Narrows. The subject property is well within the bracketed range presented.

Given the comparables rentals in the marketplace, the general T’s range from approximately $219 to $567. In an attempt to identify marketability and demand, the following items identified below could serve to increase occupancy levels at the subject. As mentioned previously, we inspected sample units on the airport.

1) **Identify hangars that could be repainted**
   According to information provided by the Airport Manager, the Communal Hangars were painted 3 years ago. The 1524 buildings observed during our inspection appeared that they could be repainted at some point in the future. The remaining buildings appeared in good condition.

2) **Repair or Upgrade any Non-functional doors**
   It is our understanding that there are some General Aviation T’s that have been identified as having sagging doors. It is recommended that these be repaired to maximize occupancy/tenant retention.
3) **Repair roof leaks to any of the hangar facilities**
   It is our understanding Bldg. 1412 has experienced some ongoing roof leaks. It is our recommendation that this is repaired.

4) **Rent incentives**
   Incentives, such as 1st month free rent or Tenant Improvements performed on the part of a tenant in return for certain lease terms as a way of attracting or retaining tenants. It should be noted that there is no evidence of this in the aviation industry, based on our experience with other airports in the region. As a result, it is difficult to ascertain how effective such incentives would be, given the lack of evidence in the aviation marketplace.

Considering rates from other facilities, we recommend a target pricing for T-hangars (including leasehold excise tax) at Tacoma Narrows for the next 3-year period roughly **$385 per month**, with the ones containing a small office at **$433 per month**. This reflects a 1.5% increase over the current rates, including LHET.

— **Quad, Communal and Corporate Hangars: Analysis & Concluded Rates**

**Quad Hangars**
The Quad hangars located on the subject property are also older buildings. There are 2 buildings in total, with a total of 8 hangar spaces. These currently rent for $432.94/Mo. including LHET. Based on information provided by the airport, these are 75% leased. Our research did not reveal any Quad hangars at any of the comparable airport facilities for which to draw comparison to the subject’s hangars. Considering the age, condition and general layout of the Quad hangars, we recommend that the current lease rate is considered supportable. Going forward, we would recommend an escalator as general aviation conditions improve.

**Communal Hangars**
Similar to the Quad hangars, our research did not reveal any communal hangars at any of the airports surveyed. These also consist of older structures, with manual sliding doors. The communal hangars at the subject property range from $279.15/Mo. for the 40’ door opening to $326.37/Mo. for the 50’ door opening, including LHET. It is our understanding that the 40’ hangars are fully occupied, while the 50’ hangars show a current vacancy of 4 out of the 12 available. Considering the age, condition and general layout of the Communal hangars, we recommend that the current lease rate is considered supportable. Going forward, we would recommend an escalator as general aviation conditions improve.

**Corporate Hangars**
The 4 Corporate hangars at the subject property consist of 63’ door openings, with one containing an office area. Our research revealed 3 airports with hangar facilities greater than 50’ doors. Boeing Field demonstrated the highest rate at $3,498/Mo. ($1.40/SF/Mo.) for a 53’ door opening, and $4,852/Mo. ($1.80/SF/Mo.) for a 58’ opening. Olympia Airport was the lowest, which has a 53’ door opening hangar for $681.55/Mo. ($0.25/SF/Mo.), while Paine Field demonstrated rates of $1,113/Mo. ($0.49/SF/Mo.) for a 50’ opening, and $1,781/Mo. ($0.49/SF/Mo.) for 60’ openings. Considering the age, condition and general layout of the Corporate hangars at the subject property, we recommend
a target pricing at Tacoma Narrows for the next 3-year period roughly $1,641 per month, and $2,128 per month (hangar w/ office). This reflects a 3% increase over the current rates, prior to LHET. It is important to note that we did not find any differentiation in rates of hangars with or without office. Many of the larger hangars contained a minimum of 100 square feet at competing facilities, as seen in the comparable rentals chart.

