



Restricted Appraisal Report

Bainbridge Island Athletic Club | Bainbridge Island, WA

as of July 2, 2021



Prepared for

Hayes Gori

Prepared by

Peter K. Shorett, MAI, CRE, FRICS

KM Job A21-1058

Kidder Mathews

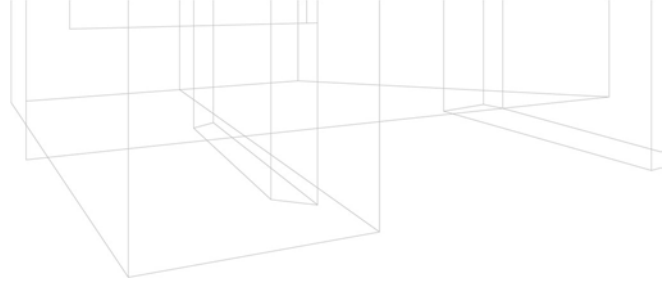
Valuation Advisory Services

601 Union Street, Suite 4720

Seattle, WA 98101

206.205.0200 | Fax 206.205.0220

peter.shorett@kidder.com



July 9, 2021

Hayes Gori
271 Wyatt Way NE, Suite 112
Bainbridge Island, WA 98110

Re: Bainbridge Island Athletic Club
11700 Meadowmeer Circle NE
Bainbridge Island, WA

Dear Mr. Gori:

At your request, I have prepared a Restricted Appraisal of the referenced property. The purpose of this appraisal is to provide you with a market value estimate for internal decision-making purposes.

This Restricted Appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) under the scope outlined below. These services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The appraisal complies with the reporting requirements of USPAP for restricted report presentation. Data, reasoning, and analysis are simply stated with all the necessary and supporting documentation retained in our files.

The intended user of this report is considered a regular consumer of appraisal reports and understands the limited nature and limited transferability of an appraisal that is less than a more comprehensively presented appraisal document. This report is not be suitable for other uses and I am not responsible for unauthorized use of this report.

The intended users of this appraisal are you and representatives designated by you from Bainbridge Island Metropolitan Park & Recreation District (Parks Department) and the City of Bainbridge Island.

Interests Appraised

This is an appraisal of the fee simple interest in the property.

Scope of Appraisal

The valuation process involved:

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1. I was accompanied by Shelly Stockman, owner of the property for an interior and exterior inspection on July 2, 2021.
2. A review of partial building drawings provided by the property owner.
3. Review of the financial analysis prepared by Steven Kessler, CPA who provided a business value estimate for the athletic club operations on behalf of the Parks Department.
4. Review of Building Inspection Services, Inc. report dated June 29, 2021 who performed an inspection of the building on behalf of the Parks Department.
5. Both the Sales Comparison and Income Capitalization Approaches were used to determine the value of the property. Because of the buildings older age, it is difficult to estimate depreciation and the Cost Approach was not used. Further, this is not a generally recognized valuation methodology for a building of this vintage.
6. Comparable building sale and rental data was researched using a combination of data sources including CoStar, LoopNet, public records, and Kidder Mathews' in-house databases.
7. Knowledgeable market participants were interviewed including real estate brokers, property owners and managers.
8. Public records were reviewed for property specific data.

Identity of Property

The subject of this appraisal consists of the real estate component of the Bainbridge Athletic Club located at 11700 Meadowmeer Circle on Bainbridge Island, Washington. It is commonly identified as Kitsap County Assessor tax parcel number 142502-3-092-2004.

Ownership History

Shelly Stockman owns both the business and real estate interests in the Bainbridge Athletic Club. The business is operated as a Washington corporation and the real estate is held under the name BAC Court LLC.

The real estate and business enterprise property is currently under contract at a price of \$13,150,000 to the Parks Department. The seller approached the buyer after fielding an inquiry from a regional athletic club operator who expressed interest in purchasing the property at a price that was not disclosed. With the assistance of Steven Kessler, CPA and through negotiations

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between the two parties, they agreed to the \$13,150,000 purchase price subject to a 30-day diligence period.

The value of the business enterprise as estimated by Mr. Kessler in a range between \$3,450,000 and \$4,400,000. The value of the real estate estimated in this appraisal for is \$8,850,000. The summation of the real estate and business values equals \$12,300,000 to \$13,250,000 and is within the range of the purchase price.

