

CBRE VALUATION & ADVISORY SERVICES

APPRAISAL REPORT

HOUGHTON VILLAGE PROPERTY
10702 NE 68TH STREET
KIRKLAND, WASHINGTON 98033
CBRE FILE NO. CB22US014472-1

CLIENT: CITY OF KIRKLAND

CBRE

Date of Report: March 16, 2022

Ms. Carmine Anderson
Administrative Assistant City Manager's Office
CITY OF KIRKLAND
Kirkland City Hall, 123 5th Avenue
Kirkland, Washington 98033

RE: Appraisal of: Houghton Village
10702 NE 68th Street
Kirkland, King County, Washington 98033
CBRE, Inc. File No. CB22US014472-1

Dear Ms. Anderson:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject is a 28,824-square foot retail property (neighborhood/community center) located at 10702 NE 68th Street in Kirkland, Washington. The improvements were constructed in 1985, renovated in 1990 and are situated on a 2.20-acre site. The subject is anchored by PCC Coop Grocery, Restaurant/Yoga, Frame-It, Dry Cleaners, PT, Teriyaki and Animal Rescue .

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	February 18, 2022	\$16,000,000
Compiled by CBRE			

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP),

Ms. Carmine Anderson

March 16, 2022

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and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. As a condition to being granted the status of an intended user, any intended user who has not entered into a written agreement with CBRE in connection with its use of our report agrees to be bound by the terms and conditions of the agreement between CBRE and the client who ordered the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



S. Murray Brackett, MAI


Fax: (206) 292-1601

Email: murray.brackett@cbre.com

Certification

We certify to the best of our 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 our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our 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 the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Washington.
7. 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.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. As of the date of this report, Murray Brackett, completed the continuing education program for Designated Members of the Appraisal Institute.
10. As of the date of this report, Murray Brackett, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.
11. Murray Brackett, has made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Murray Brackett, has not provided any 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 agreement to perform this assignment.



S. Murray Brackett, MAI
Appraiser_Certification #_1100853

Subject Photographs



Aerial View



Photo 1 Front of Building 1



Photo 2 Entrance to PCC Bldg. 1



Photo 3 North property line, looking West



Photo 4 Front of Building 2



Photo 5 Bldg. 2 rear portion



Photo 6 Signage on 68th



Photo 7 Street frontage looking East



Photo 8 Street frontage looking West



Photo 9 Interior Frame-It space



Photo 10 Interior Dry Cleaner space



Photo 11 Interior Physical Therapy space



Photo 12 Interior vacant Yoga studio space

Executive Summary

Property Name	Houghton Village	
Location	10702 NE 68th Street Kirkland, King County, WA 98033	
Parcel Number(s)	788260-0611	
Client	City of Kirkland	
Highest and Best Use		
As If Vacant	Mixed-Use	
As Improved	Retail	
Property Rights Appraised	Fee Simple Estate	
Date of Inspection	February 18, 2022	
Estimated Exposure Time	6 - 12 Months	
Estimated Marketing Time	6 - 12 Months	
Primary Land Area	2.20 AC	95,832 SF
Zoning	HENC-1	
Improvements		Comments
Property Type	Retail	(Neighborhood/Community Center)
Number of Buildings	2	
Number of Stories	1	
Gross Leasable Area	28,824 SF	
Year Built / Renovated	1985 / 1990	
Effective Age	30	
Condition	Average	
Buyer Profile	Developer	

CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
As Is, Land Value	Fee Simple Estate	February 18, 2022	\$16,000,000

Compiled by CBRE

IMPACTS OF COVID-19 IN RELATION TO ECONOMIC DATA AVAILABLE FOR THE SUBJECT

As of March 15, 2022 (subsequent to March 2020) and the date of this report, the commercial real estate market continues to be impacted by COVID-19. While the ultimate duration of this impact is unknown, a prolonged effect on macroeconomic conditions has occurred. The severity of the impact of COVID-19 on commercial real estate varies according to many factors, including asset class, use, tenancy, and location.

For this assignment, our research, including discussions with market participants, identified sufficient market activity (sale and lease transactions) occurring after March of 2020. Accordingly, we have determined that the current impacts of COVID-19 on the subject property have been adequately incorporated in our analysis.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths/ Opportunities

- The subject is 82% occupied by eight tenants on month-to-month leases.
- The subject location in the Houghton neighborhood of Kirkland provides good traffic volumes and a demographic with higher-than-average income levels, compared to the County as a whole.
- Redevelopment is an opportunity.
- Site size allows for a variety of retail tenants, with a very good parking ratio.

Weaknesses/ Threats

- The building improvements are somewhat dated, but in fair to good condition.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.” ¹

- The Appraiser has been asked to assume the subject property is free of environmental contamination from previous tenant activities.
- The site is encumbered by access and utilities easement that runs through the property (north to south) benefitting the northerly abutting parcel.

The use of these extraordinary assumptions may have affected the assignment results.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “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 purposes of analysis.” ²

- None noted

¹ The Appraisal Foundation, *USPAP, 2020-2021 (Effective January 1, 2020 through December 31, 2022)*

² The Appraisal Foundation, *USPAP, 2020-2021 (Effective January 1, 2020 through December 31, 2022)*

OWNERSHIP AND PROPERTY HISTORY

OWNERSHIP SUMMARY			
Item	Current	Previous	Previous
Current Ownership			
Owner:	Houghton Village Partnership	John Phillips, et. Al	
Seller:	John Phillips, et. al		
Purchase Price:	\$1,228,800		
Transaction Date:	August 15, 1988		
Sale in Last 3 Years?:	No	No	No
Legal Reference:	198808190830		
County/Locality Name:	King		
Buyer/Seller Relationship Type:	Arm's length and reasonable		
Pending Sale			
Under Contract:	Yes		
Buyer:	City of Kirkland		
Contract Price:	\$15,000,000		
Contract Date:	January 19, 2022		
Arm's Length:	Yes		
At / Above / Below Market:			
Comments:	Off-market transaction		
Current Listing			
Currently Listed For Sale:	No		
Compiled by CBRE			

Previous Sale:

The property previously sold on August 15, 1988 for \$1,228,800, or \$42.35 per square foot of building. The transaction occurred over 30 years ago and has no bearing on current value. We are unaware of any additional ownership transfers of the property in the last three years. Further, the property is not reportedly being offered for sale as of the current date.

Pending Sale:

According to a Purchase and Sale Agreement provided to CBRE, the subject property is currently under contract to be purchased by City of Kirkland for \$15,000,000, which equates to \$516.97 per square foot of building or \$156.52 per square foot of land. We are unaware of any additional ownership transfers of the property in the last three years.

The variance between this agreement and our concluded value is relatively minimal and considered reasonable.

EXPOSURE/MARKETING TIME

Current appraisal guidelines require an estimate of a reasonable time period in which the subject could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historical analysis, this is referred to as exposure time. Exposure time always precedes the date of value, with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

- exposure periods for comparable sales used in this appraisal;

- exposure/marketing time information from the CBRE, Inc. National Investor Survey and the PwC Real Estate Investor Survey; and
- the opinions of market participants.

The following table presents the information derived from these sources.

EXPOSURE/MARKETING TIME DATA			
Investment Type	Exposure/Mktg. (Months)		
	Range		Average
Comparable Sales Data	8.0	- 8.0	8.0
<i>CBRE Neighborhood Centers</i>			
Class A	n/a	- n/a	2.4
Class B	n/a	- n/a	7.6
Class C	n/a	- n/a	8.9
<i>RealtyRates.com - Retail</i>			
Class A	---	- ---	13.2
Class B	---	- ---	8.2
Class C	---	- ---	5.9
<i>PwC Net Lease</i>			
National Data	2.0	- 18.0	6.3
Local Market Professionals	6.0	- 12.0	9.0
CBRE Exposure Time Estimate	6 - 12 Months		
CBRE Marketing Period Estimate	6 - 12 Months		
Various Sources Compiled by CBRE & CoStar			

The subject land is sufficiently valuable that redevelopment is considered the likely highest and best use. Marketing and exposure periods for available land in Kirkland are well under the 12 month timeframe.

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Scope of Work

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered, and analysis is applied.

INTENDED USE OF REPORT

This appraisal is to be used for internal use and no other use is permitted.

CLIENT

The client is City of Kirkland.

INTENDED USER OF REPORT

This appraisal is to be used by City of Kirkland. No other user(s) may rely on our report unless as specifically indicated in this report.

Intended users are those who an appraiser intends will use the appraisal or review report. In other words, appraisers acknowledge at the outset of the assignment that they are developing their expert opinions for the use of the intended users they identify. Although the client provides information about the parties who may be intended users, ultimately it is the appraiser who decides who they are. This is an important point to be clear about: The client does not tell the appraiser who the intended users will be. Rather, the client tells the appraiser who the client needs the report to be speaking to, and given that information, the appraiser identifies the intended user or users. It is important to identify intended users because an appraiser's primary responsibility regarding the use of the report's opinions and conclusions is to those users. Intended users are those parties to whom an appraiser is responsible for communicating the findings in a clear and understandable manner. They are the audience.³

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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

³ Appraisal Institute, *The Appraisal of Real Estate*, 15th ed. (Chicago: Appraisal Institute, 2020), 50.

definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. 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. ⁴

INTEREST APPRAISED

This opinion of value represents the Fee Simple Estate, subject to easements and encumbrances of record. While there are existing tenants in the building the terms are relatively short duration, having little or no impact on the value. The leased fee interest is considered tantamount to fee simple in this situation. Fee Simple is defined below:

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. ⁵

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. ⁶

Leasehold Interest - The tenant's possessory interest created by a lease. ⁷

Going Concern – An established and operating business having an indefinite future life. ⁸

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description

Extent to Which the Property is Inspected

The extent of the inspection included the following: full interior and exterior. The Appraiser inspected the subject property on February 18, 2022. Present at the inspection were S. Murray

⁴ Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

⁵ Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015), 90.

⁶ Dictionary of Real Estate Appraisal, 128.

⁷ Dictionary of Real Estate Appraisal, 128.

⁸ Dictionary of Real Estate Appraisal, 102.

Brackett, MAI, Joe Steele and Diane Smith of CBRE, as well as the property owner’s representative Monica Wallace of Kidder Matthews, who provided access to each of the tenant spaces.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable market data

Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

Data Resources Utilized in the Analysis

DATA SOURCES	
<i>Item:</i>	<i>Source(s):</i>
Site Data	
Size	King County Assessor
Improved Data	
Building Area	Building Plans
No. Bldgs.	Building Plans
Parking Spaces	Inspection
Year Built/Developed	King County Assessor
Economic Data	
Deferred Maintenance:	None
Building Costs:	Marshall Manual
Income Data:	Owner provided
Expense Data:	Owner provided
Other	
Zoning	City of Kirkland Municipal Code
Economic Data	Esri, PWC, Puget Sound Forecaster, WA State Employment Security
Sales Comparison	CoStar, CBA, CBRE Proprietary Database, Market Participants
Flood Data	FEMA
Data Not Provided	
Item 1	Title Report
Item 2	Environmental Report
Item 3	Insert Source(s) Here
Compiled by CBRE	

APPRAISAL METHODOLOGY

In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

Cost Approach

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties.

Sales Comparison Approach

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

Income Capitalization Approach

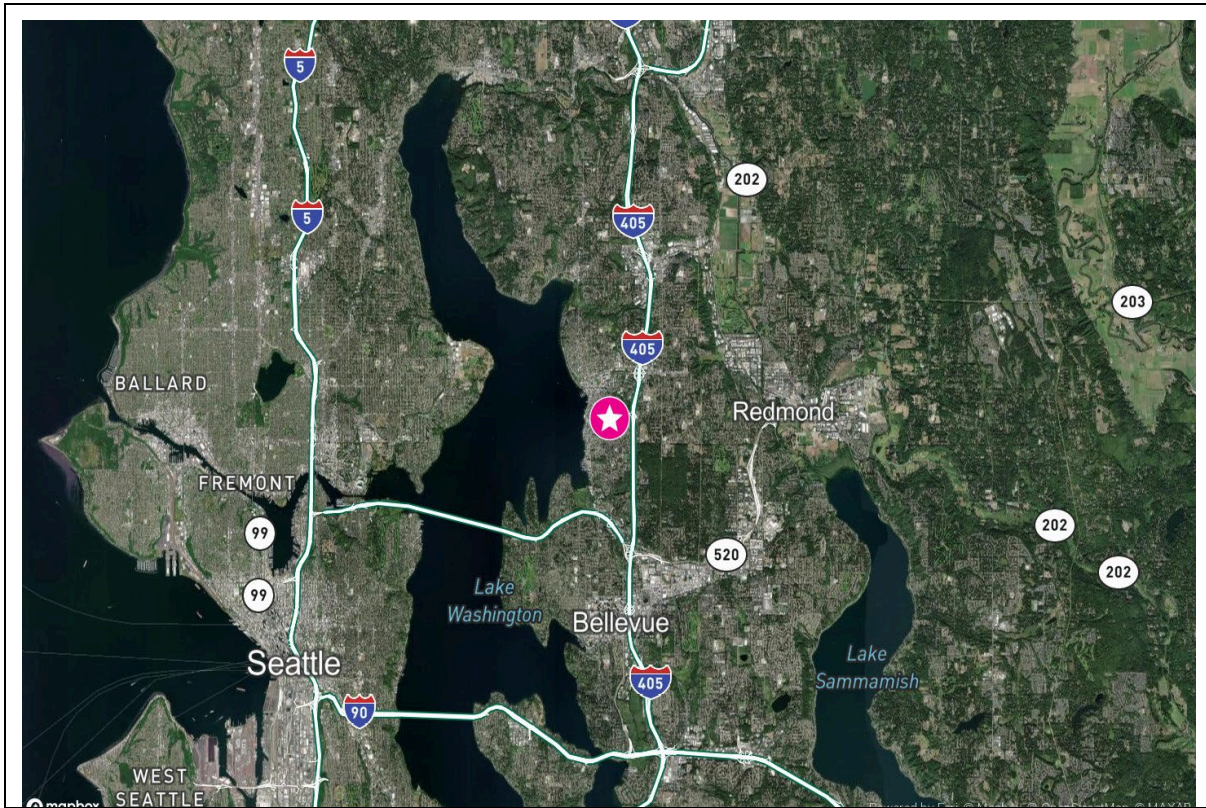
The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

Methodology Applicable to the Subject

In valuing the subject, all three approaches are applicable and have been considered.

In valuing the subject, only the sales comparison and income capitalization approaches are applicable and have been applied. The cost approach is not applicable in the estimation of market value due to the age of the improvements. The exclusion of said approach(s) is not considered to compromise the credibility of the results rendered herein. The Income approach was considered with regard to the existing improvements. The Sales Comparison Approach was utilized with respect to the underlying land. As will be demonstrated, the existing improvements contribute on an interim basis, with the underlying land value being the primary driver of value.

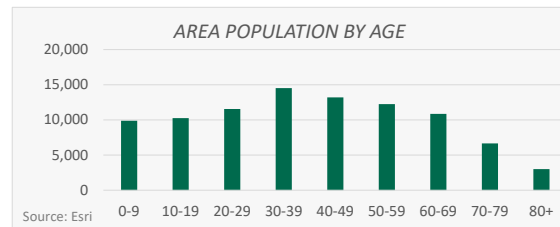
Area Analysis



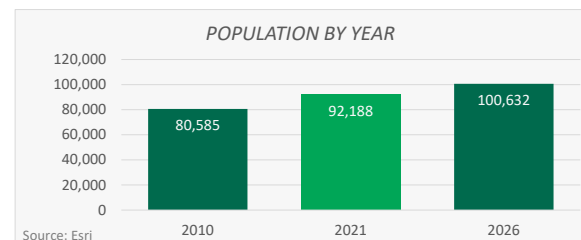
The subject is located in the City of Kirkland. Key information about the area is provided in the following tables.

POPULATION

The area has a population of 92,188 and a median age of 40, with the largest population group in the 30-39 age range and the smallest population in 80+ age range.



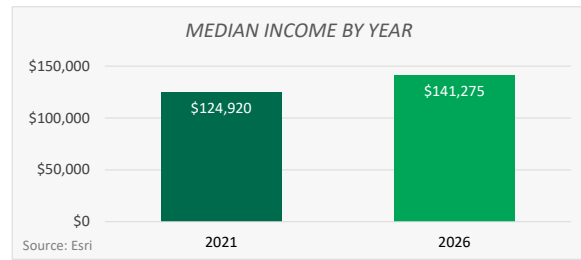
Population has increased by 11,603 since 2010, reflecting an annual increase of 1.2%. Population is projected to increase by an additional 8,444 by 2026, reflecting 1.8% annual population growth.



Source: ESRI, downloaded on Mar, 4 2022

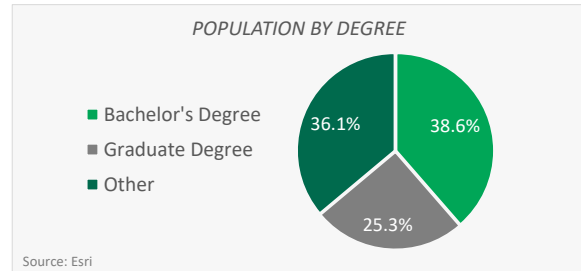
INCOME

The area features an average household income of \$163,311 and a median household income of \$124,920. Over the next five years, median household income is expected to increase by 13.1%, or \$3,271 per annum.

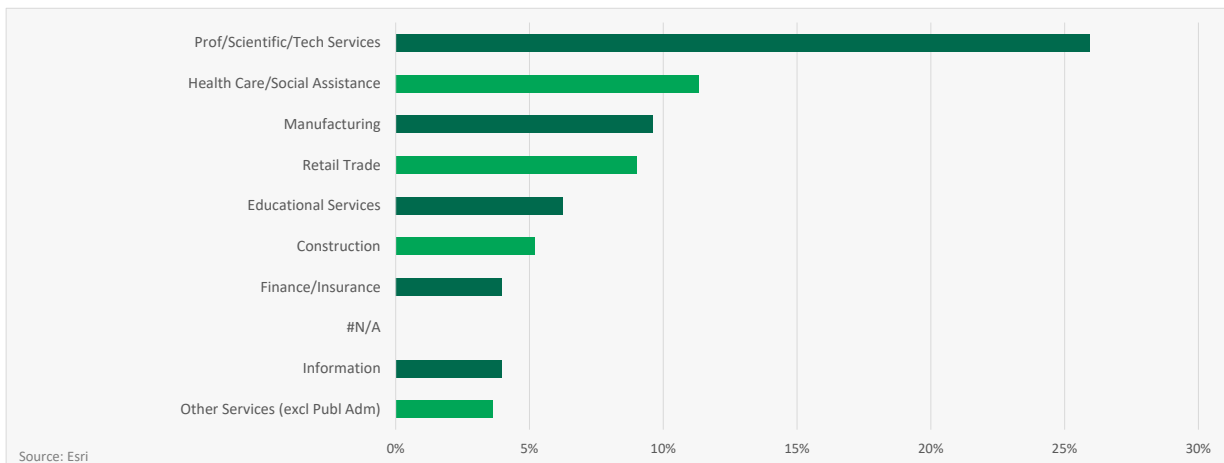


EDUCATION

A total of 63.9% of individuals over the age of 24 have a college degree, with 38.6% holding a bachelor's degree and 25.3% holding a graduate degree.



EMPLOYMENT

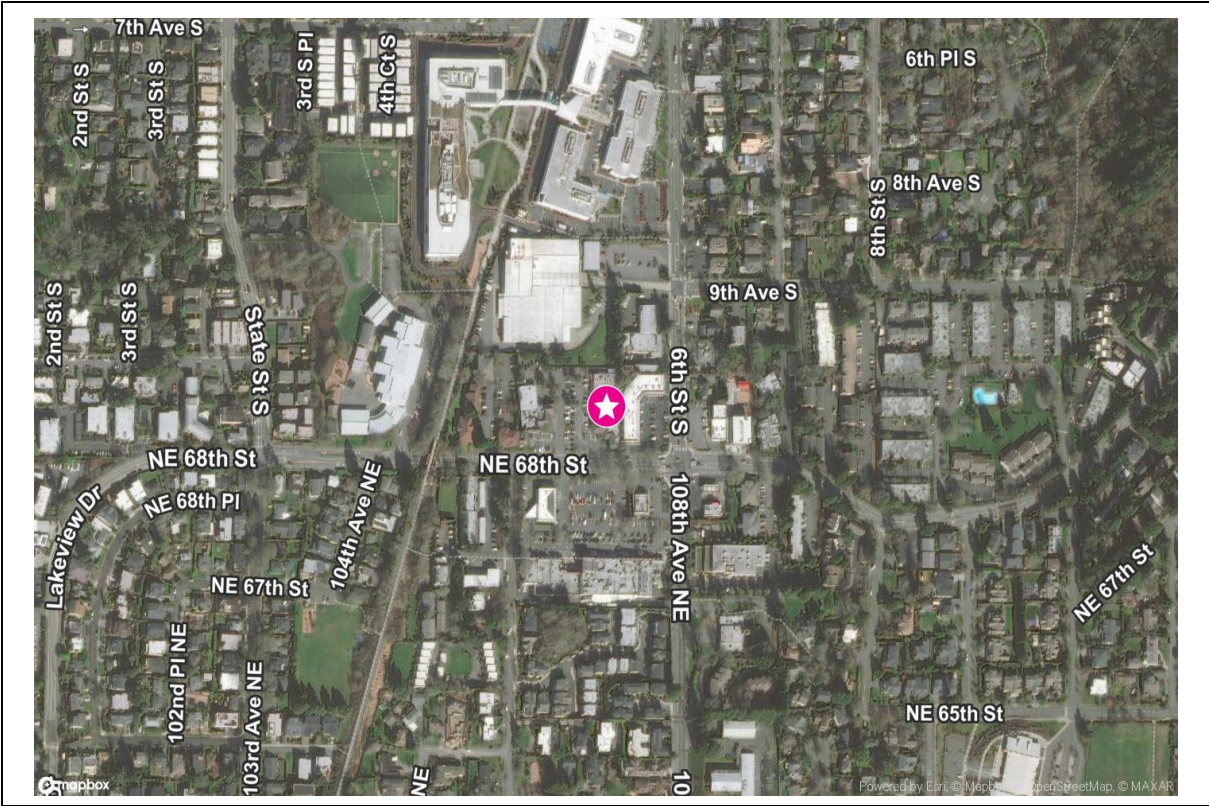


The area includes a total of 51,805 employees and has N/A unemployment rate. The top three industries within the area are Prof/Scientific/Tech Services, Health Care/Social Assistance and Manufacturing, which represent a combined total of 47% of the population.

Source: ESRI, downloaded on Mar, 4 2022; BLS.gov dated Jan, 0 1900

In summary, the area is forecasted to experience an increase in population and an increase in household income.

Neighborhood Analysis



LOCATION

The subject neighborhood is located in Kirkland, south of downtown and north of SR-520. The City of Kirkland is a desirable location within the Puget Sound due to its proximity to the major employment centers, including Redmond and Bellevue, as well as its convenient access to the Seattle CBD.