— Summary of Conclusions

The following chart summarizes our conclusions from the previous section of this report:

<table>
<thead>
<tr>
<th>Hangar Bldg. ID</th>
<th>Bldg. Size (SF)</th>
<th>Unit Size (SF)</th>
<th>Current Rate/Mo.</th>
<th>Recommended Rate/Mo.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1524-A GA T-Hangars (40' door)</td>
<td>16,104</td>
<td>947 (approx.)</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524-B GA T-Hangars (40' door)</td>
<td>12,408</td>
<td>954 (approx.)</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524-C GA T-Hangars (40' door)</td>
<td>11,550</td>
<td>963 (approx.)</td>
<td>$379.45/Mo. (Inc. LH Tax)</td>
<td>$385/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1524 - GA T's w/ office</td>
<td></td>
<td></td>
<td>$426.28/Mo. (Inc. LH Tax)</td>
<td>$433/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1422 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1432 - Quad Hangars (42’ door)</td>
<td>2,775</td>
<td>694 (approx.)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
<td>$432.94/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1712 - Communal Hangar (40’ door)</td>
<td>10,000</td>
<td>1,000 (approx.)</td>
<td>$279.15/Mo. (Inc. LH Tax)</td>
<td>$279.15/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1724 - Communal Hangar (50’ door)</td>
<td>15,000</td>
<td>1,500 (approx.)</td>
<td>$326.37/Mo. (Inc. LH Tax)</td>
<td>$326.37/Mo. (Inc. LH Tax)</td>
</tr>
<tr>
<td>1402-1 Corporate Hangar (63’ door)</td>
<td>15,960</td>
<td>3,710 (approx.)</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-2 Corporate Hangar (63’ door)</td>
<td>“</td>
<td>3,710 (approx.)</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-3 Corporate Hangar (63’ door)</td>
<td>“</td>
<td>3,710 (approx.)</td>
<td>$1,593.76</td>
<td>$1,641.00</td>
</tr>
<tr>
<td>1402-4 Corp. Hangar w/ office (63’ door)</td>
<td>“</td>
<td>4,830 (approx.)</td>
<td>$2,065.97</td>
<td>$2,128.00</td>
</tr>
</tbody>
</table>

Rates for Corporate Hangars are prior to LH Tax.

Based on our survey of other airports in the region, a variety of factors were noted by airport personnel as being relevant issues in the desirability of hangar properties. Some of the most important factors to hangar tenants include functioning doors and no deferred maintenance (i.e. roof leaks, water intrusion). It is our understanding that water intrusion is an existing issue in at least one building at the subject property (Bldg. 1412), and the Airport Manager indicated that there is a sagging door issue on some of the General Aviation T’s. In an environment of high demand, these factors may not necessarily preclude a tenant from leasing; however, they would likely require discounting, if not repaired, in order to remain competitive.

The other factor which we have been asked to examine, (which was discussed earlier in this report) is that of interior improvements performed on hangars (i.e. sheetrock or insulated walls). All of the airports surveyed indicated that they do not identify any differentiation in rates, and this level of precision currently does not exist in their leasing of airport properties, in general. In second generation space, as is the case with most airport owned hangars, minor improvements by prior tenants are not considered to add materially to rent levels given the uncertain demand and relatively short economic life of such improvements.
Finally, an airport's precise location within the Puget Sound Region is a factor considered by most users. Proximity to home and/or work is a significant factor for many general aviation users, and factors into their decision on where to base their aircraft. Based on our analysis of other Hangars and airport facilities, as well as considering the position of Tacoma Narrows in the greater Puget Sound marketplace, we believe that the concluded rates above are considered reasonable.
General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.

2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.

4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser’s then current hourly rate plus reimbursement of expenses.

8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.

10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property’s flood zone classification from a licensed surveyor.

20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our “Income and Expense Projection” are anticipated.

21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client’s responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.

23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or “as-built” plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.

32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
35. You and Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.

36. Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the “client” or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates. “Client” shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates in such action, regardless of its outcome.

37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Allen Brackett Shedd | Macaulay & Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
Certification – Murray Brackett, MAI

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

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

9. I have made a personal inspection of the property that is the subject of this report.

10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.

11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

May 1, 2017

Date of Value: _____________________

S. Murray Brackett, MAI
State Cert. #27011-1100853
Certification – David Coleman, Senior Associate

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

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

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10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.