Note that implicit in the summation of the real estate and business enterprise components are continued operations as they exist today. Any increase or decrease in either revenue or expenses from a change in how the property is being operated could impact the business enterprise value and potentially the value of the real estate.

To the best of my knowledge, the property has not recently been listed for sale nor am I aware of any other offers to purchase the property.

Purpose of Appraisal

This appraisal determines the property's market value. The term "Market Value" is defined as:

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

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- e. 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.*

Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [h].

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Date of Appraisal

July 2, 2021

Date of Appraisal Preparation

July 9, 2021

Property Overview

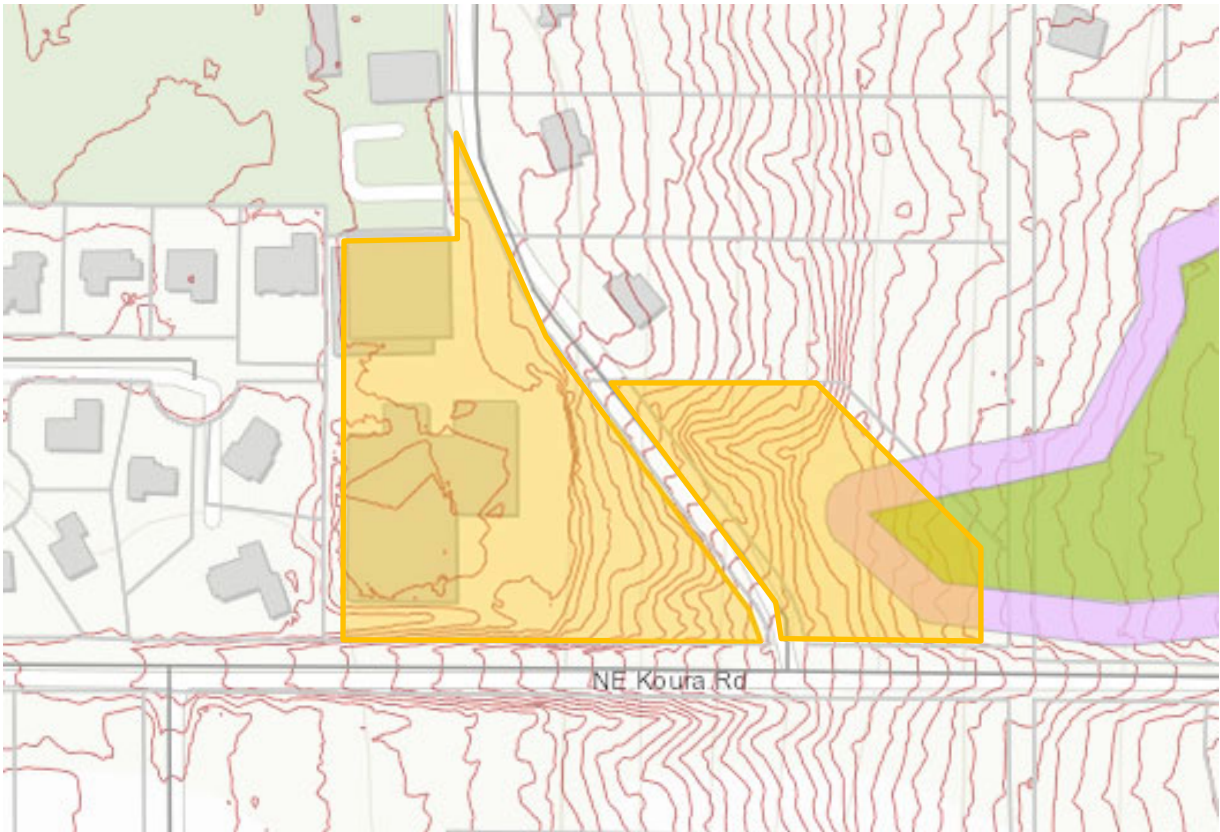
The Bainbridge Island Athletic Club (BIAC) is within the Meadowmeer residential community, one of the first planned communities on Bainbridge Island in the 1970's, turning strawberry fields into a golf course and homes. The community consists of a network of single-family homes built around the golf course with most homes retaining their original character. The development is complete with its own community water system with each home on an individual septic sewer system.