BOUNDARIES

The neighborhood boundaries are detailed as follows:

- North: NE 85th Street
- South: SR-520
- East: I-405
- West: Lake Washington Boulevard

LAND USE

Located within the “Eastside”, the subject neighborhood is best described as a mixed-use node with much of the developments being office uses, retail centers, single-family and multifamily developments. The city of Kirkland also includes a number of mid-rise office buildings, medical offices near Totem Lake as well as the Totem Lake Mall and surrounding retail developments. The Juanita area also includes a number of mixed-use projects that have been developed over the

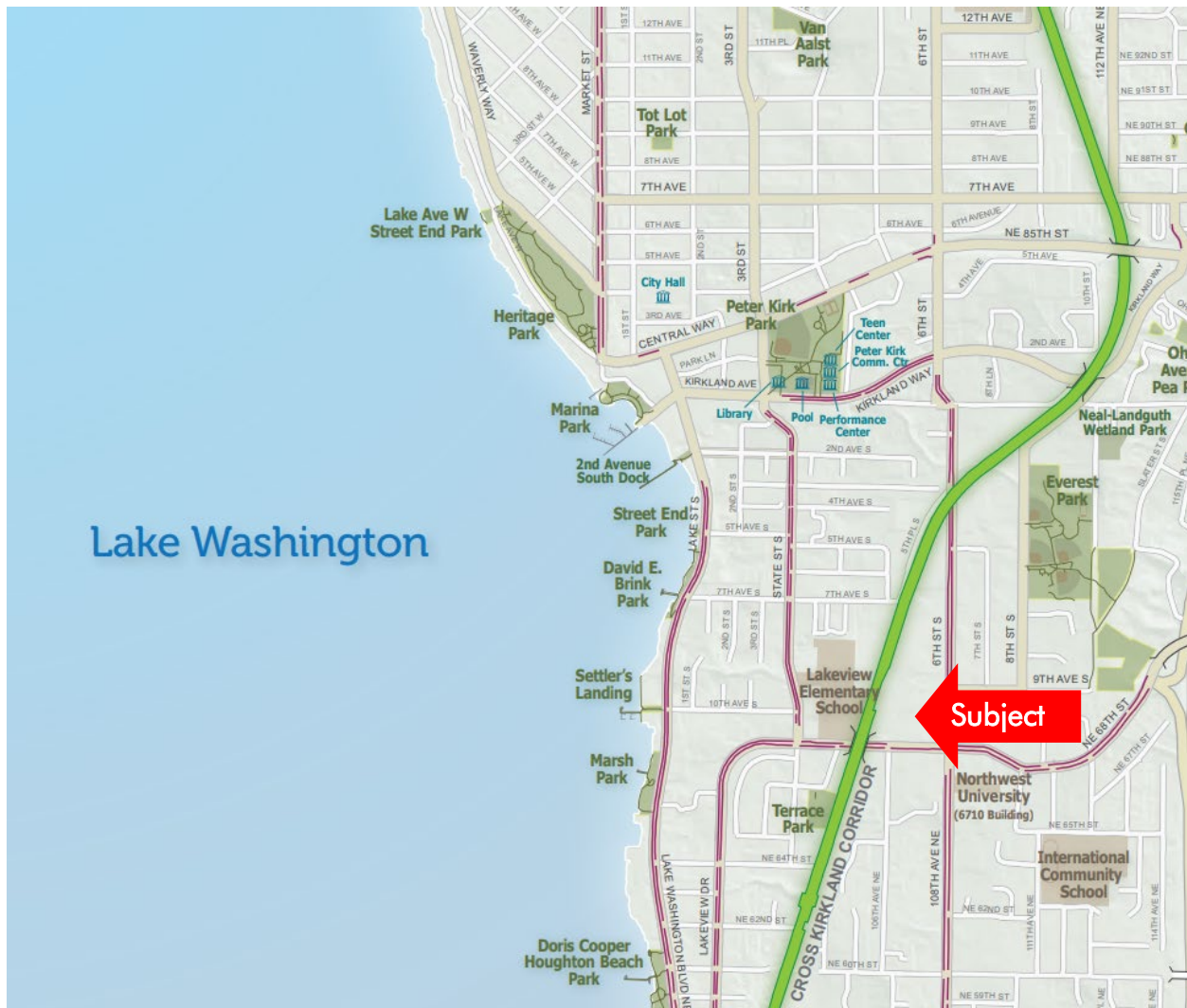
last decade. The immediate area surrounding the subject includes the relatively new Google Campus, light industrial users, local commercial services and single-family residential. A significant amount of office development, is occurring in the downtown core of Kirkland, as well as residential developments to the south, and east side of Kirkland Way.

Kirkland's close-in Eastside location adjacent to Lake Washington, and its strong community are the primary reasons for population and business growth. The city is generally a suburban center, but the growing downtown area includes a variety of shopping, services, offices and housing alternatives.

Kirkland consists of five distinct business centers: Downtown, Houghton, Rose Hill, Totem Lake and Juanita. These business centers represent either city or neighborhood centers, based on their proximity to residents and the amount of development. Totem Lake represents an Eastside retail destination, which centers on the 275,000 square foot Totem Lake Mall. Major land uses in Totem Lake consist of medical office facilities around the Evergreen Hospital. Houghton is primarily a manufacturing center, and Rose Hill and Juanita generally provide neighborhood shopping and services for residents in the immediate area. The downtown area is the business and financial center of the city with most of the Class A office space.

The Cross Kirkland Corridor offers an recently developed trail system for pedestrians and bicyclists from 108th Avenue NE to Slater Avenue. The trail spans 5.75 miles along the Eastside Rail Corridor generally between Google's two campuses. The trail is located within 100 yards of the subject, to the west.

Kirkland also includes seven waterfront parks located along Lake Washington, a short distance from the subject. The following map shows the locations of each of the seven parks located in the subject's immediate area.



GROWTH PATTERNS

Starting in the late 1970's, the first office buildings were developed in the area along the 520 corridor, with most of the remaining office buildings delivered prior to 1990. The northern portion of the neighborhood has seen more residential development, primarily to single-family luxury homes, although there are numerous multi-family buildings along Lake Washington Boulevard NE. Some of the more recent larger developments in the subject's immediate neighborhood are the Capri and Voda Apartments, and the Uptown Apartments at Kirkland Urban. Totem Lake Shopping Center is mid-way through a major remodel/rennovation to become a regional shopping center with residential, commercial and office components that will total over 290,000 square feet. Kirkland Urban, in the downtown core is a large mixed-use project currently under development. Initial plans called for 1.5 million SF of office and retail, though plans have since been revised for a smaller project with 1.2 million square feet over two phases.

ACCESS

Regional access is primarily served by State Route 520 and Interstate 405, which intersect in the southeast corner of the subject neighborhood. State Route 520 connects the subject neighborhood with Seattle to the west and Redmond to the east, while Interstate 405 connects with Lynnwood and Everett to the north and Renton to the south. Both State Route 520 and Interstate 405 intersect with Interstate 5, the primary north/south interstate highway along the West Coast. The subject’s access to I-405 is via NE 68th Street, which becomes NE 70th Street at its interchange ¾ of a mile to the east.

DEMOGRAPHICS

Selected neighborhood demographics in 1-, 3- and 5-mile radius from the subject are shown in the following table:

SELECTED NEIGHBORHOOD DEMOGRAPHICS						
10702 NE 68th Street Kirkland, WA 98033	1 Mile Radius	3 Mile Radius	5 Mile Radius	Kirkland city	Seattle- Tacoma- Bellevue, WA Metropolitan	King County
Population						
2026 Total Population	16,975	88,587	324,287	100,632	4,343,451	2,462,402
2021 Total Population	15,362	82,499	296,979	92,188	4,046,743	2,290,875
2010 Total Population	12,529	72,944	244,790	80,585	3,439,809	1,931,249
2000 Total Population	11,218	66,887	224,640	76,868	3,043,878	30,982
Annual Growth 2021 - 2026	2.02%	1.43%	1.77%	1.77%	1.43%	1.45%
Annual Growth 2010 - 2021	1.87%	1.13%	1.77%	1.23%	1.49%	1.56%
Annual Growth 2000 - 2010	1.11%	0.87%	0.86%	0.47%	1.23%	51.17%
Households						
2026 Total Households	8,494	37,805	138,011	42,678	1,705,772	1,002,892
2021 Total Households	7,676	35,401	126,570	39,086	1,589,212	932,958
2010 Total Households	6,346	31,696	104,956	34,435	1,357,475	789,232
2000 Total Households	5,756	29,662	96,532	32,230	1,196,568	711,008
Annual Growth 2021 - 2026	2.05%	1.32%	1.75%	1.77%	1.43%	1.46%
Annual Growth 2010 - 2021	1.74%	1.01%	1.72%	1.16%	1.44%	1.53%
Annual Growth 2000 - 2010	0.98%	0.67%	0.84%	0.66%	1.27%	1.05%
Income						
2021 Median Household Income	\$127,376	\$140,056	\$134,222	\$124,920	\$93,010	\$103,434
2021 Average Household Income	\$172,153	\$187,446	\$176,291	\$163,311	\$126,819	\$142,460
2021 Per Capita Income	\$86,410	\$80,902	\$75,090	\$69,071	\$49,892	\$58,073
2021 Pop 25+ College Graduates	8,459	43,148	151,866	42,871	1,269,883	888,747

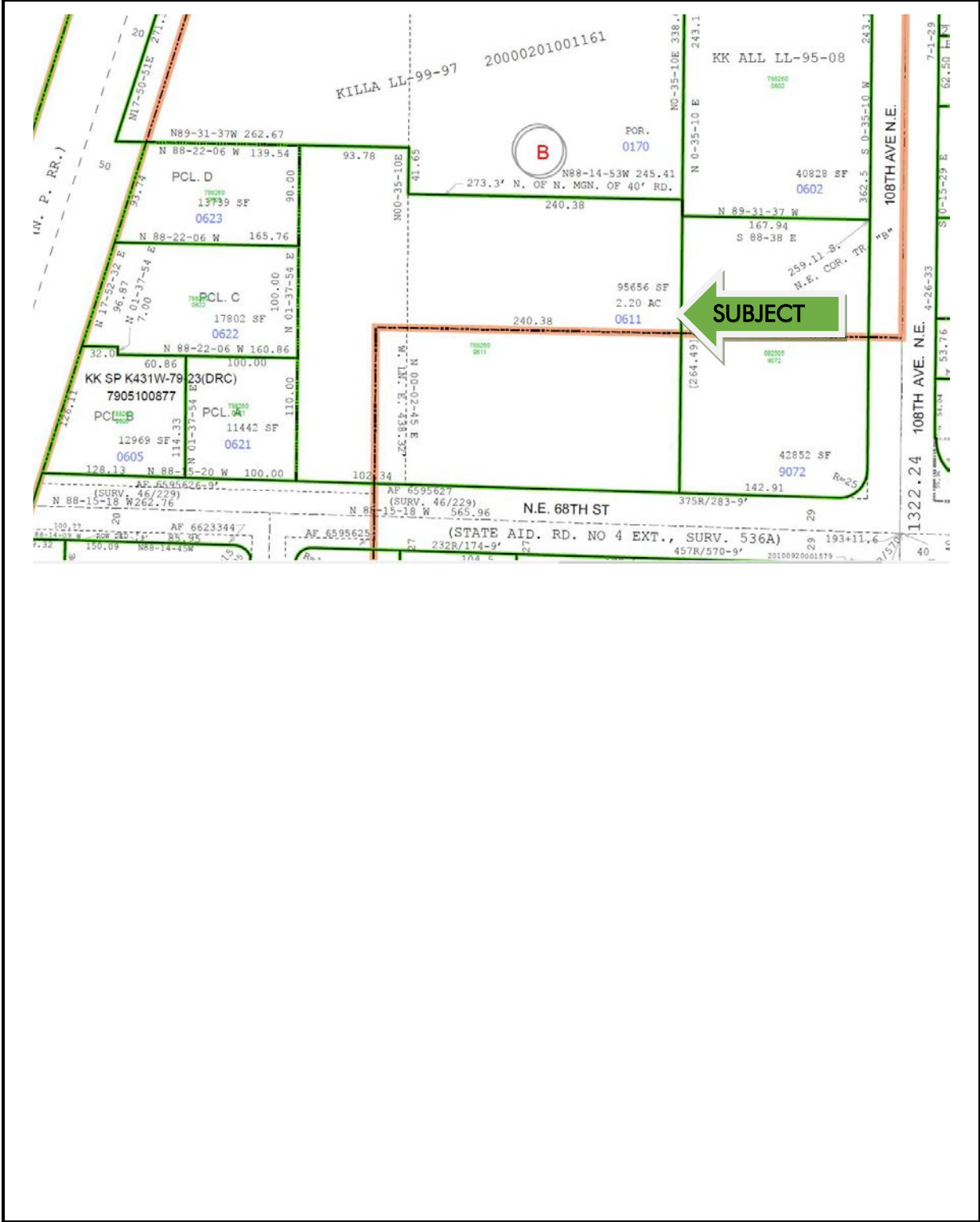
Source: ESRI

CONCLUSION`

As shown above, the population within the subject neighborhood has experienced average population growth between 2010 and 2021 with annual growth of 1.87% within a one-mile radius. Anticipated growth is strongest within the one-mile radius with 2.02% annual growth expected between 2021 and 2026. Household income indicates a high-income demographic.

Over the next five years, population and household growth are projected to be positive within the subject neighborhood. The subject will benefit from its location relatively close to the downtown Kirkland node with added appeal and growth to the immediate local economy from the significant tech presence and its influence on the larger marketplace. The subject's locational attributes are also strong with respect to linkages (Interstate 405 and Highway 520), and as a result, we believe the subject's area will continue to be a viable location for a variety of uses with strong demand generators and job growth in the foreseeable future. Considering all factors, demand for existing commercial developments is expected to continue to show growth in the short to medium term.

PLAT MAP

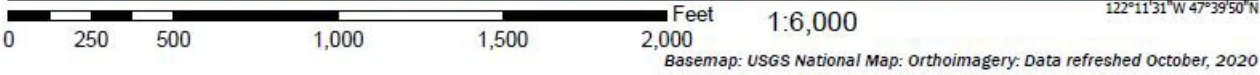
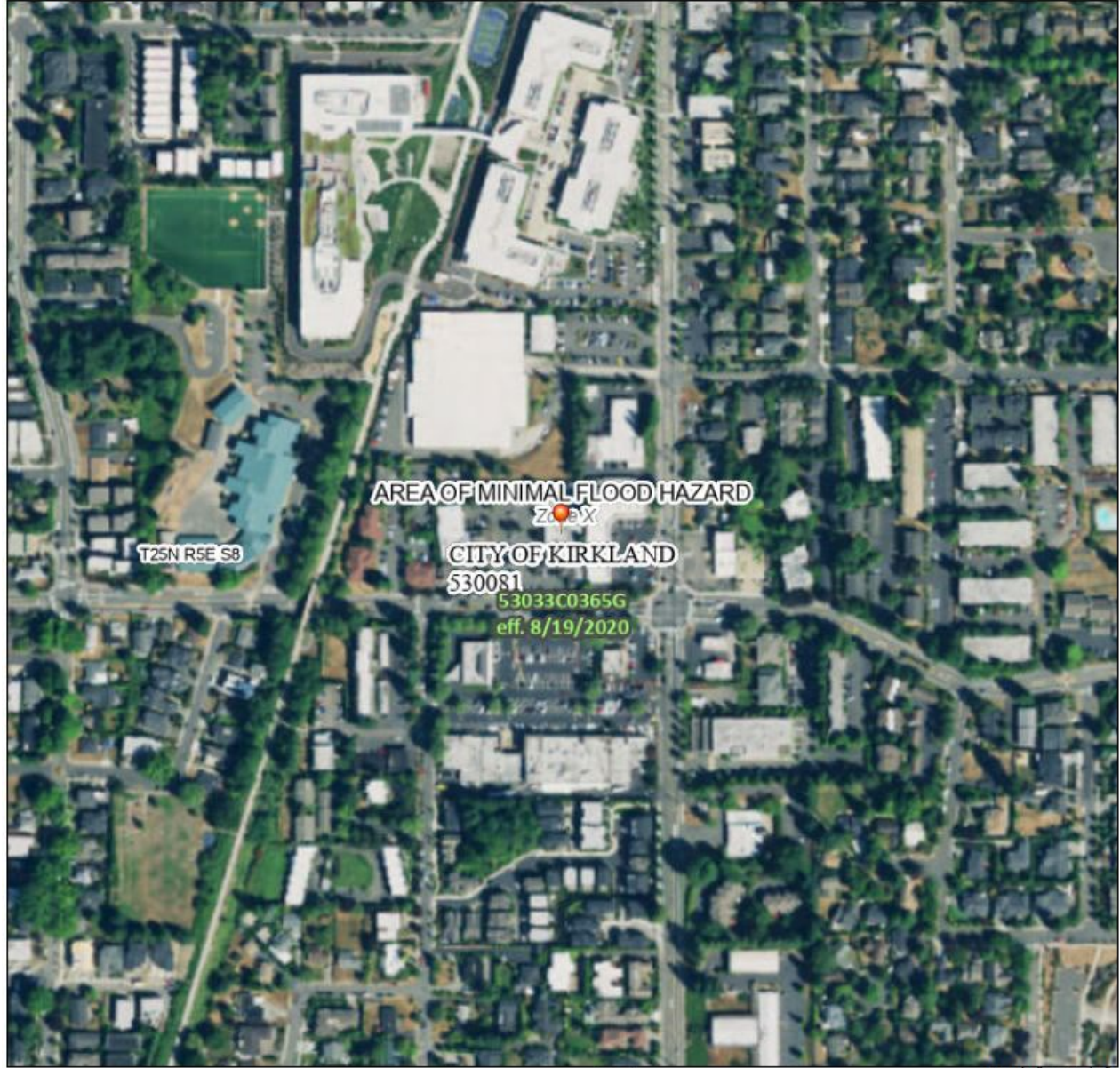


FLOOD PLAIN MAP

National Flood Hazard Layer FIRMette



122°12'9"W 47°40'14"N



Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
Physical Description			
Gross Site Area	2.20 Acres	95,832 Sq. Ft.	
Net Site Area	2.20 Acres	95,832 Sq. Ft.	
Primary Road Frontage	NE 68th Street	507 Feet	
Average Depth	250 Feet		
Excess Land Area	None	n/a	
Surplus Land Area	None	n/a	
Shape	Irregular		
Topography	Gentle Slope		
Primary Traffic Counts (24 hrs.)	13,000		
Parcel Number(s)	788260-0611		
Zoning District	HENC-1		
Flood Map Panel No. & Date	53033C0365G	19-Aug-20	
Flood Zone	Zone X (Unshaded)		
Adjacent Land Uses	Retail, light industrial, multi-family		
Earthquake Zone	Yes		
Comparative Analysis		Rating	
Visibility	Average		
Functional Utility	Good		
Traffic Volume	Average		
Adequacy of Utilities	Good		
Landscaping	Average		
Drainage	Adequate		
Utilities		Provider	Availability
Water	City of Kirkland		Yes
Sewer	City of Kirkland		Yes
Natural Gas	Puget Sound Energy		Yes
Electricity	Puget Sound Energy		Yes
Telephone	Various		Yes
Mass Transit	King County Transit		Yes
Other		Yes	No
Detrimental Easements	xx		
Encroachments			xx
Deed Restrictions			xx
Reciprocal Parking Rights			xx
Various sources compiled by CBRE			

INGRESS/EGRESS

Ingress and egress is available to the site from two curb cuts along the south side of the property at NE 68th Street. 68th Street is a two lane road with a center turn lane, sidewalks and gutters.

EASEMENTS AND ENCROACHMENTS

An ingress/egress and utilities easement crosses the subject property, mid-site, in line with the westerly curb-cut access point, through to the northern parcel boundary. Aside from this there are no known encroachments impacting the site that could be considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a current title policy outlining all easements and encroachments on the property, if any, prior to making a business decision.

COVENANTS, CONDITIONS AND RESTRICTIONS

There are no known covenants, conditions or restrictions impacting the site that are considered to affect the marketability or highest and best use. It is recommended that the client/reader obtain a copy of any current covenants, conditions and restrictions prior to making a business decision.

ENVIRONMENTAL ISSUES

Although CBRE was not provided an Environmental Site Assessment (ESA), a tour of the site did not reveal any obvious issues regarding environmental contamination or adverse conditions. The inspector noted that items such as HVAC and roofing are considered to be at a point requiring significant maintenance.

The property reportedly had an historic dry cleaning operation, however we were not provided any information regarding potential soil contamination and have assumed none exists.

The appraiser is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

North:	Industrial, residential
South:	Commercial and residential
East:	Commercial, residential
West:	Multi-family

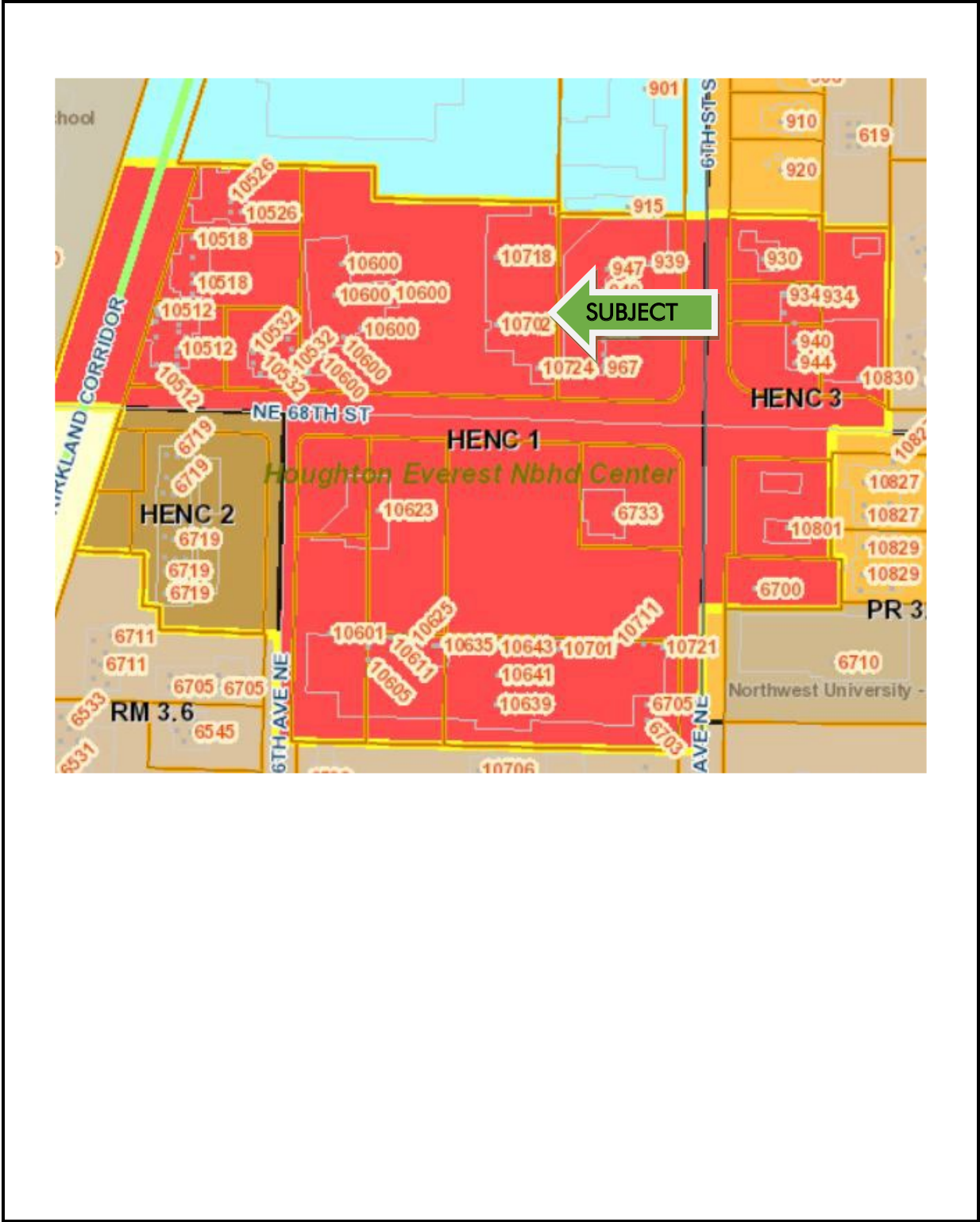
ZONING

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	HENC-1
Legally Conforming	Yes
Uses Permitted	Assisted Living, attached or stacked dwelling units, nursing home/convalescent center, entertainment center, hotel/motel, daycare, office, restaurants and most retail (with drive-thru) and gas stations.
Zoning Change	Not likely
Category	Zoning Requirement
Minimum Lot Size	None
Minimum Lot Width	None
Maximum Height	35 Feet
Minimum Setbacks	
Front Yard	10-20 Feet
Street Side Yard	10-20 Feet
Interior Side Yard	10-20 Feet
Rear Yard	10-20 Feet
Maximum Bldg. Coverage	80%
Maximum FAR/Density	48 units per acre
Subject's Actual FAR	0.30 : 1
Parking Requirements	Varies by use
Subject's Actual Parking	Adequate
Source: Planning & Zoning Dept.	

Additional zoning requirements include the following: at least 75% of the gross ground floor area must be retail, commercial, hotel/motel, or the like; adjacent to 68th Street, any portion of a structure above two stories must be stepped back from the lower story by 15', though roof-top decks or gardens may be allowed in this space; minimum of 14' sidewalks are required along 68th; drive-ins are allowed for gas stations and drug stores only. The base building height of 30' may be increased to 35' above average building elevation (ABE) if the development includes a grocery/hardware/drug store with a minimum of 20,000 square feet, and includes a public space with a minimum of 1,500 square feet, and the first floor building height is 13' or more, and the maximum lot area per unit is 900 square feet, or 48 units per acre. The subject site could accommodate roughly 105 units under a maximum development scenario.

Zoning Map



CONCLUSION

The site is of adequate size and shape for a variety of commercial, retail and multi-family uses.

Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY AND ANALYSIS		
Property Type	Retail	(Neighborhood/Community Center)
Number of Buildings	2	
Number of Stories	1	
Gross Leasable Area	28,824 SF	
Bay Depths	60' (Local Tenants); 100' (Major Tenants)	
Site Coverage	30.1%	
Land-to-Building Ratio	3.32 : 1	
Parking Improvements	Surface	
Parking Spaces:	150	
Parking Ratio (per 1,000 SF GLA)	5.20	
Year Built / Renovated	1985 / 1990	
Actual Age	37 Years	
Effective Age	30 Years	
Total Economic Life	40 Years	
Remaining Economic Life	10 Years	
Age/Life Depreciation	75.0%	
Functional Utility	Typical	

Source: Various sources compiled by CBRE

YEAR BUILT

The two subject buildings were originally built in 1956 and 1958. Both have been significantly renovated/rebuilt over the years, most recently renovated in 1989 and 1992, respectively.

BUILDING DESCRIPTIONS

The two buildings are essentially of masonry construction with good quality wood, steel and glass fenestration. The roof is ceramic tile in fair condition, and the floor is concrete slab over compacted fill.

There is HVAC to the entire building, though we have been provided no specific information regarding age/quality of these items. They are assumed to be in fair condition. Interior finish consists of a wide variety of floor covering, sheetrock walls, modest trim and dropped acoustical tile ceilings.