11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, I have completed the Standards and Ethics Education Requirements for Practicing Affiliates of the Appraisal Institute.

14. As of the date of this report, I have not completed the continuing education program for Practicing Affiliates of the Appraisal Institute.

May 1, 2017

Date of Value: _____________________

David Coleman
State Cert. #1101543
Addenda
Comparable Hangar Rentals Map
Building Plans
Glossary
Qualifications
Building Plans

1202 Building
(Fire House)
First Floor
(FC Master Key)

Scale: 1"=6'

45'
17' 4"

10' 4"
5' 6"
5'

Open to Roof

Open to Roof
1202 Building
Second Floor
Scale: 1" = 6'
(PC Master Key)
Glossary
Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease
A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization
The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent
The minimum rent stipulated in a lease. (Dictionary)

Base Year
The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area
In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area
The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)
A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)
The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center’s common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium
A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement
An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value
A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)
Debt Coverage Ratio (DCR)
The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction
A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation
1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:
- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Effective Rent
Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

Effective Gross Income (EGI)
The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Easement
The right to use another's land for a stated purpose. (Dictionary)

EIFS
Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date
1) The date on which the appraisal or review opinion applies. (SVP)
2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)
The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

EPDM
Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause
A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called escalator clause, expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate
A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land
Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the
improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

**Excess Rent**
The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

**Expense Stop**
A clause in a lease that limits the landlord’s expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

**Exposure Time**
1) The time a property remains on the market.
2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

**Extraordinary Assumption**
An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

**Fee Simple Estate**
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. (Dictionary)

**Floor Common Area**
In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

**Full Service (Gross) Lease**
A lease in which the landlord receives stipulated rent and is obligated to pay all of the property’s operating and fixed expenses; also called a full service lease. (Dictionary)

**Furniture, Fixtures, and Equipment (FF&E)**
Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

**Going-Concern Value**
An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business. (Dictionary)

**Gross Building Area (GBA)**
1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2) Gross leasable area plus all common areas.
3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

**Gross Measured Area**
The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

**Gross Up Method**
A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as “grossed up.” (Dictionary)

**Gross Retail Sellout**
The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called
the aggregate of the retail values, aggregate retail selling price or sum of the retail values. (Dictionary)

Ground Lease
A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent
The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC
Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use
1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset’s existing use for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition
1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Industrial Gross Lease
A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value
A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect’s fees). (Dictionary)

Investment Value
The value of a property to a particular investor or class of investors based on the investor’s specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation
In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest
The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest
The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)
One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)
One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)
Liquidation Value
The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary)

Loan to Value Ratio (LTV)
The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations
Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent
The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value
The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Dictionary)

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease
A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease
A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property’s operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Operating Expense Ratio
The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)
Option
A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest
Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through
A tenant’s portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)
The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion
A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property’s market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization
A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property’s market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost
The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion
A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

Sandwich Leasehold Estate
The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease
An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination
A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land
Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease
An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and
variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, net net net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area
The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use
The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)
Qualifications
Qualifications of S. Murray Brackett, MAI
Principal
Valbridge Property Advisors | Allen Brackett Shedd

Education
Bachelor of Arts in Business Administration, Western Washington University, 1985, with an emphasis on real estate.

Professional Education
Appraisal Courses: All appraisal courses required for MAI designation.

Seminars and Continuing Education (abbreviated summary of coursework):
• Easement Valuation
• UASFLA Seminar (Yellow Book)
• Real Estate Law
• Appraising From Blueprints
• Complexities of Predevelopment Land
• The Appraiser as Expert Witness
• Litigation Skills for the Appraiser
• The New Frontier of Takings Law
• Partial Acquisitions Workshop
• Condemnation Appraisal & Mock Trial
• Conservation Easement Appraisal - Certificate Course

Professional Affiliation
Member, Appraisal Institute. Received MAI Designation May 2, 1997 (Member No. 11,258)
Past President (2003), Seattle Chapter of the Appraisal Institute
Member, International Right-of-Way Association
Associate Member, Washington Airport Manager’s Association