BIAC is at the southeast entrance to the community off Meadowmeer Circle Road with primary access just off Koura Road, an east and west arterial connecting west Bainbridge Island with State Route 305, the major north and south highway serving the island. It is about 4 miles north of downtown Bainbridge Island (formerly known as Winslow) and the Bainbridge Island ferry terminal that provides access to downtown Seattle. Downtown Poulsbo is about 9 miles to the northwest via SR 305.

BIAC is the premier athletic facility on the island, and it is the only to offer tennis and swimming options. The next largest facility offering similar gym improvements is Island Fitness in downtown Bainbridge Island. And there are a few small operations offering cross fit or specialty athletic training, but nothing the scale as the BIAC. Although renovated and remodeled over the years, this is a good quality full-service athletic club.

The Kitsap County Assessor identifies the property as containing 5.61 acres of land area. Only the west half of this area is useable because of sensitive areas (steep slopes and wetland buffers). It is zoned R-0.4 or 1 unit per 2.5 acres, but the building improvements were constructed before the City was incorporated in 1991 and is grandfathered as a legally nonconforming use.

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The first building was built in 1978 with the 3 tennis courts, several racquetball courts, and some gym space. There was also a dome or bubble building that housed 2 tennis courts. It was converted into a more formal athletic club in 2005 with the addition of the east wing, and conversion of the racquet ball courts into offices and workout space. The dome bubble building was replaced with a metal frame structure in 2010. There have been continued renovations and upgrades, including the addition of an outdoor pool in 2018 and conversion of one tennis court in the dome bubble building to basketball, volleyball and pickleball courts. The main athletic club building is complete with men and women's restrooms with showers, lockers, sauna, and steam rooms. An elevator in the east building serves the second floor. The buildings are of wood and steel frame construction and are in good condition.

The Building Inspection Services, Inc. report identifies a number of relatively small repair and maintenance items. And items such as the condition of the heating, ventilation, and air conditioning units (HVAC) and roof is not known because they have not been formally inspected by specialists. At this time, there is no cost estimate for those repairs, and it may be appropriate to apply deductions for those items if they are significant.

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Detailed drawings were provided for the east building added in 2005 and it includes the measurements for the footprint of the west building, but not the new structure housing the 2 tennis courts on the north side of the property. The areas on these drawings generally match the Kitsap County Assessors measurements, however, they do not reflect the addition of a second floor over a former racquet ball court on the west end of the building. That added 800 sq ft to the building area. The assessor also does not include roughly 200 sq ft for the recently added concession and bathrooms off the pool area. Excluded from these areas is an older wood building at the northwest corner of the property that is used for storage and is not integral to the athletic club operations. For this appraisal, the assessor footages with the small additions will be used. These are summarized as:

Main Tennis Building	24,320
Tennis Building Mezzanine Add-on	800
Fitness Building	14,284
Pool Concessions & Bathrooms	200
North Tennis Building	<u>13,924</u>
Total Building Area	53,528

The Kitsap County Assessor estimates values for 2022 for taxes payable in 2021. The current real estate tax obligation from the Kitsap County Assessors website is:

Parcel Number	2022 Assessed Value			2021
	Land	Improvements	Total	Taxes
142502-2-011-2004	\$476,270	\$4,298,670	\$4,774,940	\$52,140

This is down from the 2021 assessment that totaled \$5,373,680 but above the 2020 value of \$3,795,210. All of the assessor’s estimates are below the actual market value estimated in this report, which is typical off property assessments, particularly for one that is as difficult to value as the BIAC where they would have no access to the financial performance of the property.

Highest & Best Use

As presented in the following Income Capitalization Approach, the facility is very well run providing a strong profit return after paying rent close to market in pre-pandemic market conditions. The drop in revenue in 2020 and into 2021 is directly attributable to the occupancy restrictions imposed by the governor of Washington State because of the pandemic. As of the date of the appraisal, membership was down about 12%. With restrictions being lifted June 30, 2021, it is expected that club operations will return to pre-pandemic levels later this year and certainly by 2022.

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In conclusion, the highest and best use of the property as improved is continued use as a full-service athletic club.

Property Valuation

Income Capitalization Approach

This approach provides a value based on an estimate of the building's income producing potential. It is based on a market rent estimate supported by current business operations and comparison with rental data from other operating athletic club facilities. Then, deductions for vacancy and non-reimbursable expenses are made resulting in a net operating income estimate that is be capitalized into a value based upon market derived rates of return (capitalization rates).