The overall quality of the facility is considered to be average for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision. We understand that such an inspection is underway however it was not available for review during the appraisal process.

FUNCTIONAL UTILITY

The overall layout of the property is considered functional in utility and provides adequate accessibility and visibility to the individual retail spaces.

FURNITURE, FIXTURES AND EQUIPMENT

Any personal property items contained in the property are not considered to be part of the real property.

ENVIRONMENTAL ISSUES

Although CBRE was not provided an Environmental Site Assessment (ESA), it was noted that a gas station and dry cleaner formerly occupied the property. We have been informed of no issues with respect to ground contamination and none is reflected in this report.

The appraiser is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause an impact to the value of the subject.

ANALYSIS OF SHELL SPACE

CONDITION ANALYSIS

Although CBRE was not provided a Property Condition Assessment (PCA), a tour of the improvements did not reveal any significant maintenance issues. In discussions with the property inspector, also on the tour, suggests that some deferred maintenance is present on the roof covering. Our tour of the improvements included an interior inspection of the buildings and demised spaces, as the overall surface parking area.

ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimates a remaining economic life of roughly 10 years, with an overall economic lifetime of 40 years, representing a 75% depreciation overall.

CONCLUSION

The improvements are in fair/average overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

Tax and Assessment Data

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment. The King County Assessor tax obligation is also shown.

AD VALOREM TAX INFORMATION				
Parcel	Assessor's Parcel No.	Parcel Description	2021	2022
1	788260-0611	Retail Center	7,616,300	7,699,100
	% of Assessed Value		100%	100%
	Final Assessed Value		7,616,300	7,699,100
	General Tax Rate (per \$1,000 A.V.)		0.265000	0.265000
	General Tax:		\$72,106.00	\$67,055.00
	Surface Water		\$8,473.00	\$8,643.00
	Noxious Weed/Conservation		\$17.88	\$18.16
	Total Adjusted Taxes		\$80,597	\$75,716
	Taxes per SF		\$2.78	\$2.61

Source: Assessor's Office

According to King County online records, there are no delinquent property taxes encumbering the subject.

CONCLUSION

For purposes of this analysis, CBRE, Inc. assumes that all taxes are current. If the subject sold for the value estimate in this report, a reassessment at that value would most likely occur. The consequences of this reassessment have been considered in the appropriate valuation sections.

Market Analysis

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include CoStar and Esri.

The subject is in the Kirkland market and is considered a Class B neighborhood retail center with a primary trade area of approximately three square miles. According to the Urban Land Institute (ULI) (in Dollars & Cents of Shopping Centers), the following retail property definitions may be applicable towards the subject:

A shopping center is defined as a group of commercial establishments planned, developed, owned, and managed as a unit related in location, size, and type of shops to the trade area it serves. It provides on-site parking relating to the types and sizes of its stores.

Types of specific shopping centers are further defined below:

A convenience center (strip center) provides for the sale of personal services and convenience goods similar to those of a neighborhood center. It contains a minimum of three stores, with a total gross leasable area of up to 30,000 square feet. Instead of being anchored by a supermarket, a convenience center usually is anchored by some other type of personal/convenience service such as a minimarket.

A neighborhood center provides for the sale of convenience goods (foods, drugs and sundries) and personal services (laundry and dry cleaning, barbering, shoe repair, etc.) for the day-to-day living needs of the immediate neighborhood. It is built around a supermarket as the principal tenant and typically contains a gross leasable area of about 60,000 square feet. In practice, it may range in size from 30,000 to 100,000 square feet.

In addition to the convenience goods and personal services offered by the neighborhood center, a community center provides a wider range of soft lines (wearing apparel for men, women and children) and hard lines (hardware and appliances). The community center makes merchandise available in a greater variety of sizes, styles, colors and prices. Many centers are built around a junior department store, variety store, super drugstore or discount department store as the major tenant, in addition to a supermarket. Although a community center does not have a full-line department store, it may have a strong specialty store or stores. Its typical size is about 150,000 square feet of gross leasable area, but in practice, it may range from 100,000 to 500,000 or more square feet. Centers that fit the general profile of a community center but contain more than 250,000 square feet are classified as super community centers. In extreme cases, these centers contain more than 1,000,000 square feet. As a result, the community center is the most difficult to estimate for size and pulling power.

A power center is a type of super community center. It contains at least four category-specific, off-price anchors of 20,000 or more square feet. These anchors typically emphasize hard goods such as consumer electronics, sporting goods, office supplies, home furnishings, home improvement goods, bulk foods, drugs, health and beauty aids,

toys, and personal computer hardware/software. They tend to be narrowly focused but deeply merchandised “category killers” together with the more broadly merchandised, price-oriented warehouse club and discount department stores. Anchors in power centers typically occupy 85% or more of the total GLA.

A regional center provides general merchandise, apparel, furniture, and home furnishings in depth and variety, as well as a range of services and recreational facilities. It is built around one or two full-line department stores of generally not less than 50,000 square feet. Its typical size is about 500,000 square feet of gross leasable area; in practice, it may range from 250,000 to more than 900,000 square feet. The regional center provides services typical of a business district yet not as extensive as those of the super-regional center.

A super regional center offers extensive variety in general merchandise, apparel, furniture and home furnishings, as well as a variety of services and recreational facilities. It is built around three or more full-line department stores generally of not less than 75,000 square feet each. The typical size of a super-regional center is about 1,000,000 square feet of gross leasable area. In practice, the size ranges from about 500,000 to more than 1,500,000 square feet.

DEMOGRAPHIC ANALYSIS

Demand for retail properties is a direct function of demographic characteristics analyzed on the following pages.

Housing, Population and Household Formation

The following table illustrates the population and household changes for the subject neighborhood with primary focus on the 1-, 3- and 5-mile radius radius.

POPULATION AND HOUSEHOLD PROJECTIONS

	1 Mile Radius	3 Mile Radius	5 Mile Radius	Kirkland city	Seattle- Tacoma- Bellevue, WA	King County
Population						
2026 Total Population	16,975	88,587	324,287	100,632	4,343,451	2,462,402
2021 Total Population	15,362	82,499	296,979	92,188	4,046,743	2,290,875
2010 Total Population	12,529	72,944	244,790	80,585	3,439,809	1,931,249
2000 Total Population	11,218	66,887	224,640	76,868	3,043,878	1,737,303
Annual Growth 2021 - 2026	2.02%	1.43%	1.77%	1.77%	1.43%	1.45%
Annual Growth 2010 - 2021	1.87%	1.13%	1.77%	1.23%	1.49%	1.56%
Annual Growth 2000 - 2010	1.11%	0.87%	0.86%	0.47%	1.23%	1.06%
Households						
2026 Total Households	8,494	37,805	138,011	42,678	1,705,772	1,002,892
2021 Total Households	7,676	35,401	126,570	39,086	1,589,212	932,958
2010 Total Households	6,346	31,696	104,956	34,435	1,357,475	789,232
2000 Total Households	5,756	29,662	96,532	32,230	1,196,568	711,008
Annual Growth 2021 - 2026	2.05%	1.32%	1.75%	1.77%	1.43%	1.46%
Annual Growth 2010 - 2021	1.74%	1.01%	1.72%	1.16%	1.44%	1.53%
Annual Growth 2000 - 2010	0.98%	0.67%	0.84%	0.66%	1.27%	1.05%

Source: ESRI

As shown, the subject's neighborhood is experiencing moderate positive increases in both population and households.

Income Distributions

Household income available for expenditure on consumer items is a primary factor in determining the retail supply and demand levels in a given market area. In the case of this study, a projection of household income identifies (in gross terms) the market from which the subject submarket draws. The following table illustrates estimated household income distribution for the subject neighborhood.

HOUSEHOLD INCOME DISTRIBUTION

	1 Mile Radius	3 Mile Radius	5 Mile Radius	Kirkland city	Seattle- Tacoma- Bellevue, WA Metropolitan	King County
Households By Income Distribution						
<\$15,000	5.25%	4.05%	5.03%	4.39%	6.42%	6.57%
\$15,000 - \$24,999	4.69%	3.35%	3.32%	3.37%	4.97%	4.79%
\$25,000 - \$34,999	2.75%	3.12%	3.47%	3.31%	5.31%	5.08%
\$35,000 - \$49,999	5.91%	5.38%	5.68%	6.61%	8.86%	8.20%
\$50,000 - \$74,999	10.57%	10.24%	10.04%	10.69%	15.10%	14.05%
\$75,000 - \$99,999	9.26%	8.61%	8.65%	9.87%	12.14%	9.60%
\$100,000 - \$149,999	18.15%	17.90%	18.20%	19.71%	19.31%	17.21%
\$150,000 - \$199,999	15.48%	14.71%	15.33%	15.52%	11.16%	12.79%
\$200,000+	27.97%	32.65%	30.27%	26.51%	16.73%	21.71%

Source: ESRI

The following table illustrates the median and average household income levels for the subject neighborhood.

HOUSEHOLD INCOME LEVELS						
Income	1 Mile Radius	3 Mile Radius	5 Mile Radius	Kirkland city	Seattle- Tacoma- Bellevue, WA	King County
2021 Median Household Income	\$127,376	\$140,056	\$134,222	\$124,920	\$93,010	\$103,434
2021 Average Household Income	\$172,153	\$187,446	\$176,291	\$163,311	\$126,819	\$142,460
2021 Per Capita Income	\$86,410	\$80,902	\$75,090	\$69,071	\$49,892	\$58,073

Source: ESRI

An analysis of the income data indicates that the submarket is generally comprised of upper-middle and high-income economic cohort groups, which include the target groups to which the subject is oriented.

KIRKLAND MARKET SNAPSHOT

The following table summarizes the supply of retail square footage for each submarket within the Seattle - Puget Sound market as of 4th Quarter 2021.

SEATTLE - PUGET SOUND RETAIL SUBMARKET SNAPSHOT (NEIGHBORHOOD CENTER)				
Submarket	Inventory (SF)	Completions* (SF)	Asking Rent (\$/SF NNN)	Occupancy
520 Corridor	948,796	0	\$29.79	100.0%
Ballard/U Dist	522,654	0	\$43.65	97.5%
Bellevue CBD	565,809	0	\$41.01	93.8%
Bothell/Kenmore	1,917,579	0	\$29.34	94.2%
Capitol Hill/Central Dist	269,376	0	\$36.62	100.0%
Coal Creek/Issaquah	1,590,578	0	\$37.21	98.1%
Dupont	27,451	0	\$30.13	88.8%
Edmonds/Lynnwood	3,558,634	0	\$26.98	87.2%
E King County	3,284,291	0	\$29.20	97.3%
E Pierce County	1,891,521	0	\$27.45	96.8%
Everett CBD	457,489	0	\$18.55	100.0%
Federal Way/Auburn	3,106,597	0	\$24.35	94.7%
Gig Harbor/W Pierce Co	1,189,585	0	\$32.91	96.2%
I-90 Corridor	308,765	0	\$45.52	99.3%
Kent Valley	1,294,747	0	\$24.03	90.8%
Kirkland	630,071	0	\$34.37	97.8%
Lake Union	138,664	0	\$32.24	99.3%
Mercer Island	146,722	0	\$40.42	100.0%
Mill Creek/Woodinville	1,617,435	0	\$32.45	97.8%
Northgate/N Seattle	924,626	0	\$22.62	96.8%
N Snohomish County	2,328,156	0	\$22.88	95.8%
Puyallup	847,815	0	\$24.26	99.6%
Queen Anne/Magnolia	389,787	0	\$45.08	95.2%
Redmond	521,873	-61,295	\$46.27	96.7%
Renton/Tukwila	2,572,767	0	\$28.44	97.7%
Seatac/Burien	1,763,521	0	\$25.01	94.2%
Seattle CBD	547,693	0	\$61.59	72.4%
S Everett/Harbor Point	2,154,759	0	\$24.06	94.2%
Spanaway	2,804,338	0	\$24.66	94.9%
S Seattle	524,587	0	\$27.51	99.3%
S Snohomish County	489,674	0	\$21.44	91.2%
Suburban Bellevue	1,354,823	0	\$34.32	99.3%
Tacoma Suburban	4,052,430	24,375	\$22.59	94.4%
Univ. Place/Lakewood	1,555,929	0	\$20.21	94.7%
Vashon/Maury Island	57,675	0	\$20.95	100.0%

*Completions include trailing 4 quarters

Source: CoStar, 4th Quarter

Kirkland Submarket

Important characteristics of the Kirkland retail market are summarized below:

KIRKLAND RETAIL SUBMARKET (NEIGHBORHOOD CENTER)								
Year Ending	Inventory (SF)	Completions (SF)	Occupied Stock (SF)	Occupancy	Asking Rent (\$/SF NNN)	Asking Rent Change	Net Absorption (SF)	Transaction Price Per Area (SF)
2016	630,071	0	616,387	97.8%	\$28.58	6.26%	4,011	\$323.70
2017	630,071	0	614,064	97.5%	\$30.15	5.51%	-2,323	-
2018	630,071	0	616,353	97.8%	\$32.02	6.19%	2,289	-
2019	630,071	0	609,500	96.7%	\$33.80	5.57%	-6,853	-
Q1 2020	630,071	0	610,761	96.9%	\$34.06	0.77%	1,261	-
Q2 2020	630,071	0	610,021	96.8%	\$34.09	0.08%	-740	-
Q3 2020	630,071	0	602,879	95.7%	\$34.15	0.18%	-7,142	-
Q4 2020	630,071	0	603,157	95.7%	\$34.40	0.74%	278	-
2020	630,071	0	603,157	95.7%	\$34.40	1.78%	-6,343	-
Q1 2021	630,071	0	603,791	95.8%	\$34.48	0.22%	634	-
Q2 2021	630,071	0	611,983	97.1%	\$34.97	1.43%	8,192	-
Q3 2021	630,071	0	621,884	98.7%	\$35.00	0.09%	9,901	-
Q4 2021	630,071	0	616,284	97.8%	\$34.37	-1.79%	-5,600	-
2021	630,071	0	616,284	97.8%	\$34.37	-0.09%	13,127	-
2022	629,317	-754	618,737	98.3%	\$36.24	5.44%	2,472	-
2023	629,105	-212	619,330	98.4%	\$37.66	3.92%	653	-
2024	629,062	-43	618,142	98.3%	\$38.48	2.18%	-1,143	-
2025	628,898	-164	616,460	98.0%	\$39.03	1.43%	-1,628	-
2026	628,611	-287	614,781	97.8%	\$39.46	1.11%	-1,621	-

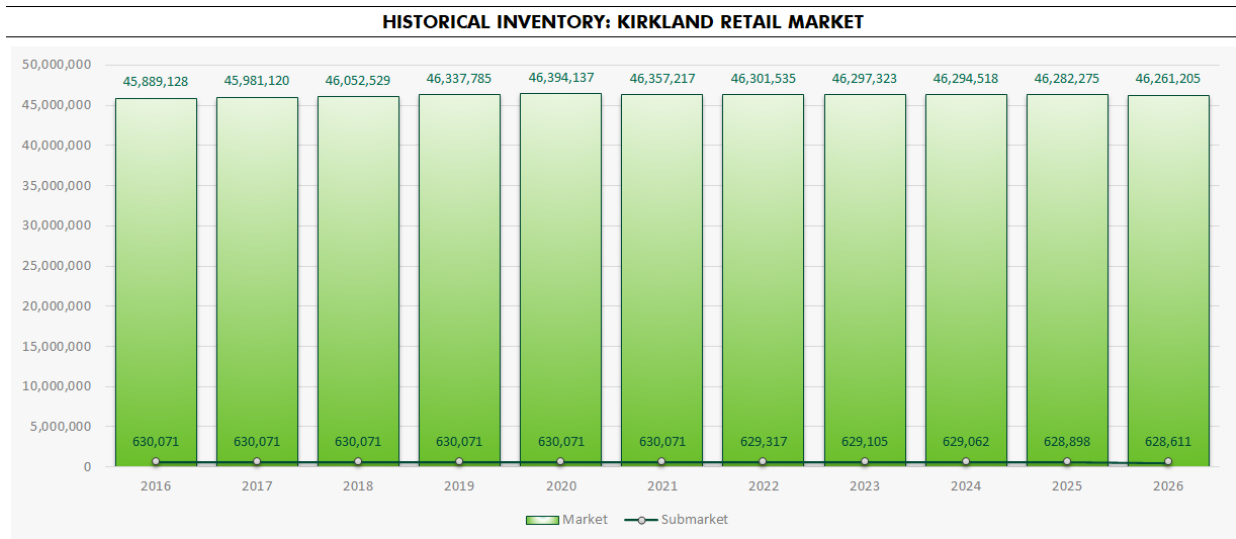
*Future Projected Data according to CoStar
Source: CoStar, 4th Quarter 2021

The Kirkland retail submarket consists of approximately 630,071 square feet of retail space. The current submarket inventory represents approximately 1.4% of the overall market inventory. The following observations were noted from the table above:

- As of 4th Quarter 2021, there was approximately 616,284 square feet of occupied retail space (including sublet space), resulting in an occupancy rate of 97.8% for the submarket. This reflects no change from the previous quarter's occupancy of 97.8%, and an increase from an occupancy rate of 95.7% from last year. The submarket occupancy is above the 95.1% market occupancy.
- The submarket experienced positive 13,127 square feet of net absorption for the current quarter. This indicates an improvement from the previous quarter's negative 5,600 square feet of net absorption, and an improvement from the negative 6,343 square feet of net absorption from a year ago. Overall, the submarket has experienced positive 13,127 square feet of net absorption for the current year-to-date period. The submarket's current net absorption of positive 13,127 square feet compares favorably with the overall market net absorption of negative 28,558 square feet.
- The submarket had zero completions for the current quarter, which indicates no change from the previous quarter's zero completions, and no change from the zero completions from last year.
- The submarket achieved average asking rent of \$34.37 per square foot, which indicates no change from the previous quarter's asking rent of \$34.37 per square foot, and a small decrease from the asking rent of \$34.40 per square foot from last year. The submarket's

current asking rent of \$34.37 per square foot compares favorably with the overall market asking rent of \$28.08 per square foot.

Historical Inventory - Submarket

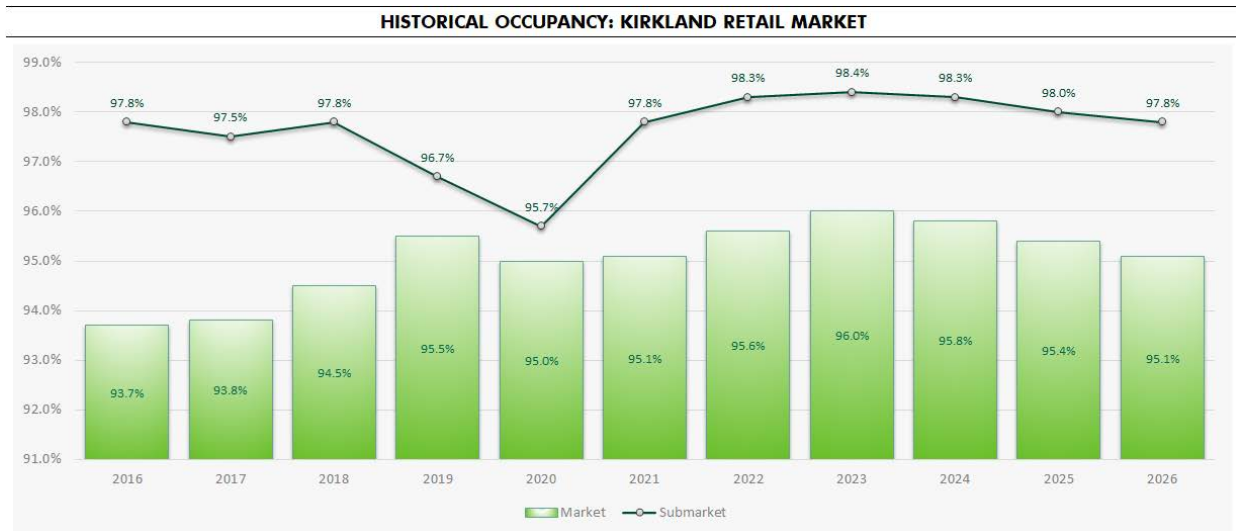


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Submarket Inventory is projected to be 630,071 square feet at the end of the current year, which represents no change from the previous year’s submarket inventory of 630,071 square feet. Inventory for next year is projected to be 629,317 square feet, reflecting a decrease from the current year.

Historical Occupancy - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Submarket occupancy is projected to be 97.8% at the end of the current year, which represents an increase from the previous year’s submarket occupancy of 95.7%. Submarket occupancy for next year is projected to be 98.3%, reflecting an increase from the current year.

Historical Net Absorption - Submarket

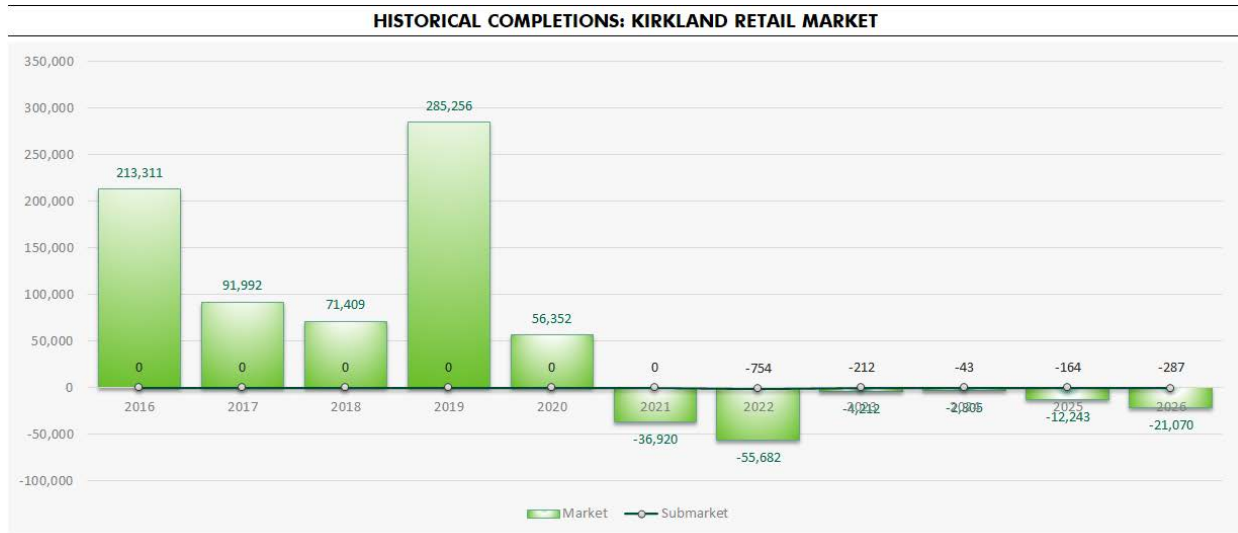


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Net absorption in the submarket is projected to be positive 13,127 square feet at the end of the current year, reflecting an improvement from the previous year’s net absorption of negative 6,343 square feet. Net absorption for next year is projected to be positive 2,472 square feet, indicating an improvement from the current year.

Historical Completions - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The submarket is projected to achieve zero completions at the end of the current year, which is unchanged from the previous year’s zero completions. The submarket is projecting completions of negative 754 square feet for next year, which indicates a decline from the current year.

Historical Asking Rent - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The submarket is projected to achieve average asking of \$34.37 per square foot at the end of the current year, which represents a small decrease from the previous year’s asking rent of \$34.40

per square foot. The submarket is projected to achieve average asking rent of \$36.24 per square foot, reflecting an increase from the current year.

COMPETITIVE PROPERTIES - RETAIL

Comparable properties were surveyed in order to identify the current occupancy within the competitive market. The comparable data is summarized in the following table:

SUMMARY OF COMPARABLE RETAIL RENTALS				
Comp. No.	Name	Location	Distance from Subject	Overall Occupancy
1	Mill Creek Crossing	18001 Bothell Everett Highway, Bothell, WA	12 Miles	88%
2	Kirkland Central Condominiums - Retail	211-233 Kirkland Avenue, Kirkland, WA	0.6 Miles	100%
3	Lake Street Building	123 Lake Street South, Kirkland, WA	0.2 Miles	100%
4	Keller Plaza	16690 NE Redmond Way, Redmond, WA	3.7 Miles	100%
5	Washington Federal/Starbucks	22904 Bothell Everett Highway, Bothell, WA	8.6 Miles	100%
6	The Junction - GF Retail	9924 NE 185th Street, Bothell, WA	6.6 Miles	100%
Subject	Houghton Village	10702 NE 68th Street, Kirkland, Washington		92%
Compiled by CBRE				

The majority of comparable properties surveyed reported occupancy rates of 88% or better, and all are currently in average to good condition.

SUBJECT ANALYSIS

The subject is considered to be a Class B property operated as a small Community shopping center anchored by a health food market. The mix of tenants is typical, including restaurants, clinic, yoga clinic, frame store, along with the PCC market. The property is well-established and reasonably well maintained. It is a suitable retail complex serving the surrounding market, and has a roughly 88% occupancy currently. We were informed that the owners recent decision to consider marketing the building has led to some of the current vacancy, since flexibility was considered an important factor for prospective buyers.