Appraisal Experience
Principal with Allen Brackett Shedd. Responsibilities include the full range of residential, commercial and industrial real estate valuation. Appraisals have been prepared on such diverse properties such as airports and airport-related facilities, park lands, subdivisions and golf courses, as well as typical commercial and industrial improved property. Airport work has included valuation of entire airports to assist in determining lease rates, valuation of adjacent properties for airport expansion, aviation related improved properties and avigation easements. Improved and Unimproved valuations have been performed for acquisitions in fee, leased fee and leasehold interests, partial takings, as well as various partial interests including the following: conservation easements, utility easements, subsurface easements, air-rights/avigation easements, and minority interests. Numerous Appraisals have been prepared for use in litigation, including eminent domain dispute resolution, condemnation and inverse condemnations. UASFLA-compliant Appraisals have been prepared for a wide variety of agencies on a wide range of property types.
S. MURRAY BRACKETT, MAI (cont.)
Qualified as an expert witness in King, Kitsap and Pierce County Superior Courts, US District Court, and Federal Bankruptcy Court. Geographic experience includes assignments in Washington, California, Oregon, Idaho, Nebraska, Iowa, Kansas, South Dakota, Alaska, and British Columbia.

Other Experience
Qualified Level 3 Facilitator, IRWA

September, 2009 - Valuation of Airport Properties, WAMA
December 9, 2010 - AI-Seattle Fall R.E. Conference – Panelist/presenter for Appraisal Issues relating to Partial Acquisitions in Eminent Domain cases.

Representative Client List
Cities/Counties
Cities of Bellevue, Burien, Kirkland, Seattle, Kent, Everett, Renton, Auburn, Arlington, Anacortes, Tacoma, North Bend, Snoqualmie, Lake Forest Park, Kenmore, Bothell, Lynnwood, Port Angeles, Maple Valley, Puyallup, Woodinville and SeaTac. Counties of King, Snohomish, Pierce, Kitsap, Thurston, and Skagit.

Government
Ports of Seattle, Everett, Olympia, Grays Harbor, Bremerton, Port Angeles, and Friday Harbor. Washington State Parks, WSDOT (Approved Appraiser List), DNR, Federal Aviation Administration, Internal Revenue Service, King County DNR, GSA, U.S. Navy, San Juan County Land Bank, Northshore School District, Snohomish School District, Sound Transit, USACE.

Financial Institutions

Airports

Corporations and Non Profits
S. MURRAY BRACKETT, MAI (cont.)

Attorneys
Hillis, Clark, Martin & Peterson; Kenyon Disend; Perkins Coie; Tousley Brain; Inslee Best; Graham and Dunn; Chmelik, Sitkin & Davis; Foster Pepper; Short Cressman; Davis Wright & Tremaine; Betts Patterson; Karr Tuttle Campbell; Anderson Hunter; Riddell Williams; Williams Kastner; Krutch Lindell; Curran Mendoza; Williams and Williams; and King County Prosecuting Attorney.

State Certification Number - General: 27011-1100853  Expiration: 11/21/17
(Revised 11/30/15)
Qualifications of David Coleman
Senior Appraiser
Valbridge Property Advisors | Allen Brackett Shedd

Education
Bachelor of Arts in Economic/Urban Geography with a focus in real estate development processes and project financial feasibility analysis, University of Washington, 1995.

Professional Education

Appraisal Courses:
- Highest and Best Use and Market Analysis (Appraisal Institute Course 520, September 2006)
- Business Practices and Ethics (Appraisal Institute Course 420, April 2005)
- USPAP (Appraisal Institute, March 2005)
- Report Writing and Valuation Analysis (Appraisal Institute Course 540, August 2003)
- Residential Appraisal (Mykut Real Estate School, January 2003)
- What’s It Worth (Mykut Real Estate School, January 2003)
- USPAP (Bellevue Community College, Fall 2000)
- Income Capitalization (Appraisal Institute Course 310, March 2000)
- Foundations of Real Estate Appraisal (North Seattle Community College, March 2000)
- Real Estate Appraisal Procedures (Bellevue Community College, Fall 1999)

Appraisal Experience
Associate Appraiser with Allen Brackett Shedd. Responsibilities have included a variety of commercial, residential, and industrial real estate valuations. Appraisals have been prepared on such diverse properties such as park lands, airport property, subdivisions, sensitive areas, and easements. Undeveloped land valuations have been performed for acquisitions in fee, as well as, various partial interests including the following: conservation easements, utility easements, and right-of-way.