Athletic club facilities are either operated by a national brand (24 Hour Fitness, Golds Gym, LA Fitness, Planet Fitness), or are independently operated by local ownership groups (BIAC, Washington Athletic Club, Seattle Club, Olympic Athletic Club, PRO Fitness) or operated by not-for-profit groups (YMCA, municipalities, park departments).

National brands tend to lease space designed for their specific needs and are typically valued by direct income capitalization with the risk of the investment based on the creditworthiness and financial success of the larger company.

Facilities like BIAC are usually owned and operated by the by the same entity with an internal lease to allocate rent for the real estate. Rent is treated as an operating expense that varies depending on the financial performance and profitability of the business, and it is not a legally binding document. It is important to study the financial performance of the property. The amount of rent allocated to the business operations is integral to provide a financial return to the ownership group. A successful enterprise will be able to pay a market rent and provide a reasonable profit return.

The third category are those that own and operate centers for community benefit. These are more difficult to value because they are not operated on a for profit basis.

Steven Kessler, CPA was retained to perform a value of BIAC's business enterprise and had access to the detailed financial performance of the property from 2017 to date. I have reviewed the financial analysis prepared by Mr. Kessler. The Company has been paying rent in varying amounts to BAC Court LLC ranging from around \$540,000 to just over \$615,000 in normal pre-pandemic conditions (2017 through 2019), which represents a normal business operating

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environment. This equals \$10.09 sq ft and \$11.50 sq ft of building area respectively. At these amounts, the Company generates a solid profit after paying rent. While the pandemic did substantially affect revenue and rent paid to BAC Court LLC, it is fair to conclude that with the easing of restrictions by the governor and full opening of club operations on June 30, 2021, that the financial performance of the club should soon match historical performance.

These rental payments are close to market rent rates. The following summarizes rental details for athletic club facilities in the greater Pacific Northwest. First generation space is new designed for the operator's specific use for national operators with defined platforms such as Golds Gym or 24-Hour Fitness for example. These rent rates tend to be higher than second-generation space that was formerly occupied by as athletic club or repurposed like a vacated big box retail space. Second-generation rent varies depending on location, age, and quality of improvements along with amenities that the facilities provide. These range from a low of \$4.35 sq ft for a pure tennis center to \$20.90 sq ft for second-generation space that received a substantial renovation into what is almost the equivalent of first-generation space. The other most recent rents for more typical athletic club facilities range from \$11.75 sq ft to \$16.51 sq ft.

Based on the comparable rental data, and the financial performance of BIAC, a market rent will fall towards the lower end of the range, partially because of the four tennis courts that are less costly to build (then rent) than traditional athletic club improvements and because the pool is not enclosed. In my opinion, market rent for BAIC is \$12.00 sq ft. This is a triple net rent, meaning all expenses of operation are paid by the tenant including professional management fees, real estate taxes and property insurance typically paid for by the landlord and reimbursed by the tenant. This rent would be structured with a 10-to-15-year lease with periodic adjustments every five years, similar to the rental comparisons.

A 2.5% vacancy and credit loss is appropriate given the strong occupancy history for the property. It has been occupied and operated in some form of an athletic club since it was built 45 years ago. That said, an investor would apply a nominal deduction if nothing more than for late rent payments. Professional property management is estimated at 3% of gross effective income, and real estate taxes are estimated to increase assuming a sale and reassessment. Insurance is deducted at \$0.40 sq ft, a rate typical for a commercial or retail building type like BIAC. These are all to be reimbursed by the tenant. Structural reserves are estimated at \$0.10 sq ft and are non-recoverable.