METROPOLITAN SEATTLE PUGET SOUND APARTMENT MARKET OVERVIEW

Recent Performance

The following table summarizes historical and projected performance for the overall metropolitan Seattle Puget Sound apartment market, as reported by CoStar.

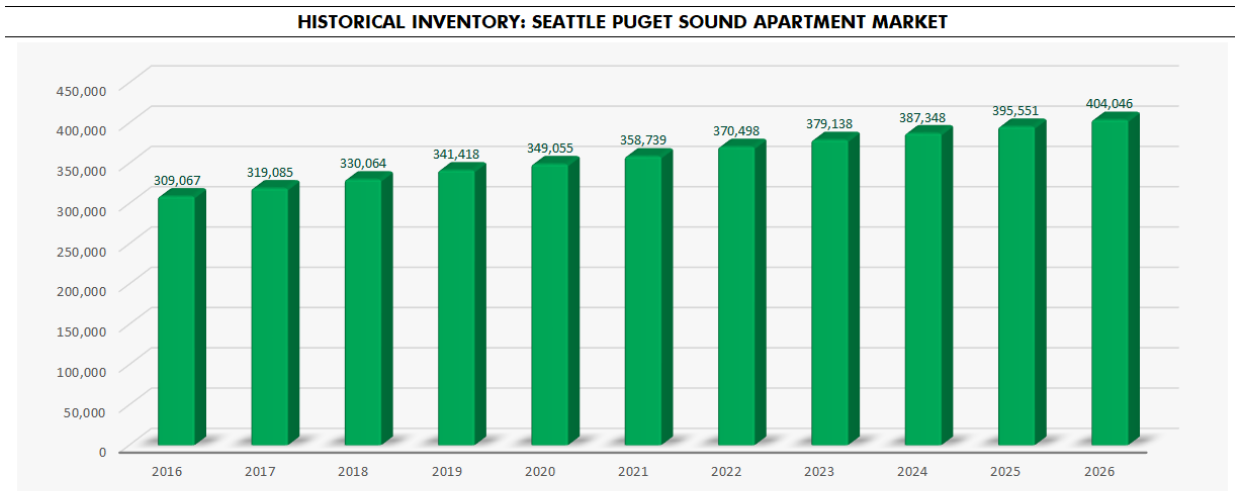
SEATTLE PUGET SOUND APARTMENT MARKET								
Year Ending	Inventory (Units)	Completions (Units)	Occupied Stock (Units)	Occupancy	Asking Rent (\$/Unit / Mo.)	Asking Rent Change	Net Absorption (Units)	Transaction Price Per Area (Units)
2016	309,067	9,859	291,493	94.3%	\$1,570	4.90%	10,128	\$204,326
2017	319,085	10,017	299,057	93.7%	\$1,622	3.32%	7,617	\$299,093
2018	330,064	10,979	308,923	93.6%	\$1,674	3.18%	9,902	\$258,260
2019	341,418	11,354	321,238	94.1%	\$1,736	3.73%	12,414	\$317,776
Q1 2020	343,424	2,006	323,341	94.2%	\$1,757	1.20%	2,134	\$267,636
Q2 2020	344,252	828	322,936	93.8%	\$1,740	-0.98%	-396	\$288,163
Q3 2020	347,356	3,104	323,045	93.0%	\$1,709	-1.78%	118	\$350,858
Q4 2020	349,055	1,699	324,161	92.9%	\$1,691	-1.07%	1,128	\$266,226
2020	349,055	7,637	324,161	92.9%	\$1,691	-2.63%	2,984	\$266,226
Q1 2021	351,390	2,335	328,866	93.6%	\$1,736	2.70%	4,729	\$343,219
Q2 2021	354,409	3,019	335,758	94.7%	\$1,838	5.87%	6,934	\$264,684
Q3 2021	356,908	2,499	339,957	95.3%	\$1,885	2.56%	4,237	\$362,031
Q4 2021	358,739	1,831	341,136	95.1%	\$1,871	-0.77%	1,195	\$347,291
2021	358,739	9,684	341,136	95.1%	\$1,871	10.66%	17,095	\$347,291
2022	370,498	11,759	351,229	94.8%	\$2,015	7.71%	10,093	\$0
2023	379,138	8,640	359,041	94.7%	\$2,127	5.58%	7,814	\$0
2024	387,348	8,210	367,367	94.8%	\$2,211	3.92%	8,324	\$0
2025	395,551	8,203	375,050	94.8%	\$2,282	3.20%	7,683	\$0
2026	404,046	8,495	382,207	94.6%	\$2,340	2.57%	7,157	\$0

* Future Projected Data according to CoStar
Source: CoStar, 4th Quarter 2021

The Seattle Puget Sound apartment market consists of approximately 358,739 units of apartment space. The following observations are noted from the table above:

- As of 4th Quarter 2021, there were approximately 341,136 units of occupied apartment space, resulting in an occupancy rate of 95.1% for the metro area. This reflects no change from the previous quarter's occupancy of 95.1%, and an increase from an occupancy rate of 92.9% from last year.
- The area experienced positive 17,095 units of net absorption for the current quarter. This indicates an improvement from the previous quarter's positive 1,195 units of net absorption, and an improvement from the positive 2,984 units of net absorption from last year.
- The area had completions of positive 9,684 units for the current quarter, which indicates an increase from the previous quarter's completions of positive 1,831 units, and indicates an improvement from completions of positive 7,637 units from last year.
- The area achieved average asking rent of \$1,871 per unit, which indicates no change from the previous quarter's asking rent of \$1,871 per unit, and an increase from the asking rent of \$1,691 per unit from last year.

Historical Inventory – Market

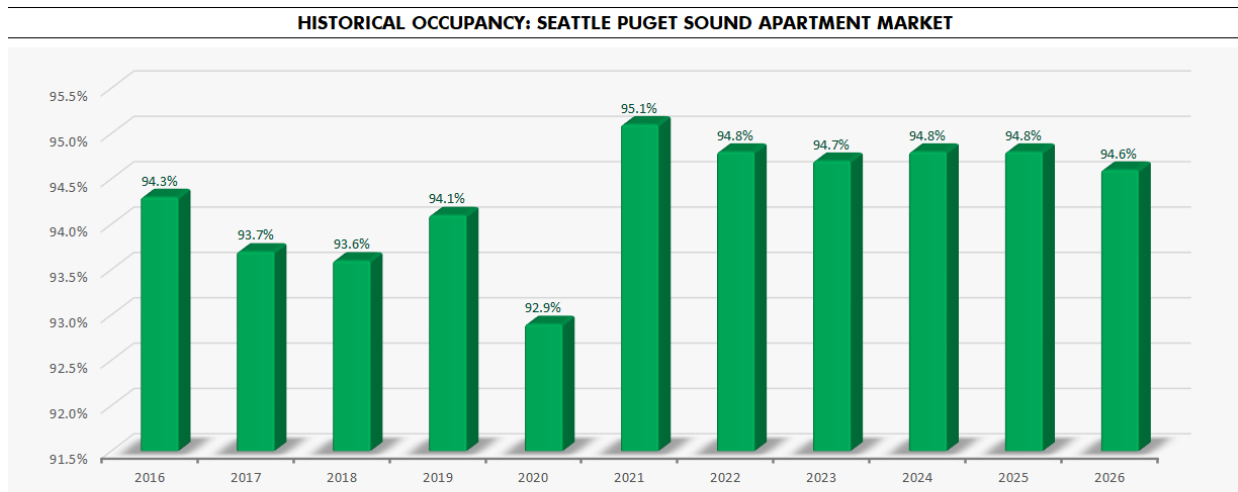


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Inventory is projected to be 358,739 units at the end of the current year, which represents an increase from the previous year’s inventory of 349,055 units. Inventory for next year is projected to be 370,498 units, reflecting an increase from the current year.

Historical Occupancy - Market

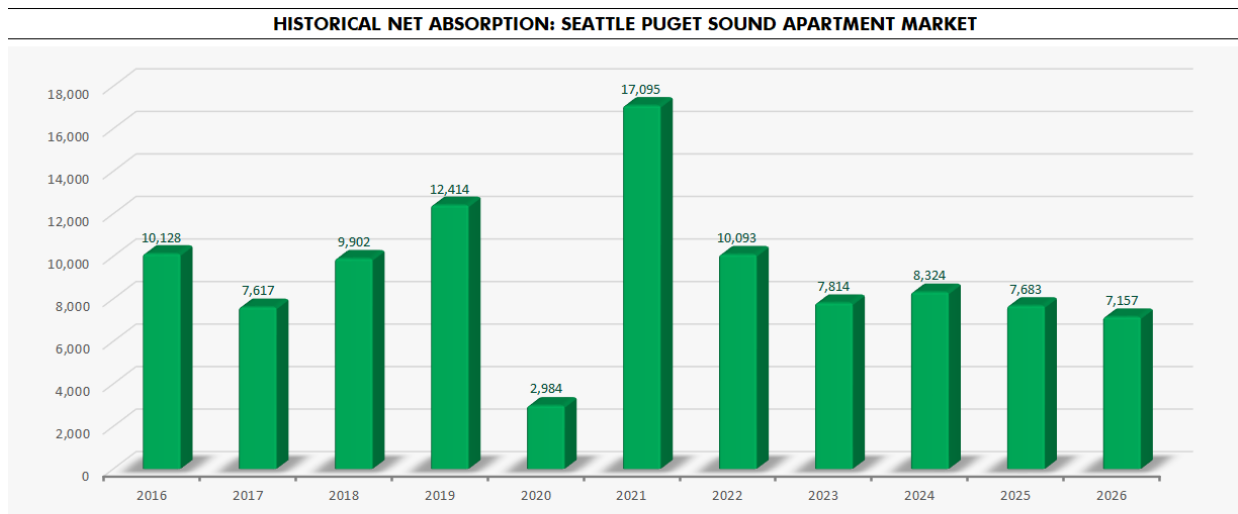


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

At the end of the current year, the occupancy rate is projected to be 95.1%, which reflects an increase from the 92.9% occupancy rate at the end of last year. Occupancy for next year is projected to be 94.8%, reflecting a decrease from the current year.

Historical Net Absorption - Market

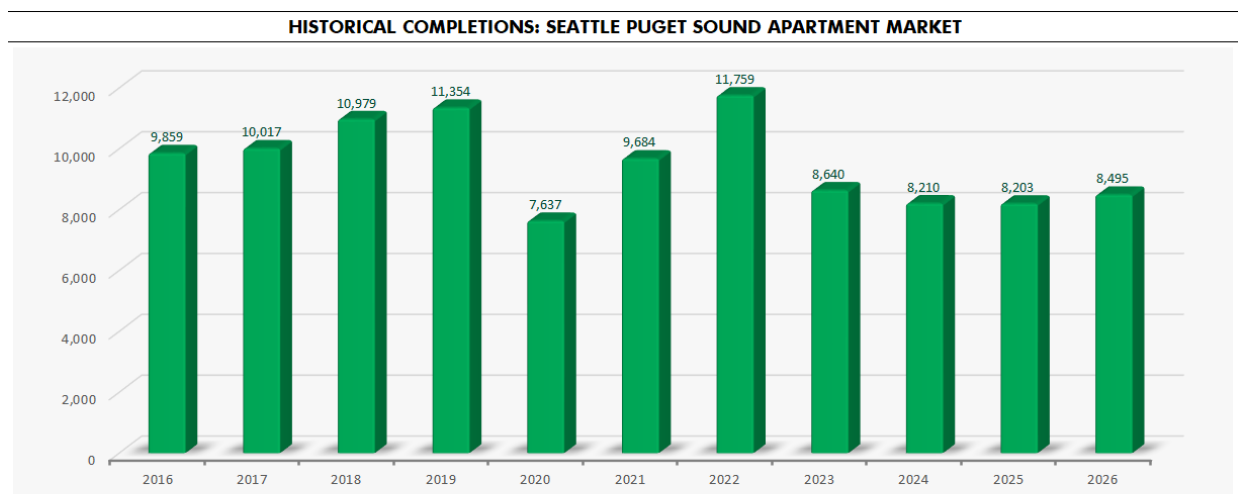


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

At the end of the current year, the area is projected to experience positive 17,095 units of net absorption, which indicates an improvement from the positive 2,984 units of net absorption for the previous year. The area is projected to experience positive 10,093 units of net absorption as of the end of next year, which indicates a decline from the current year.

Historical Completions - Market

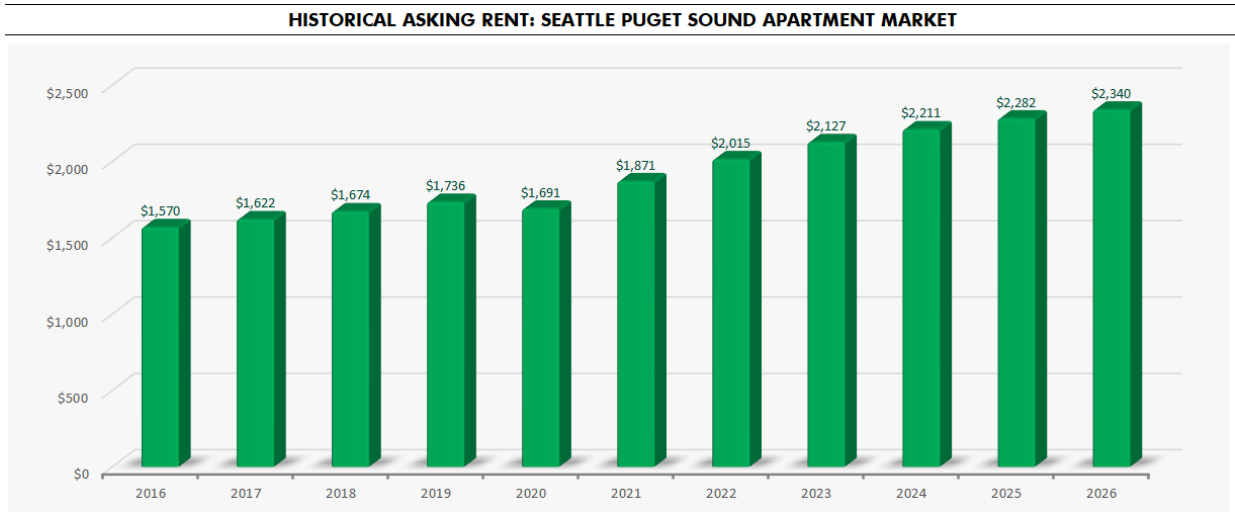


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The area is projected to achieve completions of positive 9,684 units for the current year, which indicates an improvement from the previous year's completions of positive 7,637 units. The area is projected to experience completions of positive 11,759 units as of the end of next year, which indicates an improvement from the current year.

Historical Asking Rent - Market



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The area is projected to achieve average asking rent of \$1,871 per unit at the end of the current year, which indicates an increase from the previous year’s asking rent of \$1,691 per unit. The area is projected to achieve asking rent of \$2,015 per unit by the end of next year, indicating an increase from the current year.

SUBMARKET SNAPSHOT

The following table summarizes the supply of apartment units for each submarket within the Seattle Puget Sound market as of 4th Quarter 2021.

SEATTLE PUGET SOUND APARTMENT SUBMARKET SNAPSHOT				
Submarket	Inventory (Units)	Completions* (Units)	Asking Rent (\$/Unit / Mo.)	Occupancy
Auburn	6,021	0	\$1,514	97.2%
Ballard	16,587	181	\$1,844	96.0%
Bellevue	20,110	0	\$2,422	95.9%
Bothell/Kenmore	10,452	266	\$2,067	95.0%
Burien/Des Moines/SeaTac	9,338	-6	\$1,440	97.9%
Central Seattle	26,143	874	\$1,782	94.5%
Downtown Seattle	22,587	554	\$2,446	92.8%
Eastern King County	4,351	275	\$2,151	94.0%
Everett	18,939	539	\$1,661	95.7%
Federal Way	8,708	0	\$1,675	96.8%
Gig Harbor	1,724	174	\$1,857	91.7%
Issaquah	6,781	207	\$2,342	95.5%
Kent	13,169	0	\$1,730	96.0%
Kirkland	10,464	1,651	\$2,237	90.1%
Lake Union	11,806	0	\$2,514	93.7%
Lynnwood	13,560	605	\$1,769	94.8%
McCord	1,937	-100	\$1,465	97.5%
Northeast Seattle	12,810	465	\$1,633	95.0%
North Seattle	14,293	200	\$1,586	95.9%
Outlying Pierce County	384	0	\$1,648	98.4%
Puyallup	19,628	241	\$1,613	96.5%
Queen Anne	12,800	195	\$1,855	94.9%
Redmond	14,623	884	\$2,335	94.6%
Renton/Tukwila	14,515	0	\$1,818	96.3%
Shoreline	4,766	454	\$1,678	92.4%
Snohomish County	8,426	545	\$1,767	97.1%
South Seattle	6,644	481	\$1,634	93.2%
Tacoma	35,572	617	\$1,404	95.8%
West Seattle	11,601	382	\$1,656	92.5%

*Completions include trailing 4 quarters

Source: CoStar, 4th Quarter

Kirkland Submarket

Important characteristics of the Kirkland apartment market are summarized below:

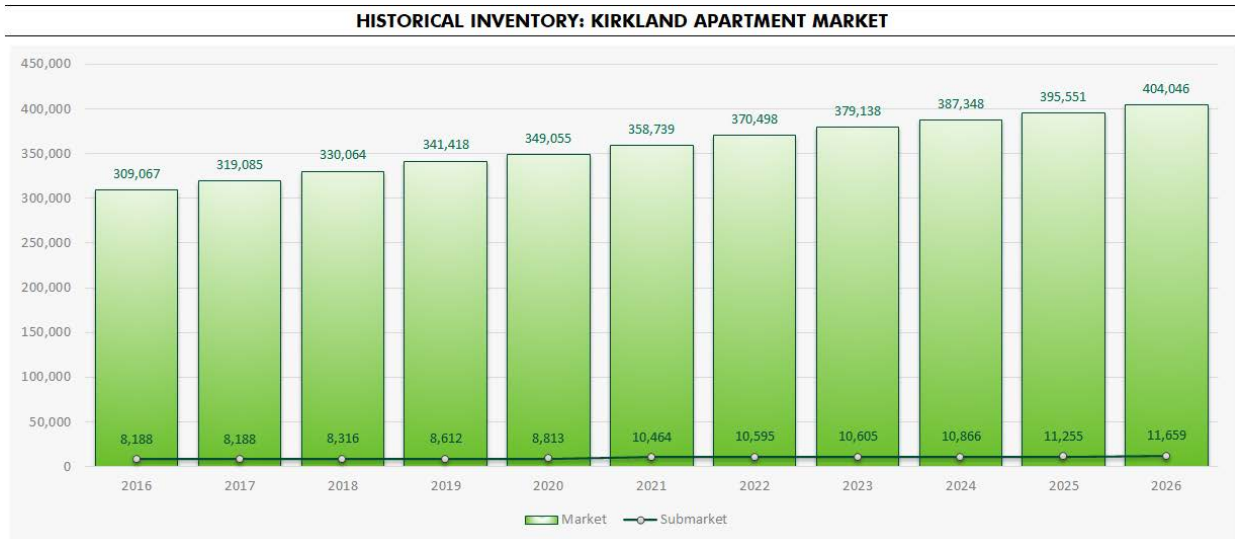
KIRKLAND APARTMENT SUBMARKET								
Year Ending	Inventory (Units)	Completions (Units)	Occupied Stock (Units)	Occupancy	Asking Rent (\$/Unit / Mo.)	Asking Rent Change	Net Absorption (Units)	Transaction Price Per Area (Units)
2016	8,188	67	7,790	95.1%	\$1,869	3.57%	298	\$0
2017	8,188	0	7,723	94.3%	\$1,898	1.54%	-64	\$375,000
2018	8,316	128	7,865	94.6%	\$1,980	4.34%	143	\$410,641
2019	8,612	296	7,999	92.9%	\$2,082	5.15%	135	\$393,514
Q1 2020	8,908	196	8,067	91.6%	\$2,111	1.41%	68	\$0
Q2 2020	8,813	5	8,057	91.4%	\$2,087	-1.14%	-11	\$473,980
Q3 2020	8,813	0	8,148	92.5%	\$2,070	-0.83%	90	\$0
Q4 2020	8,813	0	8,200	93.0%	\$2,019	-2.45%	52	\$174,490
2020	8,813	201	8,200	93.0%	\$2,019	-3.02%	199	\$174,490
Q1 2021	9,396	583	8,343	88.8%	\$2,077	2.89%	143	\$0
Q2 2021	9,805	409	8,744	89.2%	\$2,185	5.17%	401	\$437,129
Q3 2021	10,211	406	9,220	90.3%	\$2,258	3.32%	477	\$429,167
Q4 2021	10,464	253	9,424	90.1%	\$2,237	-0.90%	205	\$354,452
2021	10,464	1,651	9,424	90.1%	\$2,237	10.81%	1,226	\$354,452
2022	10,595	131	10,000	94.4%	\$2,410	7.73%	576	\$0
2023	10,605	10	10,038	94.6%	\$2,545	5.58%	38	\$0
2024	10,866	261	10,190	93.8%	\$2,642	3.83%	153	\$0
2025	11,255	389	10,513	93.4%	\$2,723	3.05%	323	\$0
2026	11,659	404	10,862	93.2%	\$2,789	2.44%	349	\$0

*Future Projected Data according to CoStar
Source: CoStar, 4th Quarter 2021

The Kirkland apartment submarket consists of approximately 10,464 units of apartment space. The current submarket inventory represents approximately 2.9% of the overall market inventory. The following observations were noted from the table above:

- As of 4th Quarter 2021, there were approximately 9,424 units of occupied apartment space, resulting in an occupancy rate of 90.1% for the submarket. This reflects no change from the previous quarter's occupancy of 90.1%, and a decrease from an occupancy rate of 93.0% from last year. The submarket occupancy is below the 95.1% market occupancy.
- The submarket experienced positive 1,226 units of net absorption for the current quarter. This indicates an improvement from the previous quarter's positive 205 units of net absorption, and an improvement from the positive 199 units of net absorption from a year ago. Overall, the submarket has experienced positive 1,226 units of net absorption for the current year-to-date period. The submarket's current net absorption of positive 1,226 units is below the overall market net absorption of positive 17,095 units.
- The submarket had completions of positive 1,651 units for the current quarter, which indicates an increase from the previous quarter's completions of positive 253 units, and an increase from the zero completions from last year.
- The submarket achieved average asking rent of \$2,237 per unit, which indicates no change from the previous quarter's asking rent of \$2,237 per unit, and an increase from the asking rent of \$2,019 per unit from last year. The submarket's current asking rent of \$2,237 per unit compares favorably with the overall market asking rent of \$1,871 per unit.

Historical Inventory - Submarket

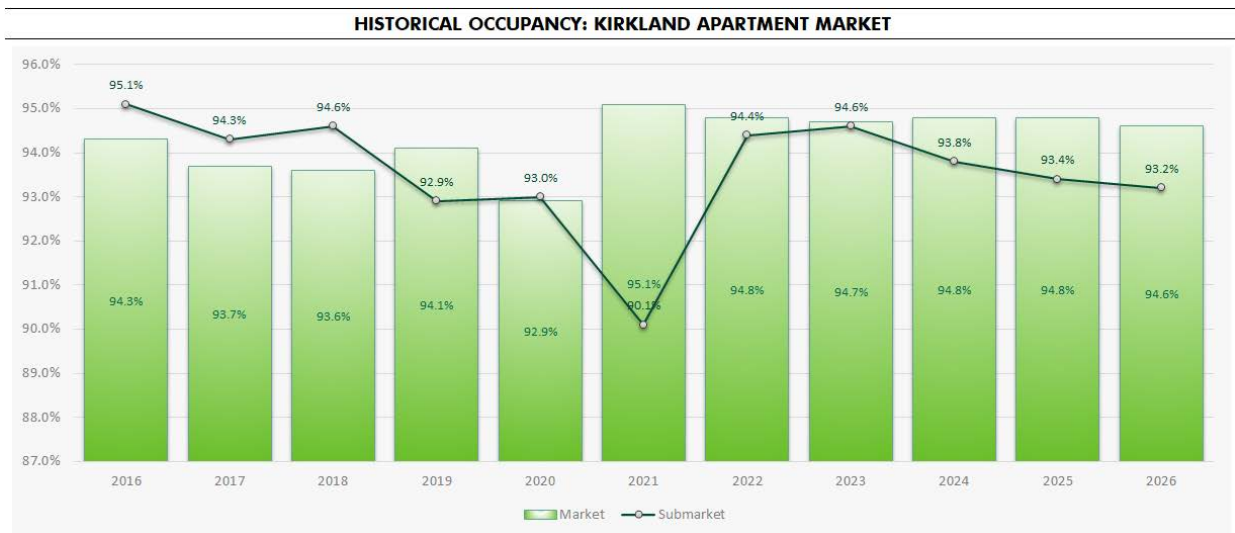


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Submarket Inventory is projected to be 10,464 units at the end of the current year, which represents an increase from the previous year’s submarket inventory of 8,813 units. Inventory for next year is projected to be 10,595 units, reflecting an increase from the current year.