Associate Appraiser with Pacific Appraisal Associates. Responsibilities included a variety of commercial, rural residential, and agricultural valuations. Undeveloped land valuations primarily consisted of partial interests for right-of-way and conservation easements.

Summary of Real Estate Experience
Past: 05/98 – 01/02 & 11/02 to Current: Associate Appraiser with Allen Brackett Shedd (formerly Bruce C. Allen & Associates, Inc.)
2002: Pacific Appraisal Associates (Dennis Johnson, MAI - Wenatchee). Associate Commercial Appraiser concentrating on a variety of right-of-way projects, as well as commercial land valuations (including agricultural).
1996-1998: Martin Smith Real Estate Services. Included a variety of duties and departments that comprised of Lease Administration and Assistant Operations/Property manager. Responsibilities included the daily operations of implementing new leases, rent increases, tenant reimbursements and lease renewals for over 20 Martin Smith managed properties. Other duties included the responsibility for overseeing repairs and maintenance requests for over 6 million square feet of office space and the renovation of the company’s communications system with building engineers.
DAVID COLEMAN, SENIOR APPRAISER (cont.)

1995-1996: Sarkowsky/Loebisser/Fagerholm (SLF) Management Company. Assistant Property Manager for The Plaza at Yarrow Bay, a Class A office building in Kirkland, Washington, and home to many prominent tenants such as AT&T Wireless, McDonald's Corp. and Novell. Responsibilities included the day-to-day management of the project and its tenants, which included the coordination of cost estimates and contract work on the project.

Representative Client List

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<th><strong>Cities</strong></th>
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<td>Arlington</td>
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**Public Agencies**
- Attorney General of Washington
- Puget Sound Energy
- Seattle City Light
- Trust for Public Land
- United States Navy
- Washington State Department of Transportation

**Private Agencies**
- Bogle & Gates
- Butcher, Willis, & Ratliff Corp.
- Graham & Dunn
- Jack McCann Company
- Jones & Stokes Engineering
- JRCO Partnership
- Land & Associates
- Lang, Sly, Conner Development
- OTAK
- Pharos
- Stinson Lane Vineyards
- Weyerhaeuser Company
- WRECO

**Airports**
- Arlington Municipal
- Auburn Municipal
- Chehalis-Centralia
- Port of Olympia
- Port of Port Angeles
- Renton Municipal
- Snohomish County (Paine Field)

**Banks**
- Banner Bank
- Charter Bank
- Commerce Bank
- Frontier Bank

**State Certification Number – General**: 27011-1101543  **Expiration**: 05/02/19
Appendix A: Agency Comments

Planning & Public Works would like to extend a big thank you to Michael Transue and Bill Vetter for their work on this project. We believe Valbridge has provided a thorough and honest evaluation of the facilities at Tacoma Narrows Airport.

There are many factors that pilots weigh when choosing an airport to call home. In addition to the factors listed in the report, pilots also consider whether an airport has a tower, what services are available on the airport (fuel, avionics, aircraft mechanic, etc.), and even how good the restaurant is; and ours – The HUB at Gig Harbor – is excellent! These are factors that are harder to quantify or compare in an appraisal.

We understand that there are some maintenance issues with the T-Hangars. We have implemented an asset management system to do preventative maintenance on the buildings as funds allow. The revenue generated from hangar rentals and other leases makes up the majority of operating revenue for the airport.

It should be noted that hangar rates for the T-Hangars, Quad Hangars, and Communal Hangars have not been increased since 2011.

Lastly, though Tacoma Narrows does not currently have a waitlist, we have our highest occupancy rate right now than we have seen in several years at 75% occupied for the T-Hangars and 100% occupied for available Communal Hangars (one is used for airport storage).

Thank you,

Lauren Behm
Interim Airport & Ferry Administrator

Lauren Behm
O: 253.798.2421 | C: 253.302.9541
LBehm@co.pierce.wa.us