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SUMMARY OF RENTAL COMPARISONS

No.	Name & Location	Building Age	Sq Ft	Term Start	%Δ	Rent Schedule	Comments
<u>First Generation Space</u>							
1	LA Fitness 19800 Hwy. 99 Lynnwood	2013	45,000	15 years 2013	10% 10%	\$21.00 years 1-5 \$23.10 years 6-10 \$25.41 years 11-15	Basketball, racquetball, indoor pool \$100/sf TI for new BTS
2	Gold's Gym 2909 Duportail W Richland, WA	2012	56,700	15 yrs 2012	1.25% annual	\$14.39 Year 1 \$16.09 Current	Basketball, racquetball, indoor pool
3	24 Hour Fitness 621 Black Lake Blvd SW Olympia	2007	40,000	15 years 2007	12% 12%	\$18.00 years 1-5 \$20.16 years 6-10 \$22.58 year 11-15	\$75/sq ft TI, new build-to-suit adjacent to Capital Mall, no special amenities
4	LA Fitness 1200 Galaxy Drive Lacey	2007	45,000	15 years 2007	10% 10%	\$17.00 years 1-5 \$18.70 years 6-10 \$20.57 years 11-15	Basketball, racquetball, indoor pool, reverse build-to-suit. TT built, LL provided \$90/sq ft to shell
<u>Second Generation Space</u>							
5	24 Hour Fitness 301 37th Ave SE Puyallup	1993	39,425	10 Years 2019	6%	\$16.51 years 1-5 \$17.53 years 6-10	\$39/sq ft TI. Former Lowes demised for At Home and 24 Hour Fitness. Currently closed.
6	Planet Fitness 2217 N Pearl Tacoma	1989	22,336	10 years 2018	10%	\$11.75 years 1-5 \$12.93 years 6-10	Anchor in neighborhood center. No special amenities.
7	CircusTrix/Defy 301 37th Ave SE Puyallup	1986	29,275	10 Years 2018	2%	\$12.75 Year 3	Extreme trampoline and obstacle course.
8	United States Tennis Assoc. 1680 S Mildred Tacoma	1986	38,587	15 years 2018	10% 10%	\$4.35 years 1-5 \$4.79 years 6-10 \$5.27 years 11-15	6 tennis courts in portion of former Bally's Fitness. \$6/sq ft TI, 2 months free. Starts at \$4.20/sq ft with 2% annual escalations. 5/1K
9	24 Hour Fitness 111 S 38th Street Tacoma	1986	44,647	20 years 2016	10% 10%	\$19.00 years 1-5 \$20.90 years 6-10 \$22.99 years 11-15	Indoor pool, basketball, olympic training ring, absolute net. Conversion of former food store. \$68/sf TI.
10	Arena Sports 9040 Willows Road Redmond	1967	50,000	5 years 2016	CPI	\$10.27 years 1-5	Indoor soccer fields. Renewal, rent months 1-10 at \$9.59/sq ft, then \$9.68/sq ft. Annual CPI. Portion of 88,990 sq ft warehouse.
11	24 Hour Fitness 7320 170th Ave. NE Redmond, WA	2000	49,822	15 Yrs 2013	11.0% 11.0%	\$16.25 Years 1-5 \$18.04 Years 6-10 \$20.02 Years 11-15	Basketball, indoor pool. New lease at former Larry's Market. Three, 5-yr renewal options.
12	LA Fitness - Totem Lake 12321 120th Pl. NE Kirkland, WA	1989; ren '12	49,260	15 Yrs 2012	Flat 10.0% 10.0%	\$19.00 Years 1-5 \$20.90 Years 6-10 \$23.00 Years 11-15	Basketball, racquetball, indoor pool. Lease at former Joes/Larry's Market store in Totem Lake. Tenant received a TIA near \$50/sf.

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The net operating income is estimated at \$615,642 per year. This is capitalized into a value at rates that range from 6.75% to 7.25% as supported by comparable market sales shown later in this report. The rates of return provided from four of the comparisons in the sales comparison approach range from a low of 6.5% to a high of 7.5%. A survey of national athletic club sales shows rates of return ranging from a low of 5.9% to 8% with an average and mean of 6.8%. Because BIAC is not affiliated with a national to reduce security risk, the rate for the property should fall towards the upper end of the capitalization rate spectrum.