Historical Occupancy - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Submarket occupancy is projected to be 90.1% at the end of the current year, which represents a decrease from the previous year’s submarket occupancy of 93.0%. Submarket occupancy for next year is projected to be 94.4%, reflecting an increase from the current year.

Historical Net Absorption - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

Net absorption in the submarket is projected to be positive 1,226 units at the end of the current year, reflecting an improvement from the previous year’s net absorption of positive 199 units. Net absorption for next year is projected to be positive 576 units, indicating a decline from the current year.

Historical Completions - Submarket

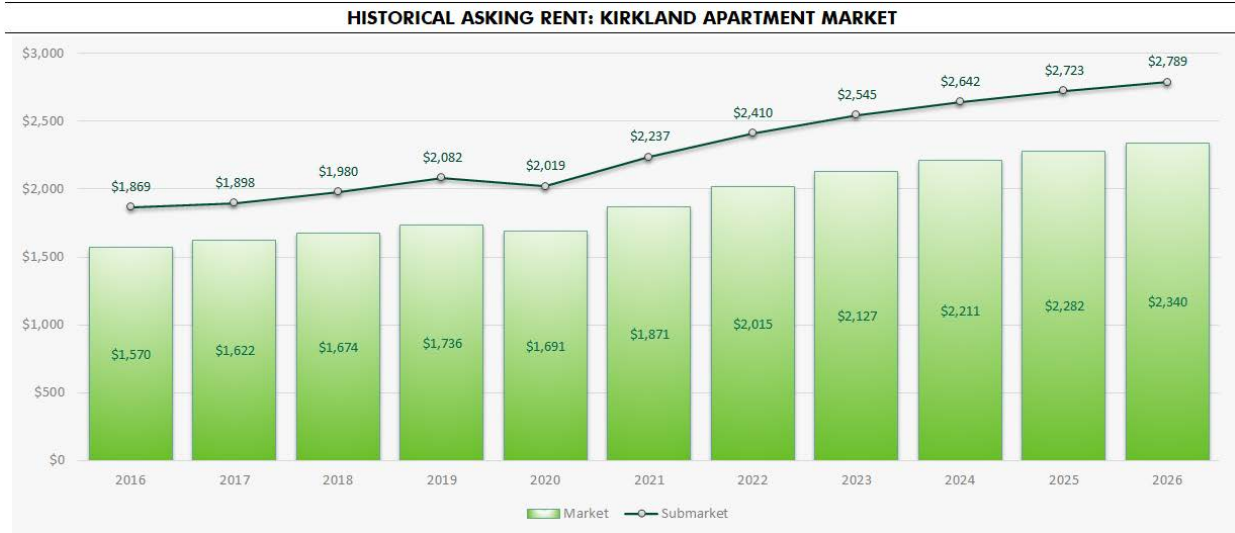


* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The submarket is projected to achieve completions of positive 1,651 units at the end of the current year, which indicates an improvement from the previous year’s completions of positive 201 units. The submarket is projecting completions of positive 131 units for next year, which indicates a decline from the current year.

Historical Asking Rent - Submarket



* Future Projected Data according to CoStar

Source: CoStar, 4th Quarter 2021

The submarket was projected to achieve average asking of \$2,237 per unit at the end of 2021 representing an increase from the previous year’s asking rent of \$2,019 per unit. The submarket is projected to achieve average asking rent of \$2,410 per unit, reflecting an increase from the current year.

Single-family Residential Market

The subject property is located within Northwest Multiple Listing Service (NWMLS) Area 500 (Kirkland/Bridle Trails). These sales include attached and detached single family homes

As shown, the subject’s neighboring area is generally follow King County upward trends but exceeding the King County median as a whole.



As shown above, the regional housing market in this region has been strong with prices increasing annually from 2017 through mid-2019 when signs of a stabilizing market appeared. However, throughout the latter half of 2019, the market picked up once again and that trend continued throughout 2021 and into 2022 despite the Covid-19 pandemic.

While sales volumes can be an indicator of the strength of a residential market cycle, the region has experienced historically low inventory which has left the volume of sales somewhat stable over the last few years. Many homeowners are reluctant to sell if they intend to remain in the area as the few homes that do come on market receive multiple offers over asking price – in some cases 40 or more offers - many either all cash and/or strong financing with waived contingencies leaving little to no room for sale contingent offers.

A review of sales price trends, volume of sales and marketing time can be found in the following table.

MLS RESIDENTIAL SALES STATISTICS

MLS Area 560 - Kirkland/Bridle Trails

Year	Median Sales Price	Yearly	Days on Market	Yearly % Change	Units Sold	Yearly % Change
2017	\$1,050,000	16.7%	39	95.0%	778	-7.9%
2018	\$1,400,000	33.3%	52	33.3%	602	-22.6%
2019	\$1,350,000	-3.6%	31	-40.4%	637	5.8%
2020	\$1,436,050	6.4%	25	-19.4%	734	15.2%
2021	\$1,870,000	30.2%	13	-48.0%	790	7.6%
YTD 2022	\$2,500,000	33.7%	11	-15.4%	50	-93.7%

Source: Northwest Multiple Listing Service Year End Data - YTD February 2022

The median marketing time for single-family homes has generally decreased over time with an uptick in 2018. As shown, the median marketing time for 2019 increased from the previous year years; and has continued to decrease to an historically low average of 11 days on market.

Overall, the single-family housing market in Puget Sound, including the subject's marketing area, is experiencing historically low inventory and rapidly increasing sales prices despite the Covid-19 pandemic. Low interest rates and a relatively robust economy continue to fuel the residential housing market. We expect the market to remain strong, and for the Puget Sound economy to continue to recover well from Covid-related challenges.

Conclusion

The subject's location provides for a suburban lifestyle that offers a reasonable commuting distance to commercial centers such as, Bellevue, Redmond and Seattle. While the long-term impacts to the single-family housing market from the Covid-19 pandemic are unknown at this time, recent trends indicate that the Puget Sound housing market will remain strong despite the challenges. Inventory remains at historic lows with existing homes most often receiving multiple offers above asking price. Homes in the "affordable" price ranges sell almost immediately as buyers seek to capitalize on low interest rates. The Puget Sound is well positioned to rebound relatively quickly from the Covid-19 crisis relative to the rest of the state and country.

Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- Legal permissibility;
- Physical possibility;
- Financial feasibility; and
- Maximum productivity.

The highest and best use analysis of the subject is discussed below.

AS VACANT

Legal Permissibility

The legally permissible uses were discussed in the Site Analysis and Zoning Sections. Essentially mixed use, commercial and multifamily are generally permitted, with maximum density (48 du/acre) being achieved under mixed use scenarios. An easement (currently unused) for ingress/egress and utilities extends north/south through the property, benefitting the site to the north. This is essentially along an existing interior access road but would be a consideration in future development.

Physical Possibility

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development). The location is also suitable for a variety of development options.

Existing structures on similar sites provides additional evidence for the physical possibility of development.

Financial Feasibility

Potential uses of the site include mixed use, as well as some retail and commercial uses. The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis, the subject retail market is generally stabilized. Development of new retail properties has occurred in the past few years.

Alternative uses include mixed use residential. Based on current market conditions and preferences, residential uses would be well supported in this neighborhood. Maximum density is generally supported by new developments in the area due to the strong demand.

Maximum Productivity - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.

Based on the information presented above and upon information contained in the market and neighborhood analysis, we conclude that the highest and best use of the subject as if vacant would be the development of a mixed use property. More specifically, the existing zoning allows for an increase in height to 35' with ground floor retail. That said, maximum residential density would be above retail development, but would also have the benefit of proximate retail and/or office use, offering convenience. Based on market sales, per-door land values for Townhome development far exceed that of land identified for stacked units. Townhouse development however, if situated above retail or parking, may not achieve maximum density, although detailed architectural analysis would be necessary to determine this with certainty. Our analysis of the subject and its respective market characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation) or a developer looking to develop mixed use product.

AS IMPROVED

Legal Permissibility

The site is currently improved with a retail development that is a legal, conforming use. It is over 30 years old but continues to function adequately.

Physical Possibility

The layout and positioning of the improvements are considered functional for retail use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for retail would be the most functional use.

Financial Feasibility

The financial feasibility of a retail property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. Based upon the income capitalization approach conclusion, the subject is producing a positive net cash flow and continued utilization of the improvements for retail purposes is considered financially feasible. The existing market rents are considered somewhat below market, and the owners representative has indicated that they have delayed some re-tenanting efforts to consider a sale.

Existing rents range from roughly \$15-30/sf with typical tenants in the \$23-25/sf range. In reviewing market activity we conclude a typical tenancy may command roughly \$30/sf, and when combined with the larger tenant spaces would produce an average overall rent of roughly \$28/sf/yr.

We have also reviewed the most recent expense profile provided which indicates that NNN expenses are in the \$7.00/sf range, considered to be reasonable in the market. Our review and analysis produces the following summary of the Income Approach:

Summary of Income Approach
Houghton Village

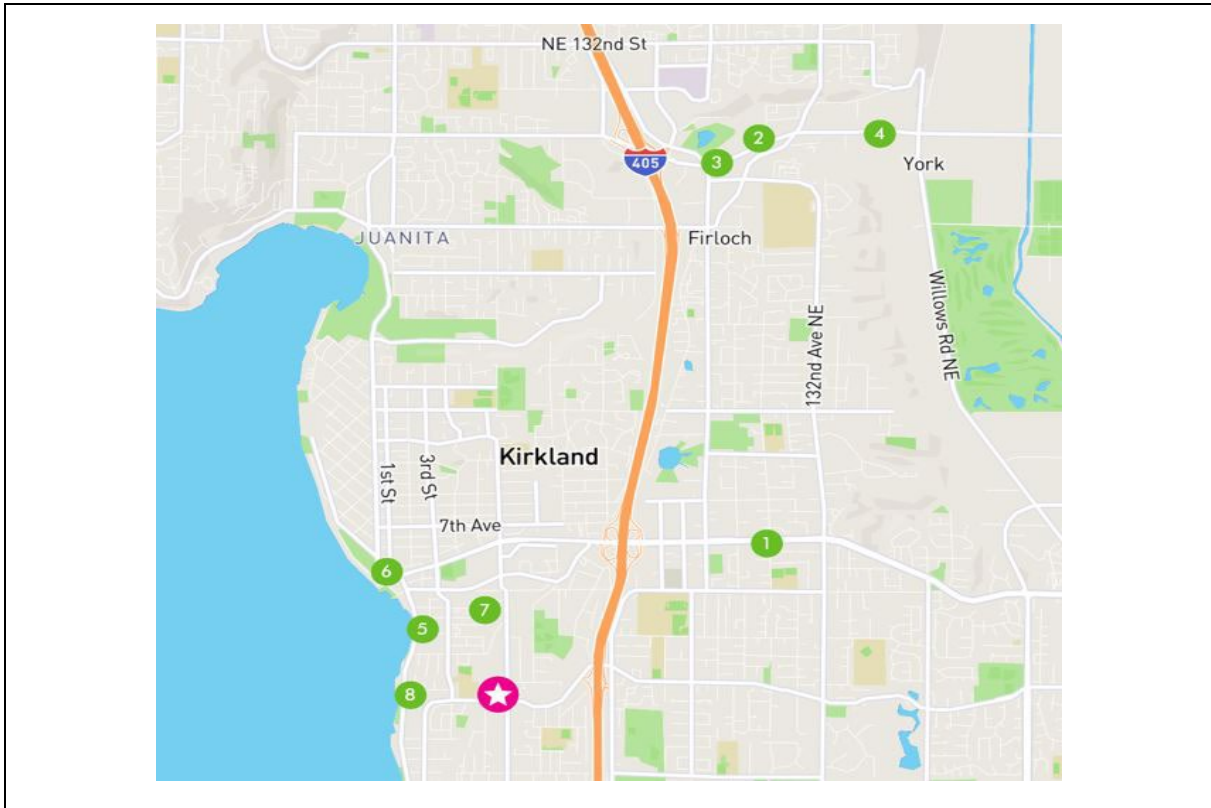
Potential Gross Rental Income:		\$807,072
Reimbursable Expenses (CAM)		<u>\$201,768</u>
Total Potential Income		\$1,008,840
Less: Vacancy @	3%	<u>(\$30,265)</u>
Effective Annual Gross Income		\$978,575
Reimbursable Expenses		(\$201,768)
Management (reimbursed by tenants, per owner)	0%	\$0
Reserve Replacement	\$0.30	<u>(\$8,647)</u>
Net Operating Income		\$768,160
	NOI Capitalized @	5.25%
	Indicated Value by Income Approach	\$14,631,611
	Rnd	\$14,630,000
	=	\$152.66
		PSF of Land

Maximum Productivity - Conclusion

As shown in the subsequent valuation section, the land value conclusion exceeds the value as an existing improved retail property. Given the age, the building configuration and parking requirements, additional expansions to the structure are not expected to be financially feasible. While the property continues to demonstrate contributory improvement value, this is considered interim in nature. The highest and best use therefore, calls for redevelopment as mixed use.

Land Value

The following map and table summarize the comparable data used in the valuation of the subject site. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE LAND SALES									
No.	Property Location	Transaction Date	Actual Sale Price	Analysis Sale Price ¹	Proposed Use	Size (SF)	Price Per SF	Price Per Potential Unit	Zoning
1	85th Street NE and 128th Avenue NE Kirkland, WA 98033	Dec-21	\$20,515,800	\$20,515,800	275 units	149,049	\$137.64	\$74,603	RH-7
2	12700 NE 124th Street Kirkland, WA 98034	Dec-21	\$30,000,000	\$30,000,000	494 units	199,910	\$150.07	\$61,983	TL-7A
3	12055 Slater Ave NE Kirkland, WA 98034	Sep-21	\$25,250,000	\$25,250,000	484-unit complex	209,309	\$120.64	\$51,955	TL-7A
4	12241 Willows Road Redmond, WA 98052	Jun-21	\$7,500,000	\$7,500,000	195-unit multi-family complex	70,621	\$106.20	\$38,462	NWDD
5	430 Lake Street, Kirkland	Dec-20	\$8,100,000	\$6,100,000	21 Units	18,113	\$336.77	\$385,714	PLA 6A
6	207 1st Street Kirkland, WA 98033	Aug-19	\$4,725,000	\$4,725,000	21 townhomes	19,285	\$245.01	\$225,000	CBD-4
7	503 2nd Avenue S. Kirkland WA 98033	Dec-19	\$4,000,000	\$4,000,000	12 townhomes	29,259	\$136.71	\$190,476	PLA 6D
8	1006 Lake Street S Kirkland, WA 98033	Aug-17	\$10,100,000	\$10,100,000	106-Unit Senior Housing	52,600	\$192.02	\$95,283	BN
Subject	10702 NE 68th Street, Kirkland, Washington	---	---	---	Mixed-Use	95,832	---	---	HENC-1

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)
Compiled by CBRE

The sales utilized represent the best data available for comparison with the subject and were selected from the greater Kirkland area within a reasonable radius of the subject. These sales were chosen based upon size, similarity of zoning and potential development.

Rights Transferred

All of the Sales reflect fee simple or leased fee sales, with no differentiation noted. There were no long term leases in place that might impact value and no adjustments are necessary.

Conditions of Sale

All of the Sales were considered arms length transactions. Sale 5 included older apartments and the purchaser was a developer who considered both the high quality site and the potential for continued income over a near term holding period. The contributory value of the improvements was deducted in the Analysis price and no additional deduction is warranted here.

Financing/Cash Equivalence

The sales were considered cash sales with no adjustments necessary.

Market Conditions Adjustment

Most of the Sales occurred within the past 12-18 months, though several were older. The market has been strong, particularly for residential product. Based on the market data discussed in prior sections of this report, the retail market has demonstrated rental rate increases of roughly 4% over the past 5 year period. Apartment rents have escalated an average of 5.4% over the same timeframe, while single family home pricing has increased an astonishing 27.6% annually since

2017. This is clearly unsustainable, but speaks to the significant demand coupled with limited supply and an attractive market location. The subject is anticipated to appeal to the multifamily market, specifically the mixed use retail/townhome product. The adjustments to the comparables is applied at 5% annually, as shown in the adjustment chart at the end of this section. We note that for our adjustment analysis, we have utilized the contract date for Sale 1, as it significantly preceeded the closing date and was not escalated.

The various required adjustments are reflected in the following discussions.

DISCUSSION/ANALYSIS OF LAND SALES

Land Sale One

December 2021 sale of a 3.42 acre redevelopment site located on NE 85th Street in Kirkland. It is zoned RH-7 and permits mixed-use development. The improvements were demolished in January 2022. It sold for \$20,515,800 or \$137 per square foot of land.

Land Sale Adjustments 1 include the inferior location, inferior size (being larger and requiring an adjustment to the unit price), as well as a partially offsetting adjustment for the higher intensity zoning.

Land Sale Two

This comparable represents the December 2021 sale of a 4.59-acre mixed-use zoned site located at 12700 NE 124th Street in Kirkland, Washington. The site is irregular shape with level topography, and is zoned TL-7A which allows for a variety of mixed-use development. The site is currently improved with older industrial buildings which have no contributory value to the site. The buyer intends to construct a mixed-use property that will consist of approximately 12,000 SF of retail space below 494 apartment units. The property sold for a price of \$30,000,000, or \$150.07 per square foot, or \$61,983 per unit.

Adjustments are applied for the larger size, inferior location and somewhat higher intensity zoning.

Land Sale Three

This is the sale of a 4.81-acre site located in the Totem Lake area of Kirkland, WA. The site is irregular shape, is sloping and set below street grade, and is zoned TL-6A which allows for height limits up to 75 feet. The site is currently improved with older industrial and warehouse buildings which have no contributory value to the site and is proposed for a 486-unit mixed-use development with seven stories in three buildings with approximately 18,650 square feet of commercial space and below grade parking. The property sold in September 2021 for \$25,250,000, or \$120.64 per square foot, or \$51,955 per unit. The buyer secured permits throughout the contract process.

Adjustments are necessary for the inferior shape, size and location, and are partially offset by the higher intensity zoning.

Land Sale Four

This is the sale of a 1.62-acre site located just east of the Totem Lake area in Redmond, WA. The site is irregular in shape, has varying topography, and is being developed under the NWDD zoning. The site is currently unimproved and is proposed for a 195-unit mixed-use development with six stories in a single building with approximately 22,000 square feet of commercial space. This development is Phase II of a larger development that includes townhouses in Phase I. The property sold in June 2021 for \$7,500,000, or \$106.20 per square foot, or \$36,461 per unit. The buyer is currently in the permitting process and the site sold without entitlements.

The site is somewhat sloping and abuts a small transmission line. It lies on the outskirts of the Totem Lake area near the Willows road corridor. Some territorial views may be afforded to the east.

Land Sale Five

This is a future redevelopment site situated across the street from Lake Washington, in Kirkland. The site has 2 apartment buildings with a total of 21 units originally constructed in 1963. Our discussion with the Purchaser indicated that there was a revenue stream appealing for the near term holding period. Our analysis of the site reflects an interim contribution of the building at \$100,000 per existing unit. The sales price was \$8,100,000 and we have therefore allocated \$2,100,000 for the improvement contribution, for an analysis price of \$6,000,000 or \$331.27 per square foot of land.

This sale is superior in many respects, due to the location in downtown Kirkland and the higher intensity zoning. This is a clearly superior sale price, based on the price/sf metric.

Land Sale Six

This assemblage included 5 parcels from four different owners as follows: Kahn, 1-28-19 \$1,850,000 for 7,885 sf. of land; Romano 11/22/19 \$1,050,000 for 3,800. square feet of land; Jurcan 11-26-19 \$900,000 for 3,800 square feet of land; Hani. 11-25-19 \$925,000 for 3,800 square feet of land. All totaled, \$4,725,000 for \$19,285. square feet, or \$245 per square foot of land. This is the 2019 assemblage of five parcels of CBD 4 zoned commercial land just south of. downtown on 1st Street, one block east of Lake Washington Boulevard. The site has older rental. units, which will be demolished to make way for a propose 21-unit project. Two sellers confirmed. their sales prices; one closed earlier in 2019, per their choice, and the others closed later in the. year, per the Buyer's wishes. The first transaction involved two parcels, and an appraisal was. completed by the Seller, who indicated they got more than the appraised value. The site is. allowed up to 45 feet in building height, similar to the property west of it. This will not

create a view property. It closed for a total of \$4,725,000, or \$245 per square foot of land or \$225,000. per proposed unit.

Adjustments are applied for the superior location and smaller size.

Land Sale Seven

This comparable represents the sale of a 29,259-square foot (0.67-acre) site identified as 503 2nd Ave S in the Moss Bay neighborhood of Kirkland, Washington. The property is currently improved with a 6-unit apartment building that was constructed in 1987 and contributes no value above that of the underlying land. The site is to be redeveloped with twelve (12) townhomes in four buildings. The property sold in December 2019 for a total of \$4,000,000, or \$333,333 per unit, or \$136.71 per square foot of land.

We have applied adjustments for the fact that the improvements will be demolished, as well as for the smaller size and superior allowed density.

Land Sale Eight

This comparable is the sale of a 1.21-acre site located at the corner of Lake Washington Boulevard and 10th Avenue S in Kirkland, Washington, one block across from the Lake Washington waterfront. The property was raw land at the time of sale, and has a slightly sloping topography, though is at street grade. The seller had plans to construct a multi-family development on the site, however the property went into receivership due to an illegal use of the EB5 program, therefore this was a court appointed sale. In addition, the site had some environmental contamination, however the no further action (NFA) letter was being issued just prior to the sale. The listing broker indicated that the price was at market, and neither of these factors had an impact on the final purchase price, however these factors may have deterred some buyers. The site is to be developed as a two-story, 106-unit assisted living and memory care community. The buyer is Aegis Senior Living, a national developer and operator of high-quality senior living communities--many of which are located in the Seattle Metro Area. The property sold in August 2017 for \$10,100,000 or \$192.02 per square foot.

Adjustments to Sale 8 include it's superior location zoning and view amenities. This establishes the clear upper limit to value for the subject at \$236/sf (adjusted for time)

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

LAND SALES ADJUSTMENT GRID									Subject
Comparable Number	1	2	3	4	5	6	7	8	
Transaction Type	Market Sale	Market Sale	Market Sale	Market Sale	Market Sale	Market Sale	Market Sale	Market Sale	---
Transaction Date	Oct-19	(2) Dec-21	Sep-21	Jun-21	Dec-20	Aug-19	Dec-19	Aug-17	---
Interest Transferred	F.S.	F.S.	F.S.	F.S.	F.S.	F.S.	F.S.	F.S.	---
Proposed Use	Att.Housing	Att.Housing	Att.Housing	Att.Housing	Att.Housing	Att.Housing	Att.Housing	Att.Housing	---
Actual Sale Price	\$20,515,800	\$30,000,000	\$25,250,000	\$7,500,000	\$8,100,000	\$4,725,000	\$4,000,000	\$10,100,000	---
Analysis Price ⁽¹⁾	\$20,515,800	\$30,000,000	\$25,250,000	\$7,500,000	\$6,100,000	\$4,725,000	\$4,000,000	\$10,100,000	---
Size (SF)	149,049	199,910	209,309	70,621	18,113	19,285	29,259	52,600	95,832
Price (\$ PSF)	\$137.64	\$150.07	\$120.64	\$106.20	\$336.77	\$245.01	\$136.71	\$192.02	
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	0%	0%	
Financing Terms ¹	0%	0%	0%	0%	0%	0%	0%	0%	
Conditions of Sale	0%	0%	0%	0%	0%	0%	Inferior	0%	
Market Conditions (Time)	12.0%	1.0%	2.0%	3.0%	6.0%	12.0%	11.0%	23.0%	
Subtotal	\$154.16	\$151.57	\$123.05	\$109.39	\$356.98	\$274.41	> \$151.75	\$236.18	
Size	Inferior	Inferior	Inferior	0	Superior	Superior	Superior	0	
Shape	0	0	Inferior	0	0	0	0	0	
Topography	0	0	0	Inferior	0	0	0	0	
Location	Inferior	Inferior	Inferior	Inferior	Superior	Superior	Similar	Superior	
Zoning/Density	Superior	Superior	Superior	Superior	Similar	Superior	Inferior	Superior	HENC-1
Amenities	0	0	0	Offsetting	Superior	0	0	Superior	
Utilities	0	0	0	0	0	0	0	0	
Final Indication Relative to S.P.	Inferior	Inferior	Inferior	Inferior	Superior	Superior	Inferior	Superior	

¹ Adjusted sale price for cash equivalency and/or development costs (where applicable)
² Using 10/2/2019 date for adjustment purposes. Sale went under contract 2 years prior to closing.
 Compiled by CBRE

Overall, comparables 1, 7, and 8 were given greatest consideration due to location and overall anticipated density. Sale 1 is a recent close, but requires adjustment as it was under contract in 2019. In general, Sales 5, 6 and 8 are all superior given the close proximity to downtown Kirkland and the Lake Street waterfront corridor. This establishes a clear upper limit to value at \$236/sf. From a density perspective, Sales 5 -8 are most similar to the subject and reflect a time-adjusted range from \$151/sf to \$357/sf. The expected vertical product and achievable pricing for Sales 5 and 6 are well above that of the subject, and are thus considered superior.