National Athletic Club Sales - Capitalization Rates

Name	City	State	Sale Date	GBA (SF)	Sale Price	\$/SF	Cap Rate
Planet Fitness	Tucson	AZ	Under Contract	25,000	\$5,000,000	\$200	7.5%
Axiom	Meridian	ID	Under Contract	39,600	\$9,600,000	\$242	6.8%
LA Fitness	LA Fitness	TX	Under Contract	43,801	\$11,181,400	\$255	6.2%
Major A	Gilbert	AZ	5/25/2021	30,000	\$6,100,000	\$203	6.9%
Caughlin Club	Reno	NV	10/9/2020	23,396	\$5,550,000	\$237	6.2%
City Sports Club	Hayward	CA	2/26/2020	41,000	\$16,000,000	\$390	6.6%
LA Fitness	Mesa	AZ	12/20/2019	45,000	\$10,325,000	\$229	6.3%
24 Hour Fitness	Houston	TX	11/15/2019	50,000	\$9,273,000	\$185	6.6%
LA Fitness	Cedar Park	TX	11/4/2019	34,000	\$10,642,276	\$313	6.2%
Crunch Fitness	Van Nuys	CA	10/8/2019	20,500	\$6,700,000	\$327	5.9%
LA Fitness	Maplewood	MN	10/1/2019	35,962	\$7,700,000	\$214	7.2%
LA Fitness	West Orange	NJ	9/30/2019	48,200	\$17,994,667	\$373	7.5%
12th Street Plaza	Ogden	UT	9/20/2019	54,743	\$7,800,000	\$142	7.0%
LA Fitness	Stoughton	MA	9/9/2019	45,000	\$14,935,000	\$332	7.1%
LA Fitness	Douglasville	GA	8/15/2019	45,000	\$10,600,000	\$236	6.3%
Legacy Trails	San Antonio	TX	7/9/2019	38,573	\$8,000,000	\$207	7.4%
LA Fitness	Irvine	CA	6/28/2019	41,000	\$18,500,000	\$451	5.4%
LA Fitness	Fort Washington	PA	6/26/2019	41,000	\$9,048,331	\$221	7.3%
LA Fitness	Gilbert	AZ	5/22/2019	44,462	\$11,750,000	\$264	6.1%
24 Hour Fitness	Sugar Land	TX	4/30/2019	47,737	\$9,339,000	\$196	7.2%
Crunch	Norman	OK	4/12/2019	35,771	\$5,064,500	\$142	8.0%
24 Hour Fitness	Fort Worth	TX	3/22/2019	42,267	\$15,177,000	\$359	7.9%
24 Hour Fitness	Indio	CA	2/5/2019	36,612	\$14,325,000	\$391	6.7%
LA Fitness	Edina	MN	1/30/2019	60,196	\$13,650,000	\$227	6.7%
	Orlando	FL	1/25/2019	38,000	\$10,845,000	\$227	6.8%
						Low	5.9%
						High	8.0%
						Average	6.8%
						Median	6.8%

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Based on this, the value of the property ranges from \$8,520,000 to \$9,150,000 reconciled to \$8,850,000 or \$165 sq ft of building area.

DIRECT CAPITALIZATION SUMMARY

INCOME	Sq Ft	Appraiser's Forecast	
		\$/Sq Ft	Annual
Base Rental Income	53,528	\$12.00	\$642,336
Recoveries			
Management			\$22,185
Property Taxes			75,000
Insurance			21,411
Sub-totaled Recoveries			\$118,596
Potential Gross Income			\$760,932
Vacancy & Collection Loss		2.5%	(\$19,023)
Effective Gross Income			\$741,909
Expenses			
Management		3.0%	(\$22,257)
Real Estate Taxes			(75,000)
Insurance		\$0.40	(21,411)
Recoverable Expenses			(\$118,668)
Non-recoverable Expenses			
Structural Reserves		\$0.10	(\$5,353)
Total Expenses			(\$124,021)
Net Operating Income			\$617,888
	Capitalized @		
		6.75%	\$9,150,000
		7.25%	\$8,520,000
	Reconciled:	6.98%	\$8,850,000

Sales Comparison Approach

The comparable sales data follows similar trends to the rental data. Sales with national brands as tenants like 24 Hour Fitness and LA Fitness have strong financial backing and tend to sell for higher prices per square foot because they are tied to higher rents from build to suite arrangements (\$181 sq ft to \$311 sq ft). The non-branded properties like Comparison 4 - Courtspport Athletic Club, or Comparison 5 - Timberhill Athletic Club or Comparison 8 - Woodinville

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Athletic Center traded at lower prices from \$117 sq ft to \$200 sq ft. BIAC fits within this latter category.

And like the rental data, there is not one facility truly comparable to BIAC. But some benchmarks can be made, such as low and high value indicators. This can be a test of reasonableness to the value estimated in the income capitalization approach at \$165 sq ft.

The BIAC is more valuable than Comparison 2 at \$115 sq ft. This property has six tennis courts occupied by USTA with no other substantive improvements other than restrooms. The other half of the building is leased to an extreme trampoline operator and this space is largely open warehouse. The property is also more valuable than comparison 4A & 4B at \$117 sq ft because Bainbridge Island has a much stronger demographic profile with a population of higher household incomes than found in Springfield and Eugene, Oregon. The same is true with Comparison 5 located in Corvallis Oregon at \$135 sq ft. However, BIAC is slightly inferior to Comparison 7 at \$181 sq ft even though it is in an inferior Richland Washington location because Gold's Gym is the tenant. Comparison 8 in Woodinville at \$200 sq ft is also superior because LA Fitness is the primary tenant.

The value of \$165 sq ft estimated by income capitalization is reasonably supported by the comparable sales data.

SUMMARY OF SALE COMPARISONS

No.	Name & Location	Year	Land Sq Ft Land:Bldg.	Building Sq Ft Parking	Sale Date	Sale Price	\$/Sq Ft	NOI/sq ft Cap Rate	Amenities	Comments
1	Axiom Meridian 1455 Country Terrace Court Meridian, ID	2002	141,701 3.58	39,600 NA	Listing	\$9,600,000	\$242	\$16.39 6.76%	Traditional fitness Basketball Climbing wall	15-year lease signed in 2019.
2	Mildred Street Athletic Center 1680 South Mildred St. Tacoma	1978/86	133,630 1.97	67,862 1.4/1Ksf	Listing	\$7,780,000	\$115	\$8.03 7.00%	Indoor tennis Extreme trampoline	New leases signed in 2018 for Galbreath Tennis Center (USTA) and Defy (a CircusTriX brand).
3	24 Hour Fitness 1265 NW Waterhouse Ave Beaverton, OR	2010	149,846 3.19	47,000 4.3/1Ksf	Dec-19	\$14,606,754	\$311		Traditional fitness Indoor pool Basketball & racquetball	Price is allocated from part of 202 property portfolio sale.
4A	Courtsport Athletic Club 4242 W 11th St. Eugene, OR	1994	74,488 2.18	34,118 2.1/1Ksf	Sep-18	\$3,998,000	\$117		Traditional fitness Indoor tennis & pool Basketball & racquetball	Two property portfolio sold together with business sold separately.
4B	Courtsport Athletic Club 2728 Pheasant Blvd. Springfield, OR	1999	131,551 3.76	35,000 3.9/1Ksf	Sep-18	\$4,102,000	\$117		Traditional fitness Indoor tennis & pool Basketball & racquetball	Two property portfolio sold together with business sold separately.
5	Timberhill Athletic Club 2855-65 NW 29th St Corvallis, OR	2007	160,301 3.88	41,324 4.2/1Ksf	Dec-17	\$5,595,100	\$135		Traditional fitness Basketball & racquetball Pickleball, indoor pool	
6	24 Hour Fitness 111 S 38th St Tacoma, WA	2003	159,865 3.58	44,647 2.5/1Ksf	Apr-17	\$13,500,000	\$302		Traditional fitness Basketball Indoor pool	Sold for \$5.6 on 10/2016 New lease, Rachel may know.
7	Gold's Gym 2909 Duportail W Richland, WA	2012	281,833 4.97	56,741 2.6/1Ksf	May-16	\$10,250,000	\$181	\$13.55 7.50%	Traditional fitness Basketball & racquetball indoor pool	
8	Woodinville Athletic Center 18512-600 Woodinville Snohomish Rd NE Woodinville, WA	2003	141,134 2.36	59,850 3.1/1Ksf	Feb-16	\$11,970,000	\$200	\$14.74 7.37%	Traditional fitness Indoor pool	Gold's Gym occupies 85% of the space, other tenants include Home Court, Oasis Nedspa & Salon occupy the balance.
9	LA Fitness 27417 Pacific Hwy S. Federal Way	2007	188,615 4.19	45,000 0.24	Oct-15	\$12,188,000	\$271	\$17.56 6.48%	Traditional fitness Basketball & racquetball Indoor pool	New LA Fitness on a 15 year lease.

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Value Conclusion

The income capitalization approach is the most appropriate method for valuing the property as there are no truly comparable sales to BIAC. The sales comparison approach does provide some benchmark value indications and does support the value by the income approach. Based on this, it is my opinion that the value for the Bainbridge Athletic Club property, as of July 2, 2021, is \$8,850,000.