Sales 1, 2 and 7 indicate pricing at or above the \$150/sf mark though differences in density and location require adjustment and in the end are considered to establish the lower limit to value. Based on the preceding analysis a price per square foot indication of \$155 to \$175 is considered appropriate for the subject, as follows:

$$95,832 \text{ sq. ft.} \times \$155/\text{sf} = \$14,853,960$$

$$95,832 \text{ sq ft} \times \$175/\text{sf} = \$16,770,600$$

Alternatively we can review the price per potential unit metric. Given the differences in likely density among the comparables this measure also requires some substantial adjustment. In reviewing the Sales, numbers 1-4 and 8 all reflect unit pricing below \$100,000 per unit, and all would be more dense than the subject, suggesting larger subject units and a higher land price, accordingly. Sales 5, 6, and 7 are in the general range of density considered reasonable for the subject, and reflect substantially higher pricing from \$210,000 to nearly \$400,000 per potential unit after adjustment for time. Due to the limit of 48 du/acre, maximum density stacked units are considered unlikely to maximize value for the subject. And given that maximizing density would also require ground floor retail or at least a retail component. This, combined with the existing easement that allows for a drive-through access to the parcel north of the subject, suggest that a private enclave would be unlikely at the subject. Nonetheless townhome development would take

best advantage of the strong location near downtown, the Cross Kirkland Trail and the Google campus. The density for such units, when considering the retail requirement, would likely be below the maximum allowed since the units would be larger than stacked units. This, ultimately, would be determined through due diligence on the part of specific future buyers. Using a range of density at 26 to 32 du/acre for townhome development, a land value range of \$225,000 to \$270,000 per unit is reasonable, as follows:

$$28 \text{ Townhome Units/acre} \times 2.2 \text{ acres} = 62 \text{ units} \times \$270,000/\text{unit} = \$16,740,000$$

$$32 \text{ Townhome Units/acre} \times 2.2 \text{ acres} = 70 \text{ units} \times \$225,000/\text{unit} = \$15,750,000$$

The various metrics support a value range from \$14,850,000 to \$16,770,000. Considering the location, level topography, opportunity for interim income during the development planning phases, and the potential for additional density with additional study, a value toward the upper end of the range is well supported. With this in mind, a value of **\$16,000,000** is well supported, reflecting a unit price of \$167 per square foot.

Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
 - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDA

Addendum A

LAND SALE DATA SHEETS

Property Name Rose Hill Development Site
 Address 85th Street NE and 128th Avenue NE
 Kirkland, WA 98033
 United States

Government Tax Agency King
 Govt./Tax ID 123310-0680

Site/Government Regulations

	Acres	Square feet
Land Area Net	3.422	149,049
Land Area Gross	3.422	149,049



Site Development Status	Finished
Shape	Rectangular
Topography	Generally Level
Utilities	All to site

Maximum FAR N/A
 Min Land to Bldg Ratio N/A
 Maximum Density N/A

Frontage Distance/Street	385 ft NE 85th St
Frontage Distance/Street	385 ft 128th Ave NE

General Plan N/A
 Specific Plan N/A
 Zoning RH 7, Rose Hill Business District 7
 Entitlement Status N/A

Sale Summary

Recorded Buyer	Rosehill-Kirkland LLC	Marketing Time	N/A
True Buyer	N/A	Buyer Type	N/A
Recorded Seller	Rosehill Village Shopping Center LLC	Seller Type	N/A
True Seller	N/A	Primary Verification	Public Records, Appraiser Familiar with Sale
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Vacant Retail	Date	12/29/2021
Proposed Use	Redevelopment	Sale Price	\$20,515,800
Listing Broker	Ross Klinger, Kidder Matthews	Financing	N/A
Selling Broker	None	Cash Equivalent	\$20,515,800
Doc #	20211230001124	Capital Adjustment	\$0
		Adjusted Price	\$20,515,800

Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
12/2021	Sale	Rosehill-Kirkland LLC	Rosehill Village Shopping Center LLC	\$20,515,800	\$5,995,792 / \$137.64

Units of Comparison

\$137.64 / sf
 \$5,995,791.57 / ac

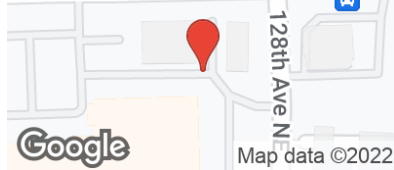
N/A / Unit
 N/A / Allowable Bldg. Units
 N/A / Building Area

Financial

No information recorded

Map & Comments

NE 85th St



This comparable represents the December 2021 sale of a 3.42 acre redevelopment site located at the southwest corner of NE 85th Street and 128th Avenue NE in Kirkland. The site consists of a single parcel on a good corner location with good frontage along the well-travelled 85th Street NE. The parcel is improved with four buildings that total 21,462 square feet. Three of the four buildings were fully depreciated and condemned. The fourth building is a 160 SF coffee stand on a short term lease. This building can be removed at any time and does not add any value to the site (the buildings have been demolished as of early 2022). The site's RH 7 zoning allows for a variety of commercial and mixed-uses up to 30 feet over the average building height. The buyer intends to construct a 10-story (6 over 4 levels of parking) mixed-use property (office/retail/residential) that will contain approximately 602 residential units over retail and office space. The property went under contract to sell in October 2, 2019 for a price of \$20,500,000. Since the original purchase and sale agreement, there were five amendments, with the most recent amendment on June 1, 2020. This amendment increased the pending sale price to \$20,515,800 to account for the early termination of one of the tenants. This equates to \$137.64 per square foot. The sale price appears to be slightly lower than other sales in the area due to it going under contract over two years ago.

Property Name Totem Lake Kinect Site
 Address 12700 NE 124th Street
 Kirkland, WA 98034
 United States



Government Tax Agency King
 Govt./Tax ID Multiple

Site/Government Regulations

	Acres	Square feet
Land Area Net	4.589	199,910
Land Area Gross	4.589	199,910

Site Development Status	Finished
Shape	Irregular
Topography	Generally Level
Utilities	All to site

Maximum FAR N/A
 Min Land to Bldg Ratio N/A
 Maximum Density 105.46 per ac

General Plan N/A
 Specific Plan N/A
 Zoning TL 7A, Totem Lake 7A
 Entitlement Status N/A

Sale Summary

Recorded Buyer	ACG Totem, LLC	Marketing Time	0 Month(s)
True Buyer	N/A	Buyer Type	Developer
Recorded Seller	Totem Commercial, LLC	Seller Type	Private Investor
True Seller	Woosley Family	Primary Verification	Broker, Public Records
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Industrial, retail	Date	12/15/2021
Proposed Use	Multi-family	Sale Price	\$30,000,000
Listing Broker	Stuart Williams	Financing	Cash to Seller
Selling Broker	None	Cash Equivalent	\$30,000,000
Doc #	20211223001800	Capital Adjustment	\$0
		Adjusted Price	\$30,000,000

Transaction Summary plus Five-Year CBRE View History

<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Buyer</u>	<u>Seller</u>	<u>Price</u>	<u>Price/ac and /sf</u>
12/2021	Sale	ACG Totem, LLC	Totem Commercial, LLC	\$30,000,000	\$6,536,945 / \$150.07

Units of Comparison

\$150.07 / sf
\$6,536,944.63 / ac

\$61,983 / Unit
\$61,983 / Allowable Bldg. Units
N/A / Building Area

Financial

No information recorded

Map & Comments



This comparable represents the December 2021 sale of a 4.59-acre mixed-use zoned site located at 12700 NE 124th Street in Kirkland, Washington. The site is irregular shape with level topography, and is zoned TL-7A which allows for a variety of mixed-use development. The site is currently improved with older industrial buildings which have interim value only. This was an off-market acquisition by an experienced developer. Per the Seller's wishes, they were able to close by year-end and so the property was never actually listed. There were no entitlements included. The buyer intends to construct a mixed-use property that will consist of approximately 12,000 SF of retail space below 494 apartment units. The property appraised for and sold at the price of \$30,000,000, or \$150.07 per square foot, or \$61,983 per potential unit.

Property Name Fairfield Kirkland Land
 Address 12055 Slater Ave NE
 Kirkland, WA 98034
 United States

Government Tax Agency King
 Govt./Tax ID 282605-9181

Site/Government Regulations

	Acres	Square feet
Land Area Net	4.805	209,309
Land Area Gross	4.805	209,309

Site Development Status	Raw
Shape	Irregular
Topography	Moderate Slope
Utilities	All to site

Maximum FAR N/A
 Min Land to Bldg Ratio N/A
 Maximum Density 101.14 per ac

Frontage Distance/Street	N/A Slater Ave NE
Frontage Distance/Street	N/A NE 120th Street

General Plan N/A
 Specific Plan N/A
 Zoning TL 6A
 Entitlement Status None



Sale Summary

Recorded Buyer	Fairfield Slater, LLC	Marketing Time	N/A
True Buyer	Fairfield Residential	Buyer Type	Developer
Recorded Seller	Alco Totem Lake LLC	Seller Type	Private Investor
True Seller	Alco	Primary Verification	Costar, Broker, Public Records
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Industrial/warehouse	Date	9/15/2021
Proposed Use	484-unit complex	Sale Price	\$25,250,000
Listing Broker	Jon Halgrimson, CBRE	Financing	Not Available
Selling Broker	None	Cash Equivalent	\$25,250,000
Doc #	20210916000772	Capital Adjustment	\$0
		Adjusted Price	\$25,250,000

Transaction Summary plus Five-Year CBRE View History

<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Buyer</u>	<u>Seller</u>	<u>Price</u>	<u>Price/ac and /sf</u>
09/2021	Sale	Fairfield Slater, LLC	Alco Totem Lake LLC	\$25,250,000	\$5,254,833 / \$120.64

Units of Comparison

\$120.64 / sf
\$5,254,833.41 / ac

\$51,955 / Unit
\$51,955 / Allowable Bldg. Units
N/A / Building Area

Financial

No information recorded

Map & Comments

This is the sale of a 4.81-acre site located in the Totem Lake area of Kirkland, WA. The site is irregular shape, is sloping and set below street grade, and is zoned TL-6A which allows for height limits up to 75 feet. The site is currently improved with older industrial and warehouse buildings which have no contributory value to the site and is proposed for a 486-unit mixed-use development with seven stories in three buildings with approximately 18,650 square feet of commercial space and below grade parking. The property sold in September 2021 for \$25,250,000, or \$120.64 per square foot, or \$51,955 per unit. The buyer secured permits throughout the contract process, lasting roughly 18 months, according to the Broker.

Property Name Proctor Willows Phase II
 Address 12241 Willows Road
 Redmond, WA 98052
 United States

Government Tax Agency King
 Govt./Tax ID 272605-9024

Site/Government Regulations

	Acres	Square feet
Land Area Net	1.621	70,621
Land Area Gross	1.621	70,621

Site Development Status	Raw
Shape	Irregular
Topography	Other(See Comments)
Utilities	all to site

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	120.28 per ac
Frontage Distance/Street	N/A 124th St

General Plan	N/A
Specific Plan	N/A
Zoning	BP
Entitlement Status	None



Sale Summary

Recorded Buyer	Willows 195 LLC	Marketing Time	N/A
True Buyer	Goodman Real Estate	Buyer Type	Developer
Recorded Seller	Quadrant Homes	Seller Type	Developer
True Seller	Jared Knickmeyer	Primary Verification	Public Record
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Vacant Land	Date	6/16/2021
Proposed Use	195-unit multi-family complex	Sale Price	\$7,500,000
Listing Broker	None listed	Financing	Not Available
Selling Broker	N/A	Cash Equivalent	\$7,500,000
Doc #	N/A	Capital Adjustment	\$0
		Adjusted Price	\$7,500,000

Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
06/2021	Sale	Willows 195 LLC	Quadrant Homes	\$7,500,000	\$4,626,203 / \$106.20

Units of Comparison

\$106.20 / sf
\$4,626,202.81 / ac

\$38,462 / Unit
\$38,462 / Allowable Bldg. Units
N/A / Building Area

Financial

No information recorded

Map & Comments



This is the sale of a 1.62-acre site located just east of the Totem Lake area in Redmond, WA. The site is irregular in shape, has varying topography, and is zoned BP. The site is currently unimproved and is proposed for a 195-unit mixed-use development with six stories in a single building with approximately 22,000 square feet of commercial space. This development is Phase II of a larger development that includes townhouses in Phase I. The property sold in June 2021 for \$7,500,000, or \$106.20 per square foot, or \$36,461 per unit. The buyer is currently in the permitting process and the site sold without entitlements.

Sale

Land - Multi Unit Residential

No. 5

Property Name Multi-Family Land
 Address 430 Lake Street
 Kirkland, WA 98033
 United States

Government Tax Agency King
 Govt./Tax ID 765490-0220

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.416	18,113
Land Area Gross	0.416	18,113

Site Development Status	Finished
Shape	Rectangular
Topography	Moderate Slope
Utilities	all public available

Maximum FAR N/A
 Min Land to Bldg Ratio N/A
 Maximum Density N/A

Frontage Distance/Street	120 ft Lake Street S.
Frontage Distance/Street	150 ft 5th Ave S.

General Plan N/A
 Specific Plan N/A
 Zoning PLA-6A Planned Residential
 Entitlement Status N/A



Sale Summary

Recorded Buyer	MRM Seagull LLC/ Joe Razore	Marketing Time	N/A
True Buyer	MRM Seagull LLC/ Joe Razore	Buyer Type	N/A
Recorded Seller	Falcon Properties/Alexey Sokolov	Seller Type	N/A
True Seller	Falcon Properties/Alexey Sokolov	Primary Verification	Buyer

Interest Transferred	N/A	Type	Sale
Current Use	N/A	Date	12/31/2020
Proposed Use	N/A	Sale Price	\$8,100,000
Listing Broker	N/A	Financing	N/A
Selling Broker	N/A	Cash Equivalent	\$8,100,000
Doc #	20201231001513	Capital Adjustment	\$0
		Adjusted Price	\$8,100,000

Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
12/2020	Sale	MRM Seagull LLC/ Joe Razore	Falcon Properties/Alexey Sokolov	\$8,100,000	\$19,480,519 / \$447.19

Units of Comparison

\$447.19 / sf
\$19,480,519.48 / ac

\$385,714 / Unit
N/A / Allowable Bldg. Units
N/A / Building Area

Financial

No information recorded

Map & Comments



Future redevelopment site situated across the street from Lake Washington, in Kirkland. The site has 2 apartment buildings with a total of 21 units originally constructed in 1963. Our discussion with the Purchaser indicated that there was a revenue stream appealing for the near term holding period. Our analysis of the site reflects an interim contribution of the building at \$100,000 per existing unit. The sales price was \$8,100,000 and we have therefore allocated \$2,100,000 for the improvement contribution, for an analysis price of \$6,000,000 or \$331.27 per square foot of land.

Property Name CBD Assemblage
 Address 207 1st Street
 Kirkland, WA 98033
 United States

Government Tax Agency King
 Govt./Tax ID 124400-0155, -0140, 4439770-0125, -0130, -0135

Site/Government Regulations

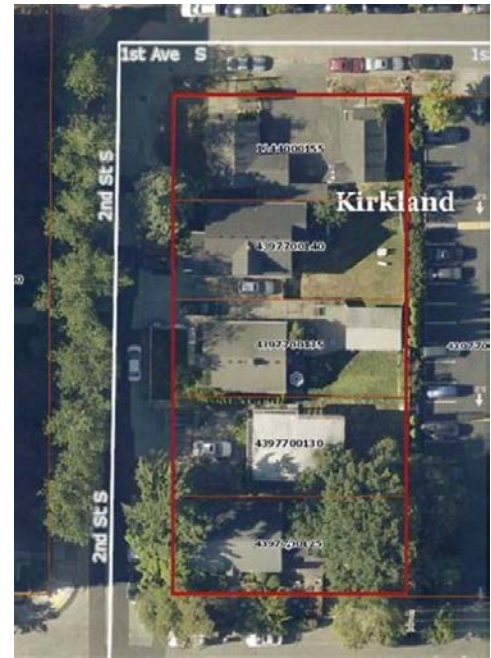
	Acres	Square feet
Land Area Net	0.443	19,285
Land Area Gross	N/A	N/A

Site Development Status	N/A
Shape	Rectangular
Topography	Level, At Street Grade
Utilities	N/A

Maximum FAR N/A
 Min Land to Bldg Ratio N/A
 Maximum Density N/A

Frontage Distance/Street 200 ft Central Way

General Plan N/A
 Specific Plan N/A
 Zoning CBD-4 Commercial/Mixed Use overlay City of Kirkland
 Entitlement Status N/A



Sale Summary

Recorded Buyer	Mirra 118 LLC	Marketing Time	N/A
True Buyer	Mirra 118 LLC	Buyer Type	N/A
Recorded Seller	Kahn Properties, et al.	Seller Type	Private Investor
True Seller	Kahn Properties, et al.	Primary Verification	Sellers, Kahn & Romano, et al.
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	N/A	Date	8/30/2019
Proposed Use	N/A	Sale Price	\$4,725,000
Listing Broker	N/A	Financing	N/A
Selling Broker	N/A	Cash Equivalent	\$4,725,000
Doc #	20190128001125	Capital Adjustment	\$0
		Adjusted Price	\$4,725,000

Transaction Summary plus Five-Year CBRE View History

<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Buyer</u>	<u>Seller</u>	<u>Price</u>	<u>Price/ac and /sf</u>
08/2019	Sale	Mirra 118 LLC	Kahn Properties, et al.	\$4,725,000	\$10,673,142 / \$245.01

Units of Comparison

\$245.01 / sf
 \$10,673,142.08 / ac

N/A / Unit
 N/A / Allowable Bldg. Units
 N/A / Building Area

Financial

No information recorded

Map & Comments



This assemblage included 5 parcels from four different owners as follows:
 Kahn, 1-28-19 \$1,850,000 for 7,885 sf. of land; Romano 11/22/19 \$1,050,000 for 3,800 square feet of land; Jurcan 11-26-19 \$900,000 for 3,800 square feet of land; Hani 11-25-19 \$925,000 for 3,800 square feet of land. All totaled, \$4,725,000 for \$19,285 square feet, or \$245 per square foot of land.

This is the 2019 assemblage of five parcels of CBD 4 zoned commercial land just south of downtown on 1st Street, one block east of Lake Washington Boulevard. The site has older rental units, which will be demolished to make way for a propose 21-unit project. Two sellers confirmed their sales prices; one closed earlier in 2019, per their choice, and the others closed later in the year, per the Buyer's wishes. The first transaction involved two parcels, and an appraisal was completed by the Seller, who indicated they got more than the appraised value. The site is allowed up to 45 feet in building height, similar to the property west of it. This will not create a view property. It closed for a total of \$4,725,000, or \$245 per square foot of land or \$225,000 per proposed unit.

Sale

Land - Multi Unit Residential

No. 7

Property Name Lincoln at Moss Bay Townhomes
 Address 503 2nd Avenue South
 Kirkland, WA 98033
 United States

Government Tax Agency King
 Govt./Tax ID 788260-0083

Site/Government Regulations

	Acres	Square feet
Land Area Net	0.672	29,259
Land Area Gross	N/A	N/A

Site Development Status	Finished
Shape	Rectangular
Topography	Moderate Slope
Utilities	All available

Maximum FAR	N/A
Min Land to Bldg Ratio	N/A
Maximum Density	N/A

General Plan	N/A
Specific Plan	N/A
Zoning	PLA 6D; High Density Residential
Entitlement Status	None



Sale Summary

Recorded Buyer	Shelter Holdings
True Buyer	N/A
Recorded Seller	Walker Family Realty LLC
True Seller	N/A

Marketing Time	0 Month(s)
Buyer Type	Developer
Seller Type	Private Investor
Primary Verification	Internal files and public records

Interest Transferred	N/A
Current Use	N/A
Proposed Use	12-unit townhome
Listing Broker	N/A
Selling Broker	N/A
Doc #	20191218001680

Type	Sale
Date	12/18/2019
Sale Price	\$4,000,000
Financing	Market Rate Financing
Cash Equivalent	\$4,000,000
Capital Adjustment	\$0
Adjusted Price	\$4,000,000

Transaction Summary plus Five-Year CBRE View History

Transaction Date	Transaction Type	Buyer	Seller	Price	Price/ac and /sf
12/2019	Sale	Shelter Holdings	Walker Family Realty LLC	\$4,000,000	\$5,955,039 / \$136.71

Units of Comparison

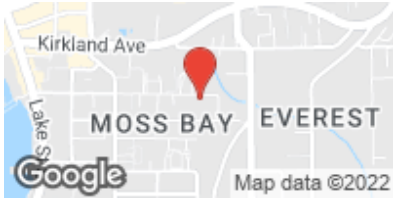
\$136.71 / sf
\$5,955,039.45 / ac

\$333,333 / Unit
N/A / Allowable Bldg. Units
N/A / Building Area

Financial

No information recorded

Map & Comments



This comparable represents the sale of a 29,259-square foot (0.67-acre) site identified as 503 2nd Ave S in the Moss Bay neighborhood of Kirkland, Washington. The property is currently improved with a 6-unit apartment building that was constructed in 1987 and contributes no value above that of the underlying land. The site is to be redeveloped with twelve (12) townhomes in four buildings. The property sold in December 2019 for a total of \$4,000,000, or \$333,333 per unit, or \$136.71 per square foot of land.

Property Name Aegis Living Development Site
 Address 1006 Lake Street S
 Kirkland, WA 98033
 United States

Government Tax Agency King
 Govt./Tax ID 935490-0220, 935490-0240, 082505-9233



Site/Government Regulations

	Acres	Square feet
Land Area Net	1.208	52,600
Land Area Gross	1.208	52,600

Site Development Status	Raw
Shape	Rectangular
Topography	Level, At Street Grade
Utilities	N/A

Maximum FAR 2.42
 Min Land to Bldg Ratio 0.41:1
 Maximum Density 87.78 per ac

Frontage Distance/Street	N/A	Lake Washington Blvd
Frontage Distance/Street	N/A	10th Avenue S

General Plan N/A
 Specific Plan N/A
 Zoning BN
 Entitlement Status None

Sale Summary

Recorded Buyer	ASC Kirkland LLC	Marketing Time	N/A
True Buyer	Aegis Senior Living	Buyer Type	End User
Recorded Seller	Michael A Grassmueck	Seller Type	N/A
True Seller	N/A	Primary Verification	David Sorensen, Berkadia
Interest Transferred	Fee Simple/Freehold	Type	Sale
Current Use	Raw land	Date	8/15/2017
Proposed Use	106-Unit Senior Housing	Sale Price	\$10,100,000
Listing Broker	David Sorensen, Berkadia	Financing	Not Available
Selling Broker	N/A	Cash Equivalent	\$10,100,000
Doc #	201708158000515	Capital Adjustment	\$0
		Adjusted Price	\$10,100,000

Transaction Summary plus Five-Year CBRE View History

<u>Transaction Date</u>	<u>Transaction Type</u>	<u>Buyer</u>	<u>Seller</u>	<u>Price</u>	<u>Price/ac and /sf</u>
08/2017	Sale	ASC Kirkland LLC	Michael A Grassmueck	\$10,100,000	\$8,364,389 / \$192.02

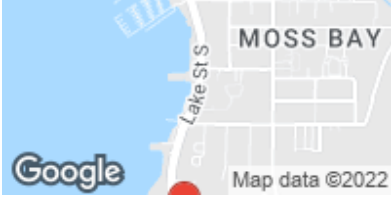
Units of Comparison

\$192.02 / sf	\$95,283 / Unit
\$8,364,389.23 / ac	\$95,283 / Allowable Bldg. Units
	\$79.32 / Building Area

Financial

No information recorded

Map & Comments



This comparable is the sale of a 1.21-acre site located at the corner of Lake Washington Boulevard and 10th Avenue S in Kirkland, Washington, one block across from the Lake Washington waterfront. The property was raw land at the time of sale, and has a slightly sloping topography, though is at street grade. The seller had plans to construct a multi-family development on the site, however the property went into receivership due to an illegal use of the EB5 program, therefore this was a court appointed sale. In addition, the site had some environmental contamination, however the no further action (NFA) letter was being issued just prior to the sale. The listing broker indicated that the price was at market, and neither of these factors had an impact on the final purchase price, however these factors may have deterred some buyers. The site is to be developed as a two-story, 106-unit assisted living and memory care community. The buyer is Aegis Senior Living, a national developer and operator of high-quality senior living communities--many of which are located in the Seattle Metro Area. The property sold in August 2017 for \$10,100,000 or \$192.02 per square foot.

Addendum B

PURCHASE AND SALE AGREEMENT



Kidder Mathews
 500 108th Ave NE, Ste 2400
 Bellevue, WA 98004
 Phone: 425-454-7040
 Fax: 425-451-3058

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Form: PS_1A
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**COMMERCIAL & INVESTMENT REAL ESTATE
 PURCHASE & SALE AGREEMENT**

This has been prepared for submission to your attorney for review and approval prior to signing. No representation is made by licensee as to its sufficiency or tax consequences

SPECIFIC TERMS

Reference Date: December 16, 2021

Offer Expiration Date: January 19, 2022 5:00pm (the third day after Reference Date, if not completed)

1. **PROPERTY:** The Property is legally described on Exhibit A. Address: 10702 NE 68th Street _____
 City of Kirkland, King County, Washington. Tax Parcel No(s): 788260-0611
Included Personal Property: None; If on and used in connection with the Property, per Section 25
 (None, if not completed).
2. **BUYER(S):** City of Kirkland
 a(n) _____
3. **SELLER(S):** Houghton Village Partnership LLP
 a(n) Washington limited liability partnership
4. **PURCHASE PRICE:** \$ Fifteen Million (\$15,000,000) Dollars
 Payable as: Cash; Financing (attach CBA Form PS_FIN); Other: _____
5. **EARNEST MONEY:** \$ 200,000 Dollars; Held by: Selling Firm; Closing Agent
Form of Earnest Money: Wire/Electronic Transfer; Check; Note (attach CBA Form PS_EMN);
 Other: _____
Earnest Money Due Date: three (3) days after Mutual Acceptance; _____ days after the Feasibility
 Contingency Date; or _____
6. **FEASIBILITY CONTINGENCY DATE:** _____; ninety(90) days after mutual acceptance (30 days
 after Mutual Acceptance if not completed.)
7. **CLOSING DATE:** _____; Not later than ten (10) days after Buyer gives notice to Seller that
 Feasibility Contingency is satisfied.
8. **CLOSING AGENT:** Chicago Title Insurance Company
9. **TITLE INSURANCE COMPANY:** Chicago Title Insurance Company, Paula Adams
10. **DEED:** Statutory Warranty Deed; or Bargain and Sale Deed.
11. **POSSESSION:** on closing; Other: _____ (on closing if not completed).
12. **SELLER CITIZENSHIP (FIRPTA):** Seller is; is not a foreign person for purposes of U.S. income
 taxation.

INITIALS: Buyer KT Date 1/19/22 Seller JK Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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**COMMERCIAL & INVESTMENT REAL ESTATE
 PURCHASE & SALE AGREEMENT
 (CONTINUED)**

- 13. **BUYER'S DEFAULT:** (check only one) Forfeiture of Earnest Money; Seller's Election of Remedies.
- 14. **SELLER'S DEFAULT:** (check only one) Recover Earnest Money or Specific Enforcement; Buyer's Election of Remedies.
- 15. **UNPAID UTILITIES:** Buyer and Seller Do Not Waive (attach CBA Form UA); Waive
- 16. **AGENCY DISCLOSURE:** Selling Broker represents: Buyer; Seller; both parties; neither party
 Listing Broker represents: Seller; both parties
- 17. **EXHIBITS AND ADDENDA.** The following Exhibits and Addenda are made a part of this Agreement:

- | | |
|--|---|
| <input type="checkbox"/> Earnest Money Promissory Note, CBA Form EMN | <input type="checkbox"/> Back-Up Addendum, CBA Form BU-A |
| <input type="checkbox"/> Blank Promissory Note, LPB Form No. 28A | <input type="checkbox"/> Vacant Land Addendum, CBA Form VLA |
| <input type="checkbox"/> Blank Short Form Deed of Trust, LPB Form No. 20 | <input type="checkbox"/> Financing Addendum, CBA Form PS_FIN |
| <input type="checkbox"/> Blank Deed of Trust Rider, CBA Form DTR | <input type="checkbox"/> Tenant Estoppel Certificate, CBA Form PS_TEC |
| <input type="checkbox"/> Utility Charges Addendum, CBA Form UA | <input type="checkbox"/> Defeasance Addendum, CBA Form PS_D |
| <input type="checkbox"/> FIRPTA Certification, CBA Form 22E | <input type="checkbox"/> Lead-Based Paint Disclosure, CBA Form LP-LS |
| <input type="checkbox"/> Assignment and Assumption, CBA Form PS-AS | <input checked="" type="checkbox"/> Other: <u>Exhibit A - Legal Description</u> |
| <input type="checkbox"/> Addendum/Amendment, CBA Form PSA | <input checked="" type="checkbox"/> Other: <u>Exhibit B - Seller Documents</u> |

INITIALS: Buyer KT Date 1/19/22 Seller FR Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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**COMMERCIAL & INVESTMENT REAL ESTATE
 PURCHASE & SALE AGREEMENT
 (CONTINUED)**

18. IDENTIFICATION OF THE PARTIES. The following is the contact information for the parties involved in this Agreement:

Buyer(s):

Contact: Kurt Triplett, City Manager
Address: 123 5th Avenue
Kirkland, WA 98033
Business Phone: 425-587-3007
Cell Phone: _____
Fax: _____
Email: ktriplett@kirklandwa.gov

Selling Firm

Name: CBRE, Inc.
Assumed Name: CBRE
Selling Broker: Joe Steele and Mary Lynn Moshofsky
Selling Broker DOL License No.: 18835 & 135476
Firm Address: 929 108th Avenue NE, 700
Bellevue, WA 98004-5579
Firm Phone: 425-455-8500
Broker Phone: 425-462-6925
Firm Email: _____
Broker Email: joe.steele@cbre.com & marylynn.moshofsky@cbre.com
Fax: 425-462-6966
CBA Office No.: 956400
Selling Firm DOL License No.: 2009

Copy of Notices to Buyer to :

Name: _____
Company: _____
Address: _____

Business Phone: _____
Fax: _____
Cell Phone: _____
Email: _____

Seller(s):

Contact: Fred Repass
Address: 4809 106th Avenue NE
Kirkland, WA 98033
Business Phone: 425-503-9828
Cell Phone: 425-503-9828
Fax: _____
Email: fmrepass@gmail.com

Listing Firm

Name: Kidder Mathews, Inc.
Assumed Name: Kidder Mathews
Listing Broker: Monica Wallace

Listing Broker DOL License No.: 27628

Firm Address: 500 108th Avenue NE, 2400
Bellevue, WA 98004
Firm Phone: 425-454-7040
Broker Phone: 425-753-4121
Firm Email: _____
Broker Email: monica.wallace@kidder.com

Fax: 425-451-3058
CBA Office No.: 912700
Listing Firm DOL License No.: 24259

Copy of Notices to Seller to :

Name: Imants Holmquist
Company: Holmquist & Gardiner, PLLC
Address: 1000 2nd Avenue, Suite 1770
Seattle, WA 98104
Business Phone: 206-438-9083
Fax: _____
Cell Phone: _____
Email: imants@lawhg.net

INITIALS:

Buyer KT Date 1/19/22 Seller FR Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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 Bellevue, WA 98004
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**COMMERCIAL & INVESTMENT REAL ESTATE
 PURCHASE & SALE AGREEMENT
 (CONTINUED)**

GENERAL TERMS

- 19. Purchase and Sale.** Buyer agrees to buy and Seller agrees to sell the commercial real estate identified in Section 1 as the Property and all improvements thereon. Unless expressly provided otherwise in this Agreement or its Addenda, the Property shall include (i) all of Seller's rights, title and interest in the Property, (ii) all easements and rights appurtenant to the Property, (iii) all buildings, fixtures, and improvements on the Property, (iv) all unexpired leases and subleases; and (v) all included personal property.
- 20. Acceptance; Counteroffers.** If this offer is not timely accepted, it shall lapse and the earnest money shall be refunded to Buyer. If either party makes a future counteroffer, the other party shall have until 5:00 p.m. on the _____ day (if not filled in, the second day) following receipt to accept the counteroffer, unless sooner withdrawn. If the counteroffer is not timely accepted or countered, this Agreement shall lapse and the earnest money shall be refunded to Buyer. No acceptance, offer or counteroffer from Buyer is effective until a signed copy is received by Seller, the Listing Broker or the licensed office of the Listing Broker. No acceptance, offer or counteroffer from Seller is effective until a signed copy is received by Buyer, the Selling Broker or the licensed office of the Selling Broker. "Mutual Acceptance" shall occur when the last counteroffer is signed by the offeree, and the fully-signed counteroffer has been received by the offeror, his or her broker, or the licensed office of the broker. If any party is not represented by a broker, then notices must be delivered to that party and shall be effective when received by that party.
- 21. Earnest Money.** Selling Broker and Selling Firm are authorized to transfer Earnest Money to Closing Agent as necessary. Selling Firm shall deposit any check to be held by Selling Firm within 3 days after receipt or Mutual Acceptance, whichever occurs later. If the Earnest Money is to be held by Selling Firm and is over \$10,000, it shall be deposited to: the Selling Firm's pooled trust account (with interest paid to the State Treasurer); or a separate interest bearing trust account in Selling Firm's name, provided that Buyer completes an IRS Form W-9 (if not completed, separate interest bearing trust account). The interest, if any, shall be credited at closing to Buyer. If this sale fails to close, whoever is entitled to the Earnest Money is entitled to interest. Unless otherwise provided in this Agreement, the Earnest Money shall be applicable to the Purchase Price.
- 22. Title Insurance.**
- a. **Title Report.** Seller authorizes Buyer, its Lender, Listing Broker, Selling Broker or Closing Agent, at Seller's expense, to apply for and deliver to Buyer a standard coverage owner's policy of title insurance from the Title Insurance Company. Buyer shall have the discretion to apply for an extended coverage owner's policy of title insurance and any endorsements, provided that Buyer shall pay the increased costs associated with an extended policy including the excess premium over that charged for a standard coverage policy, the cost of any endorsements requested by Buyer, and the cost of any survey required by the title insurer. If Seller previously received a preliminary commitment from a title insurer that Buyer declines to use, Buyer shall pay any cancellation fee owing to the original title insurer. Otherwise, the party applying for title insurance shall pay any title cancellation fee, in the event such a fee is assessed.
- b. **Permitted Exceptions.** Buyer shall notify Seller of any objectionable matters in the title report or any supplemental report within the earlier of: (a) 21 days (20 days if not completed) after receipt of the preliminary commitment for title insurance; or (b) the Feasibility Contingency Date. This Agreement shall terminate and Buyer shall receive a refund of the earnest money, less any costs advanced or committed for Buyer, unless within five (5) days of Buyer's notice of such objections Seller shall give notice, in writing,

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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of its intent to remove all objectionable provisions before Closing. If Seller fails to give timely notice that it will clear all disapproved objections, this Agreement shall automatically terminate and Buyer shall receive a refund of the earnest money, less any costs advanced or committed for Buyer, unless Buyer notifies Seller within three (3) days that Buyer waives any objections which Seller does not agree to remove. If any new title matters are disclosed in a supplemental title report, then the preceding termination, objection and waiver provisions shall apply to the new title matters except that Buyer's notice of objections must be delivered within three (3) days of receipt of the supplemental report by Buyer and Seller's response or Buyer's waiver must be delivered within two (2) days of Buyer's notice of objections. The Closing Date shall be extended to the extent necessary to permit time for these notices. Buyer shall not be required to object to any mortgage or deed of trust liens, or the statutory lien for real property taxes, and the same shall not be deemed to be Permitted Exceptions; provided, however, that the lien securing any financing which Buyer has agreed to assume shall be a Permitted Exception. Except for the foregoing, those provisions not objected to or for which Buyer waived its objections shall be referred to collectively as the "Permitted Exceptions." Seller shall reasonably cooperate with Buyer and the title company to clear objectionable title matters and shall provide an affidavit containing the information and reasonable covenants requested by the title company. The title policy shall contain no exceptions other than the General Exclusions and Exceptions common to such form of policy and the Permitted Exceptions.

c. **Title Policy.** At Closing, Buyer shall receive an ALTA Form 2006 Owner's Policy of Title Insurance with standard or extended coverage (as specified by Buyer) dated as of the Closing Date in the amount of the Purchase Price, insuring that fee simple title to the Property is vested in Buyer, subject only to the Permitted Exceptions ("Title Policy"), provided that Buyer acknowledges that obtaining extended coverage may be conditioned on the Title Company's receipt of a satisfactory survey paid for by Buyer. If Buyer elects extended coverage, then Seller shall execute and deliver to the Title Company on or before Closing the such affidavits and other documents as the Title Company reasonably and customarily requires to issue extended coverage.

23. Feasibility Contingency. Buyer's obligations under this Agreement are conditioned upon Buyer's satisfaction, in Buyer's sole discretion, concerning all aspects of the Property, including its physical condition; the presence of or absence of any hazardous substances; the contracts and leases affecting the Property; the potential financial performance of the Property; the availability of government permits and approvals; and the feasibility of the Property for Buyer's intended purpose. This Agreement shall terminate and Buyer shall receive a refund of the earnest money unless Buyer gives notice that the Feasibility Contingency is satisfied to Seller before 5:00pm on the Feasibility Contingency Date. If such notice is timely given, the feasibility contingency shall be deemed to be satisfied and Buyer shall be deemed to have accepted and waived any objection regarding any aspects of the Property as they exist on the Feasibility Contingency Date.

a. **Books, Records, Leases, Agreements.** Within ten (10) business days (3 days if not filled in) Seller shall deliver to Buyer or post in an online database maintained by Seller or Listing Broker, to which Buyer has been given unlimited access, true, correct and complete copies of all documents in Seller's possession or control relating to the ownership, operation, renovation or development of the Property, excluding appraisals or other statements of value, and including the following: statements for real estate taxes, assessments, and utilities for the last three years and year to date; property management agreements and any other agreements with professionals or consultants; leases or other agreements relating to occupancy of all or a portion of the Property and a suite-by-suite schedule of tenants, rents, prepaid rents, deposits and fees; plans, specifications, permits, applications, drawings, surveys, and studies; maintenance records; accounting records and audit reports for the last three years and year to date; any existing environmental reports; any existing surveys; any existing inspection reports; and "Vendor Contracts" which

INITIALS: Buyer KT Date 1/19/22 Seller FR Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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~~shall include maintenance or service contracts, and installments purchase contracts or leases of personal property or fixtures used in connection with the Property~~ SELLER DOCUMENTS LISTED IN EXHIBIT B ATTACHED HERETO. Buyer shall determine by the Feasibility Contingency Date: (i) whether Seller will agree to terminate any objectionable Vendor Contracts; and (ii) whether Seller will agree to pay any damages or penalties resulting from the termination of objectionable Vendor Contracts. Buyer's waiver of the Feasibility Contingency shall be deemed Buyer's acceptance of all Vendor Contracts which Seller has not agreed in writing to terminate. Buyer shall be solely responsible for obtaining any required consents to such assumption and the payment of any assumption fees. Seller shall cooperate with Buyer's efforts to receive any such consents but shall not be required to incur any out-of-pocket expenses or liability in doing so. Any information provided or to be provided by Seller with respect to the Property is solely for Buyer's convenience and Seller has not made any independent investigation or verification of such information (other than that the documents are true, correct, and complete, as stated above) and makes no representations as to the accuracy or completeness of such information, except to the extent expressly provided otherwise in this Agreement. Seller shall transfer the Vendor Contracts as provided in Section 25.

- b. **Access.** Seller shall permit Buyer and its agents, at Buyer's sole expense and risk, to enter the Property at reasonable times subject to the rights of and after legal notice to tenants, to conduct inspections concerning the Property, including without limitation, the structural condition of improvements, hazardous materials, pest infestation, soils conditions, sensitive areas, wetlands, or other matters affecting the feasibility of the Property for Buyer's intended use. Buyer shall schedule any entry onto the Property with Seller in advance and shall comply with Seller's reasonable requirements including those relating to security, confidentiality, and disruption of Seller's tenants. Buyer shall not perform any invasive testing including environmental inspections beyond a phase I assessment or contact the tenants or property management personnel without obtaining Seller's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Buyer shall restore the Property and all improvements to substantially the same condition they were in prior to inspection. Buyer shall be solely responsible for all costs of its inspections and feasibility analysis and has no authority to bind the Property for purposes of statutory liens. Buyer agrees to indemnify and defend Seller from all liens, costs, claims, and expenses, including attorneys' and experts' fees, arising from or relating to entry onto or inspection of the Property by Buyer and its agents, which obligation shall survive closing. Buyer may continue to enter the Property in accordance with the terms and conditions set forth in this Section 23 after removal or satisfaction of the Feasibility Contingency only for the purpose of leasing or to satisfy conditions of financing.
- c. (check if applicable) **Access Insurance.** Notwithstanding anything in this Section 23 to the contrary, prior to entering the Property and while conducting any inspections pursuant to subsection (b) above, Buyer shall, at no cost or expense to Seller: (a) procure and maintain commercial general liability (occurrence) insurance in an amount no less than \$2,000,000 on commercially reasonable terms adequate to insure against all liability arising out of any entry onto or inspections of the Property that lists Seller and Tenant as additional insureds; and (b) deliver to Seller prior to entry upon the Property certificates of insurance for Buyer and any applicable agents or representatives evidencing such required insurance.
- d. Buyer waives, to the fullest extent permissible by law, the right to receive a seller disclosure statement (e.g. "Form 17") if required by RCW 64.06 and its right to rescind this Agreement pursuant thereto. However, if Seller would otherwise be required to provide Buyer with a Form 17, and if the answer to any of the questions in the section of the Form 17 entitled "Environmental" would be "yes," then Buyer does not waive the receipt of the "Environmental" section of the Form 17 which shall be provided by Seller.

INITIALS: Buyer KT Date 1/19/22 Seller FR Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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24. Conveyance. Title shall be conveyed subject only to the Permitted Exceptions. If this Agreement is for conveyance of Seller's vendee's interest in a Real Estate Contract, the deed shall include a contract vendee's assignment sufficient to convey after-acquired title. At Closing, Seller and Buyer shall execute and deliver to Closing Agent CBA Form PS-AS Assignment and Assumption Agreement transferring all leases and Vendor Contracts assumed by Buyer pursuant to Section 25(b) and all intangible property transferred pursuant to Section 25(b).

25. Personal Property.

- a. If this sale includes the personal property located on and used in connection with the Property, Seller will itemize such personal property in an Exhibit to be attached to this Agreement within ten (10) days of Mutual Acceptance. The value assigned to any personal property shall be \$ _____ (if not completed, the County-assessed value if available, and if not available, the fair market value determined by an appraiser selected by the Listing Broker and Selling Broker). Seller warrants title to, but not the condition of, the personal property and shall convey it by bill of sale.
- b. In addition to the leases and Vendor Contracts assumed by Buyer pursuant to Section 24 above, this sale includes all right, title and interest of Seller to the following intangible property now or hereafter existing with respect to the Property including without limitation: all rights-of-way, rights of ingress or egress or other interests in, on, or to, any land, highway, street, road, or avenue, open or proposed, in, on, or across, in front of, abutting or adjoining the Property; all rights to utilities serving the Property; all drawings, plans, specifications and other architectural or engineering work product; all governmental permits, certificates, licenses, authorizations and approvals; all rights, claims, causes of action, and warranties under contracts with contractors, engineers, architects, consultants or other parties associated with the Property; all utility, security and other deposits and reserve accounts made as security for the fulfillment of any of Seller's obligations; any name of or telephone numbers for the Property and related trademarks, service marks or trade dress; and guaranties, warranties or other assurances of performance received.

26. Seller's Underlying Financing. Unless Buyer is assuming Seller's underlying financing, Seller shall be responsible for confirming the existing underlying financing is not subject to any "lock out" or similar covenant which would prevent the lender's lien from being released at closing. In addition, Seller shall provide Buyer notice prior to the Feasibility Contingency Date if Seller is required to substitute securities for the Property as collateral for the underlying financing (known as "defeasance"). If Seller provides this notice of defeasance to Buyer, then the parties shall close the transaction in accordance with the process described in CBA Form PS_D or any different process identified in Seller's defeasance notice to Buyer.

INITIALS: Buyer KT Date 1/19/22 Seller JR Date 1-2-22
 Buyer _____ Date _____ Seller _____ Date _____



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- 27. Closing of Sale.** Buyer and Seller shall deposit with Closing Agent by 12:00 p.m. on the scheduled Closing Date all instruments and monies required to complete the purchase in accordance with this Agreement. Upon receipt of such instruments and monies, Closing Agent shall cause the deed to be recorded and shall pay to Seller, in immediately available funds, the Purchase Price less any costs or other amounts to be paid by Seller at Closing. "Closing" shall be deemed to have occurred when the deed is recorded and the sale proceeds are available to Seller. Time is of the essence in the performance of this Agreement. Sale proceeds shall be considered available to Seller, even if they cannot be disbursed to Seller until the next business day after Closing. Notwithstanding the foregoing, if Seller informed Buyer before the Feasibility Contingency Date that Seller's underlying financing requires that it be defeased and may not be paid off, then Closing shall be conducted in accordance with the three (3)-day closing process described in CBA Form PS_D. This Agreement is intended to constitute escrow instructions to Closing Agent. Buyer and Seller will provide any supplemental instructions requested by Closing Agent provided the same are consistent with this Agreement.
- 28. Closing Costs and Prorations.** Seller shall deliver an updated rent roll to Closing Agent not later than two (2) days before the scheduled Closing Date in the form required by Section 23(a) and any other information reasonably requested by Closing Agent to allow Closing Agent to prepare a settlement statement for Closing. Seller certifies that the information contained in the rent roll is correct as of the date submitted. Seller shall pay the premium for the owner's standard coverage title policy. Buyer shall pay the excess premium attributable to any extended coverage or endorsements requested by Buyer, and the cost of any survey required in connection with the same. Seller and Buyer shall each pay one-half of the escrow fees. Any real estate excise taxes shall be paid by the party who bears primary responsibility for payment under the applicable statute or code. Real and personal property taxes and assessments payable in the year of closing; collected rents on any existing tenancies; expenses already incurred by Seller that relate to services to be provided to the Property after the Closing Date; interest; utilities; and other operating expenses shall be prorated as of Closing. Seller will be charged and credited for the amounts of all of the pro-rated items relating to the period up to and including 11:59 pm Pacific Time on the day preceding the Closing Date, and Buyer will be charged and credited for all of the pro-rated items relating to the period on and after the Closing Date. If tenants pay any of the foregoing expenses directly, then Closing Agent shall only pro rate those expenses paid by Seller. Buyer shall pay to Seller at Closing an additional sum equal to any utility deposits or mortgage reserves for assumed financing for which Buyer receives the benefit after Closing. Buyer shall pay all costs of financing including the premium for the lender's title policy. If the Property was taxed under a deferred classification prior to Closing, then Seller shall pay all taxes, interest, penalties, deferred taxes or similar items which result from removal of the Property from the deferred classification. At Closing, all refundable deposits on tenancies shall be credited to Buyer or delivered to Buyer for deposit in a trust account if required by state or local law. Buyer shall pay any sales or use tax applicable to the transfer of personal property included in the sale.

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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- 29. Post-Closing Adjustments, Collections, and Payments.** After Closing, Buyer and Seller shall reconcile the actual amount of revenues or liabilities upon receipt or payment thereof to the extent those items were prorated or credited at Closing based upon estimates. Any bills or invoices received by Buyer after Closing which relate to services rendered or goods delivered to the Seller or the Property prior to Closing shall be paid by Seller upon presentation of such bill or invoice. At Buyer's option, Buyer may pay such bill or invoice and be reimbursed the amount paid plus interest at the rate of 12% per annum beginning fifteen (15) days from the date of Buyer's written demand to Seller for reimbursement until such reimbursement is made. Notwithstanding the foregoing, if tenants pay certain expenses based on estimates subject to a post-closing reconciliation to the actual amount of those expenses, then Buyer shall be entitled to any surplus and shall be liable for any credit resulting from the reconciliation. Rents collected from each tenant after Closing shall be applied first to rentals due most recently from such tenant for the period after closing, and the balance shall be applied for the benefit of Seller for delinquent rentals owed for a period prior to closing. The amounts applied for the benefit of Seller shall be turned over by Buyer to Seller promptly after receipt. Seller shall be entitled to pursue any lawful methods of collection of delinquent rents but shall have no right to evict tenants after Closing. Any adjustment shall be made, if any, within 180 days of the Closing Date, and if a party fails to request an adjustment by notice delivered to the other party within the applicable period set forth above (such notice to specify in reasonable detail the items within the Closing Statement that such party desires to adjust and the reasons for such adjustment), then the allocations and prorations at Closing shall be binding and conclusive against such party.
- 30. Operations Prior to Closing.** Prior to Closing, Seller shall continue to operate the Property in the ordinary course of its business and maintain the Property in the same or better condition than as existing on the date of Mutual Acceptance but shall not be required to repair material damage from casualty except as otherwise provided in this Agreement. After the Feasibility Contingency Date, Seller shall not enter into or modify existing rental agreements or leases (except that Seller may enter into, modify, extend, renew or terminate residential rental agreements or residential leases for periods of 12 months or less in the ordinary course of its business), service contracts, or other agreements affecting the Property which have terms extending beyond Closing without obtaining Buyer's consent, which shall not be withheld unreasonably.
- 31. Possession.** Buyer shall accept possession subject to all tenancies disclosed to Buyer before the Feasibility Contingency Date.

INITIALS: Buyer KT Date 1/19/22 Seller Ar Date 1-12-22
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32. Seller's Representations. Except as disclosed to or known by Buyer prior to the satisfaction or waiver of the Feasibility Contingency, including in the books, records and documents made available to Buyer, or in the title report or any supplemental report or documents referenced therein, Seller represents to Buyer that, to the best of Seller's actual knowledge, each of the following is true as of the date hereof: (a) Seller is authorized to enter into the Agreement, to sell the Property, and to perform its obligations under the Agreement, and no further consent, waiver, approval or authorization is required from any person or entity to execute and perform under this Agreement; (b) The books, records, leases, agreements and other items delivered to Buyer pursuant to this Agreement ~~comprise all material documents in Seller's possession or control regarding the operation and condition of the Property, are true, accurate and complete to the best of Seller's knowledge, and no other contracts or agreements exist that will be binding on Buyer after Closing~~ ARE TRUE, ACCURATE AND COMPLETE TO THE BEST OF SELLER'S KNOWLEDGE; (c) Seller has not received any written notices that the Property or any business conducted thereon violate any applicable laws, regulations, codes and ordinances; (d) ~~[UNDER REVIEW: Seller has all certificates of occupancy, permits, and other governmental consents necessary to own and operate the Property for its current use];~~ (e) There is no pending or threatened litigation which would adversely affect the Property or Buyer's ownership thereof after Closing; (f) There is no pending or threatened condemnation or similar proceedings affecting the Property, and the Property is not within the boundaries of any planned or authorized local improvement district; (g) Seller has paid (except to the extent prorated at Closing) all local, state and federal taxes (other than real and personal property taxes and assessments described in Section 28 above) attributable to the period prior to closing which, if not paid, could constitute a lien on Property (including any personal property), or for which Buyer may be held liable after Closing; (h) ~~Seller is not aware of any concealed material defects in the Property except as disclosed to Buyer before the Feasibility Contingency Date;~~ (i) ~~There are no Hazardous Substances (as defined below) currently located in, on, or under the Property in a manner or quantity that presently violates any Environmental Law (as defined below); there are no underground storage tanks located on the Property; and~~ there is no pending or threatened investigation or remedial action by any governmental agency regarding the release of Hazardous Substances or the violation of Environmental Law at the Property; (j) Seller has not granted any options nor obligated itself in any matter whatsoever to sell the Property or any portion thereof to any party other than Buyer; and (k) Neither Seller nor any of its respective partners, members, shareholders or other equity owners, is a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute or executive order; and (l) the individual signing this Agreement on behalf of Seller represents and warrants to Buyer that he or she has the authority to act on behalf of and bind Seller. As used herein, the term "Hazardous Substances" shall mean any substance or material now or hereafter defined or regulated as a hazardous substance, hazardous waste, toxic substance, pollutant, or contaminant under any federal, state, or local law, regulation, or ordinance governing any substance that could cause actual or suspected harm to human health or the environment ("Environmental Law"). The term "Hazardous Substances" specifically includes, but is not limited to, petroleum, petroleum by-products, and asbestos.

If prior to Closing Seller or Buyer discovers any information which would cause any of the representations above to be false if the representations were deemed made as of the date of such discovery, then the party discovering the information shall promptly notify the other party in writing and Buyer, as its sole remedy, may elect to terminate this Agreement by giving Seller notice of such termination within five (5) days after Buyer first received actual notice (with the Closing Date extended to accommodate such five (5) day period), and in such event, the Earnest Money Deposit shall be returned to Buyer. Buyer shall give notice of termination within five (5) days of discovering or receiving written notice of the new information. Nothing in this paragraph shall prevent Buyer from pursuing its remedies against Seller if Seller had actual knowledge of the newly discovered information such that a representation provided for above was false.

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
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- 33. As-Is.** Except for the express representations and warranties in this Agreement, (a) Seller makes no representations or warranties regarding the Property; (b) Seller hereby disclaims, and Buyer hereby waives, any and all representations or warranties of any kind, express or implied, concerning the Property or any portion thereof, as to its condition, value, compliance with laws, status of permits or approvals, existence or absence of hazardous material on site, suitability for Buyer's intended use, occupancy rate or any other matter of similar or dissimilar nature relating in any way to the Property, including the warranties of fitness for a particular purpose, tenantability, habitability and use; (c) Buyer takes the Property "AS IS" and with all faults; and (d) Buyer represents and warrants to Seller that Buyer has sufficient experience and expertise such that it is reasonable for Buyer to rely on its own pre-closing inspections and investigations.
- 34. Buyer's Representations.** Buyer represents that Buyer is authorized to enter into the Agreement; to buy the Property; to perform its obligations under the Agreement; and that neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated hereby will: (a) conflict with or result in a breach of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Buyer; or (b) constitute a breach of any agreement to which Buyer is a party or by which Buyer is bound. The individual signing this Agreement on behalf of Buyer represents that he or she has the authority to act on behalf of and bind Buyer.
- 35. Claims.** Any claim or cause of action with respect to a breach of the representations and warranties set forth herein shall survive for a period of nine (9) months from the Closing Date, at which time such representations and warranties (and any cause of action resulting from a breach thereof not then in litigation, including indemnification claims) shall terminate. Notwithstanding anything to the contrary in this Agreement: (a) Buyer shall not make a claim against Seller for damages for breach or default of any representation or warranty, unless the amount of such claim is reasonably anticipated to exceed \$25,000; and (b) under no circumstances shall Seller be liable to Buyer on account of any breach of any representation or warranty in the aggregate in excess of the amount equal to \$250,000, except in the event of Seller's fraud or intentional misrepresentation with respect to any representation or warranty regarding the environmental condition of the Property, in which case Buyer's damages shall be unlimited.
- 36. Condemnation and Casualty.** Seller bears all risk of loss until Closing, and thereafter Buyer bears all risk of loss. Buyer may terminate this Agreement and obtain a refund of the earnest money if improvements on the Property are materially damaged or if condemnation proceedings are commenced against all or a portion of the Property before Closing, to be exercised by notice to Seller within ten (10) days after Seller's notice to Buyer of the occurrence of the damage or condemnation proceedings. Damage will be considered material if the cost of repair exceeds the lesser of \$100,000 or five percent (5%) of the Purchase Price. Alternatively, Buyer may elect to proceed with closing, in which case, at Closing, Seller shall not be obligated to repair any damage, and shall assign to Buyer all claims and right to proceeds under any property insurance policy and shall credit to Buyer at Closing the amount of any deductible provided for in the policy.
- 37. FIRPTA Tax Withholding at Closing.** Closing Agent is instructed to prepare a certification (CBA or NWMLS Form 22E, or equivalent) that Seller is not a "foreign person" within the meaning of the Foreign Investment in Real Property Tax Act, and Seller shall sign it on or before Closing. If Seller is a foreign person, and this transaction is not otherwise exempt from FIRPTA, Closing Agent is instructed to withhold and pay the required amount to the Internal Revenue Service.

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 (CONTINUED)**

- 38. Notices.** Unless otherwise specified, any notice required or permitted in, or related to, this Agreement (including revocations of offers and counteroffers) must be in writing. Notices to Seller must be signed by at least one Buyer and must be delivered to Seller and Listing Broker with a courtesy copy to any other party identified as a recipient of notices in Section 18. A notice to Seller shall be deemed delivered only when received by Seller and Listing Broker, or the licensed office of Listing Broker. Notices to Buyer must be signed by at least one Seller and must be delivered to Buyer, with a copy to Selling Broker and with a courtesy copy to any other party identified as a recipient of notices in Section 18. A notice to Buyer shall be deemed delivered only when received by Buyer and Selling Broker, or the licensed office of Selling Broker. Selling Broker and Listing Broker otherwise have no responsibility to advise parties of receipt of a notice beyond either phoning the represented party or causing a copy of the notice to be delivered to the party's address provided in this Agreement. Buyer and Seller shall keep Selling Broker and Listing Broker advised of their whereabouts in order to receive prompt notification of receipt of a notice. If any party is not represented by a licensee, then notices must be delivered to and shall be effective when received by that party at the address, fax number, or email indicated in Section 18. Facsimile transmission of any notice or document shall constitute delivery. E-mail transmission of any notice or document (or a direct link to such notice or document) shall constitute delivery when: (i) the e-mail is sent to both Selling Broker and Selling Firm or both Listing Broker and Listing Firm at the e-mail addresses specified on page two of this Agreement; or (ii) Selling Broker or Listing Broker provide written acknowledgment of receipt of the e-mail (an automatic e-mail reply does not constitute written acknowledgment). At the request of either party, or the Closing Agent, the parties will confirm facsimile or e-mail transmitted signatures by signing an original document.
- 39. Computation of Time.** Unless otherwise specified in this Agreement, any period of time in this Agreement shall mean Pacific Time and shall begin the day after the event starting the period and shall expire at 5:00 p.m. of the last calendar day of the specified period of time, unless the last day is a Saturday, Sunday or legal holiday as defined in RCW 1.16.050, in which case the specified period of time shall expire on the next day that is not a Saturday, Sunday or legal holiday. Any specified period of five (5) days or less shall not include Saturdays, Sundays or legal holidays. Notwithstanding the foregoing, references to specific dates or times or number of hours shall mean those dates, times or number of hours; provided, however, that if the Closing Date falls on a Saturday, Sunday, or legal holiday as defined in RCW 1.16.050, or a date when the county recording office is closed, then the Closing Date shall be the next regular business day. If the parties agree upon and attach a legal description after this Agreement is signed by the offeree and delivered to the offeror, then for the purposes of computing time, mutual acceptance shall be deemed to be on the date of delivery of an accepted offer or counteroffer to the offeror, rather than on the date the legal description is attached.
- 40. Assignment.** Buyer's rights and obligations under this Agreement are not assignable without the prior written consent of Seller, which shall not be withheld unreasonably; provided, however, Buyer may assign this Agreement without the consent of Seller, but with notice to Seller, to any entity under common control and ownership of Buyer, provided no such assignment shall relieve Buyer of its obligations hereunder. If the words "and/or assigns" or similar words are used to identify Buyer in Section 2, then this Agreement may be assigned with notice to Seller but without need for Seller's consent. The party identified as the initial Buyer shall remain responsible for those obligations of Buyer stated in this Agreement notwithstanding any assignment and, if this Agreement provides for Seller to finance a portion of the purchase price, then the party identified as the initial Buyer shall guarantee payment of Seller financing.

41. Default and Attorneys' Fees.

- a. **Buyer's default.** In the event Buyer fails, without legal excuse, to complete the purchase of the Property, then the applicable provision as identified in Section 13 shall apply:

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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 500 108th Ave NE, Ste 2400
 Bellevue, WA 98004
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- i. **Forfeiture of Earnest Money.** Seller may terminate this Agreement and keep that portion of the earnest money that does not exceed five percent (5%) of the Purchase Price as liquidated damages as the sole and exclusive remedy available to Seller for such failure.
- ii. **Seller's Election of Remedies.** Seller may, at its option, (a) terminate this Agreement and keep that portion of the earnest money that does not exceed five percent (5%) of the Purchase Price as liquidated damages as the sole and exclusive remedy available to Seller for such failure, (b) bring suit against Buyer for Seller's actual damages, (c) bring suit to specifically enforce this Agreement and recover any incidental damages, or (d) pursue any other rights or remedies available at law or equity.
- b. **Seller's default.** In the event Seller fails, without legal excuse, to complete the sale of the Property, then the applicable provision as identified in Section 14 shall apply:
 - i. **Recover Earnest Money or Specific Enforcement.** As Buyer's sole remedy, Buyer may either (a) terminate this Agreement and recover all earnest money or fees paid by Buyer whether or not the same are identified as refundable or applicable to the purchase price; or (b) bring suit to specifically enforce this Agreement and recover incidental damages, provided, however, Buyer must file suit within sixty (60) days from the Closing Date or from the date Seller has provided notice to Buyer that Seller will not proceed with closing, whichever is earlier.
 - ii. **Buyer's Election of Remedies.** Buyer may, at its option, (a) bring suit against Seller for Buyer's actual damages, (b) bring suit to specifically enforce this Agreement and recover any incidental damages, or (c) pursue any other rights or remedies available at law or equity.
- c. Neither Buyer nor Seller may recover consequential damages such as lost profits. If Buyer or Seller institutes suit against the other concerning this Agreement, the prevailing party is entitled to reasonable attorneys' fees and costs. In the event of trial, the amount of the attorneys' fees shall be fixed by the court. The venue of any suit shall be the county in which the Property is located, and this Agreement shall be governed by the laws of the State of Washington without regard to its principles of conflicts of laws.

42. Miscellaneous Provisions.

- a. **Complete Agreement.** This Agreement and any addenda and exhibits thereto state the entire understanding of Buyer and Seller regarding the sale of the Property. There are no verbal or other written agreements which modify or affect the Agreement, and no modification of this Agreement shall be effective unless agreed in writing and signed by the parties.
- b. **Counterpart Signatures.** This Agreement may be signed in counterpart, each signed counterpart shall be deemed an original, and all counterparts together shall constitute one and the same agreement.
- c. **Electronic Delivery and Signatures.** Electronic delivery of documents (e.g., transmission by facsimile or email) including signed offers or counteroffers and notices shall be legally sufficient to bind the party the same as delivery of an original. At the request of either party, or the Closing Agent, the parties will replace electronically delivered offers or counteroffers with original documents. The parties acknowledge that a signature in electronic form has the same legal effect as a handwritten signature.
- d. **Section 1031 Like-Kind Exchange.** If either Buyer or Seller intends for this transaction to be a part of a

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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Section 1031 like-kind exchange, then the other party agrees to cooperate in the completion of the like-kind exchange so long as the cooperating party incurs no additional liability in doing so, and so long as any expenses (including attorneys' fees and costs) incurred by the cooperating party that are related only to the exchange are paid or reimbursed to the cooperating party at or prior to Closing. Notwithstanding this provision, no party shall be obligated to extend closing as part of its agreement to facilitate completion of a like-kind exchanged. In addition, notwithstanding Section 40 above, any party completing a Section 1031 like-kind exchange may assign this Agreement to its qualified intermediary or any entity set up for the purposes of completing a reverse exchange.

- 43. Information Transfer.** In the event this Agreement is terminated, Buyer agrees to deliver to Seller within ten (10) days of Seller's written request copies of all materials received from Seller and any non-privileged plans, studies, reports, inspections, appraisals, surveys, drawings, permits, applications or other development work product relating to the Property in Buyer's possession or control as of the date this Agreement is terminated.
- 44. Confidentiality.** Until and unless closing has been consummated, Buyer and Seller shall follow reasonable measures to prevent unnecessary disclosure of information obtained in connection with the negotiation and performance of this Agreement. Neither party shall use or knowingly permit the use of any such information in any manner detrimental to the other party.
- 45. Agency Disclosure.** Selling Firm, Selling Firm's Designated Broker, Selling Broker's Branch Manager (if any) and Selling Broker's Managing Broker (if any) represent the same party that Selling Broker represents. Listing Firm, Listing Firm's Designated Broker, Listing Broker's Branch Manager (if any), and Listing Broker's Managing Broker (if any) represent the same party that the Listing Broker represents. If Selling Broker and Listing Broker are different persons affiliated with the same Firm, then both Buyer and Seller confirm their consent to the Brokers' Designated Broker, Branch Manager (if any), and Managing Broker (if any) representing both parties as a dual agent. If Selling Broker and Listing Broker are the same person representing both parties, then both Buyer and Seller confirm their consent to that person and his/her Designated Broker, Branch Manager (if any), and Managing Broker (if any) representing both parties as dual agents. All parties acknowledge receipt of the pamphlet entitled "The Law of Real Estate Agency."

INITIALS: Buyer KT Date 1/19/22 Seller AK Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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46. Seller's Acceptance and Brokerage Agreement. Seller agrees to sell the Property on the terms and conditions herein, and further agrees to pay a commission in a total amount computed in accordance with the listing or commission agreement. If there is no written listing or commission agreement, Seller agrees to pay a commission of two (2) % of the sales price or \$ _____. The commission shall be apportioned between Listing Firm and Selling Firm as specified in the listing or any co-brokerage agreement. If there is no listing or written co-brokerage agreement, then Listing Firm shall pay to Selling Firm a commission of one (1) % of the sales price or \$ _____. Seller assigns to Listing Firm and Selling Firm a portion of the sales proceeds equal to the commission. If the earnest money is retained as liquidated damages, any costs advanced or committed by Listing Firm or Selling Firm for Buyer or Seller shall be reimbursed or paid therefrom, and the balance shall be paid one-half to Seller and one-half to Listing Firm and Selling Firm according to the listing agreement and any co-brokerage agreement. Seller and Buyer hereby consent to Listing Firm and Selling Firm receiving compensation from more than one party and irrevocably instruct the Closing Agent to disburse the commission(s) directly to the Firm(s). In any action by Listing Firm or Selling Firm to enforce this Section, the prevailing party is entitled to reasonable attorneys' fees and expenses. Neither Listing Firm nor Selling Firm are receiving compensation from more than one party to this transaction unless disclosed on an attached addendum, in which case Buyer and Seller consent to such compensation. The Property described in attached Exhibit A is commercial real estate. Notwithstanding Section 44 above, the pages containing this Section, the parties' signatures and an attachment describing the Property may be recorded.

Listing Broker and Selling Broker Disclosure. EXCEPT AS OTHERWISE DISCLOSED IN WRITING TO BUYER OR SELLER, THE SELLING BROKER, LISTING BROKER, AND FIRMS HAVE NOT MADE ANY REPRESENTATIONS OR WARRANTIES OR CONDUCTED ANY INDEPENDENT INVESTIGATION CONCERNING THE LEGAL EFFECT OF THIS AGREEMENT, BUYER'S OR SELLER'S FINANCIAL STRENGTH, BOOKS, RECORDS, REPORTS, STUDIES, OR OPERATING STATEMENTS; THE CONDITION OF THE PROPERTY OR ITS IMPROVEMENTS; THE FITNESS OF THE PROPERTY FOR BUYER'S INTENDED USE; OR OTHER MATTERS RELATING TO THE PROPERTY, INCLUDING WITHOUT LIMITATION, THE PROPERTY'S ZONING, BOUNDARIES, AREA, COMPLIANCE WITH APPLICABLE LAWS (INCLUDING LAWS REGARDING ACCESSIBILITY FOR DISABLED PERSONS), OR HAZARDOUS OR TOXIC MATERIALS INCLUDING MOLD OR OTHER ALLERGENS. SELLER AND BUYER ARE EACH ADVISED TO ENGAGE QUALIFIED EXPERTS TO ASSIST WITH THESE DUE DILIGENCE AND FEASIBILITY MATTERS, AND ARE FURTHER ADVISED TO SEEK INDEPENDENT LEGAL AND TAX ADVICE RELATED TO THIS AGREEMENT.

INITIALS: Buyer KT Date 1/19/22 Seller [Signature] Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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IN WITNESS WHEREOF, the parties have signed this Agreement intending to be bound.

Buyer City of Kirkland
 Printed name and type of entity

Buyer _____
 Printed name and type of entity

Buyer *[Signature]*
 Signature and title

Buyer _____
 Signature and title

Date signed 1/19/22

Date signed _____

Seller Houghton Village Partnership LLP, a WA limited liability partnership
 Printed name and type of entity

 Printed name and type of entity

Seller *[Signature]*
 Signature and title

Seller _____
 Signature and title

Date signed 1-12-22
managing partner

Date signed _____

INITIALS: Buyer *KT* Date 1/19/22 Seller *[Signature]* Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____



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EXHIBIT A *
 [Legal Description]

To be inserted upon receipt of preliminary commitment for title insurance.

* To ensure accuracy in the legal description, consider substituting the legal description contained in the preliminary commitment for title insurance or a copy of the Property's last vesting deed for this page. Do not neglect to label the substitution "Exhibit A." You should avoid transcribing the legal description because any error in transcription may render the legal description inaccurate and this Agreement unenforceable.

INITIALS: Buyer KT Date 1/19/22 Seller JH Date 1-12-22
 Buyer _____ Date _____ Seller _____ Date _____

EXHIBIT B
SELLER DOCUMENTS

- (a) Most recent survey related to the Property;
- (b) Van Cleave Survey;
- (c) Architect Drawings, A1-A12;
- (d) Landscape Plan – 1;
- (e) Geo-Dimension Drawings – 4;
- (f) Misc. Tenant Drawings;
- (g) Phase I and Phase II environmental investigation reports related to the Property;
- (h) Environmental Partners' proposal;
- (i) GEOTECH – Lab results for the catch-basin;
- (j) Department of Ecology Letter dated November 30, 1998;
- (k) A.A. Services dated October 29, 1997;
- (l) Safety Kleen Report;
- (m) Olympic Cleaners Disposal dated December 1, 2017;
- (n) Easement Deed;
- (o) Present lab reports;
- (p) 1998 Falkin Associates' site inspection report;
- (q) 1997 Slupski Appraisal; and
- (r) full and complete copies of existing leases, current rent rolls related thereto, and service contracts related to the Property, together with all amendments and modifications thereof.

KT 1/19/22



1-12-22

Addendum C

APPRAISER QUALIFICATIONS



S. Murray Brackett, MAI

Director of Right of Way, Aviation and Public Projects, Northwest Region

T +1 206 292 1600
M +1 206 595 1068
E murray.brackett@cbre.com

WA. Lic. 1100853

Client Summary

- Various Cities
- Counties
- Airports
- Port Districts
- Financial Institutions
- Corporations/Non-Profits
- Conservation Entities
- Attorneys

Education

- Bachelor degree in Business Administration from Western Washington University
- All courses requisite for the MAI designation by the Appraisal Institute.

Professional Experience

Mr. Brackett has been Appraising Real Property since 1985 and is currently a Director with CBRE in the Valuation Advisory Services division. He was formerly a partner with ABS Valuation for over 20 years. Professional responsibilities include the full range of commercial, industrial, residential product, including complex land valuations up to 100,000 acres in size. A considerable portion of his work involves partial acquisitions relating to eminent domain and conservation easements. In addition, a wide variety of Aviation related appraisals have been completed, including Ground lease revaluation efforts, Appraisals of leasehold positions in Hangars and other buildings, aviation easements and property for airport expansion. Improved and unimproved valuations have been performed for acquisitions in fee, leased fee and leasehold interests, and various partial interest assignments such as conservation easements, utility easements, subsurface, air rights and minority interest acquisitions. UASFLA-compliant Appraisals have been prepared for a wide variety of agencies on a wide range of property types. Mr. Brackett has qualified as an expert witness in King, Kitsap, Pierce County Superior Courts, US District Court and Federal Bankruptcy Court. Geographic experience includes Washington, Oregon, Idaho, California, Nebraska, Iowa, Kansas, South Dakota, Alaska and British Columbia.

Clients Represented

Government

- Cities:** Anacortes, Arlington, Auburn, Bellevue, Bothell, Burien, Everett, Kenmore, Kent, Kirkland, Leavenworth, Lk Forest Park, Lynnwood, Maple Valley, Mount Vernon, North Bend, Port Angeles, Puyallup, Renton, Seattle, Snoqualmie, Tacoma, Woodinville.
- Counties:** Island, King, Kitsap, Pierce, Skagit, Thurston, Snohomish, Whatcom
- Airports:** Sea-Tac, Boeing Field, Paine Field, Renton Municipal, Auburn, Arlington, Bellingham, Olympia, William Fairchild, Sanderson Field, Felts Field, Centralia/Chehalis, Bremerton, Pullman, Orcas Island, Friday Harbor.

PROFILE

Other: Ports of Everett, Grays Harbor, Anacortes, Seattle, Shelton, Olympia, Bremerton, Port Angeles, Friday Harbor. Washington State DNR, Wa.St. Parks, WSDOT (approved appraiser), U.S. IRS, FAA, Sound Transit, USACE, US Navy. Numerous School Districts.

Financial Institutions

Bank of America, US Bancorp, KeyBank, Wells Fargo Trust, Commerce Bank, Homestreet, Umpqua, Charter Bank, Union Bank.

Corporations/NonProfits

Weyerhaeuser, WRECO, Tramco, Plum Creek, McDonalds Corp., PSE, Development Services of America, Lowe Enterprises, PACCAR, Hancock Natural Resources Group, The Trust for Public Land, Forterra, HDR, Sierra Pacific, Quadrant, Port Blakely, CH2M-Hill, Parsons Brinckerhoff, New Ventures Group, Williams Pipeline, Manke lumber, Fletcher General, Costco, Nucor Steel.

Attorneys

Prosecuting Attorneys of numerous Cities and Counties, as well as Miller Nash, Williams & Williams, Karr Tuttle, Chmelik, Sitkin & Davis, PRK Livengood, Hillis Clark, Kenyon Disend, Perkins Coie, K&L Gates, Inslee Best, Tousley Brain Stephens, Davis Wright Tremaine, Pacifica Law Group, Betts Patterson Mines, Williams Kastner, Foster Garvey.

Other Experience

Instructor

- Runstad Real Estate Certification Program, University of Washington – Current
- IRWA – Previously Qualified as Level 3 Facilitator
- Former Income Property Appraisal Course Instructor, LWVT, Kirkland, Wa.

Presentations

- November 2019: Anatomy of an Appraisal Trial, The Seminar Group
- December 2014: Appraising Airports and Airplane Hangars, AI
- September 2009: Valuation of Airport Properties, WAMA
- October 2003: The Valuation of Non-Water Dependent Properties, WPMA

Professional Affiliations

- Appraisal Institute. Received MAI Designation May 2, 1997 (member # 11,258)
- Past President, Seattle Chapter of the Appraisal Institute, 2003
- IRWA. Current Chapter Treasurer
- Washington Airport Manager's Association (WAMA) – Associate Member