I trust this information is helpful. If I can be of further assistance, my direct line is 206.205.0201.

Respectfully submitted,



Peter K. Shorett, MAI, CRE, FRICS
State-Certified General Real Estate
Appraiser #1100389

PKS/ds

Attachments

Certification & Limiting Conditions
Appraiser's Experience Data



ATTACHMENTS



Certification

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

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
- 7) My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 8) I have made a personal inspection of the property that is the subject of this report.
- 9) I have not provided professional appraisal or consulting services concerning the subject property within the past three years.
- 10) No one provided significant real property appraisal assistance to the person signing this certification.
- 11) I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Practice, which include the Uniform Standards of Professional Appraisal Practice.
- 12) I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, Peter K. Shorett, MAI has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

Peter K. Shorett, MAI, CRE, FRICS
State-Certified General Real Estate
Appraiser #1100389



Limiting Conditions

Limiting conditions specific to this appraisal are:

- 1) Physical dimensions for the property were taken from public records or from information provided, and the appraiser assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 2) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
- 4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 5) The appraiser is not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
- 6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which he/she is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraiser. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.



PETER K. SHORETT, MAI, CRE, FRICS

**Executive Vice President, Shareholder
Valuation Advisory Services**

Peter Shorett entered private appraisal practice with Shorett & Riely in 1980 and was promoted to manager of the office in San Jose, California in 1985 and returned to practice at the Seattle office in 1990. He founded the Valuation Advisory Services division of Kidder Mathews in 1995.

In 1985 Mr. Shorett was awarded his MAI designation by the American Institute of Real Estate Appraisers (now known as the Appraisal Institute) and earned his CRE (Counselor of Real Estate) designation in 1999. He is a certified member of the Commercial Investment Real Estate Institute (CCIM) and has completed the requirements under the continuing education program of the Appraisal Institute. He has served as a Director of the Seattle Chapter of the Appraisal Institute and has served or led on the Candidates Guidance, Finance and Public Relation Committees. He also was appointed Chairman of the Seattle Chapter of the Counselors of Real Estate. In 2008 he became a Fellow of the Royal Institute of Chartered Surveyors (FRICS), the European equivalent of MAI. He serves on the Board of the Runstad Center for Real Estate Research at the University of Washington.

Mr. Shorett specializes in providing valuation and consultation for mediation, arbitration, litigation support and expert witness testimony. He has a wide diversified background in appraisal, market analysis and counseling for the development, acquisition, sale, leasing and financing of major urban real estate throughout the continental Western United States, including the cities of Seattle, Portland, San Francisco and Los Angeles.

Property types studied include apartments, churches, shopping centers, office and industrial buildings, marinas, condominiums, convention hotels, motels, golf courses, parking garages, medical clinics, service stations, residential subdivisions, nursing homes, retirement apartments, vacant land and numerous special-purpose and single-use properties. Mr. Shorett has extensive experience in working with owners whose property is acquired by condemning agencies such as Sound Transit or Local Improvement Districts (LID). Other assignments have included the valuation of leasehold interests, market analysis and lease-up studies for various investors and business groups.

PROFESSIONAL AFFILIATIONS

MEMBER OF Appraisal Institute (MAI)

COUNSELORS of Real Estate (CRE)

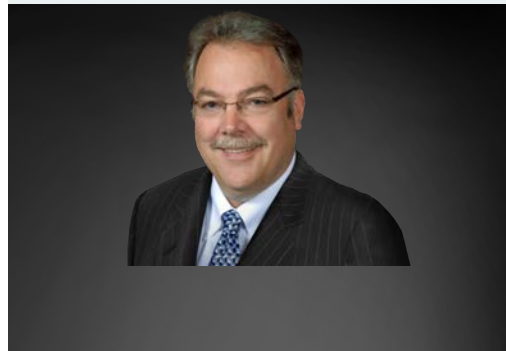
CERTIFIED Commercial Investment Member Designee (CCIM)

FELLOW of the Royal Institute of Chartered Surveyors (FRICS)

SELECT CLIENT LIST

Attorney/Law Firms

- Bush Kornfeld
- Cairncross & Hemplemann
- Davis Wright Tremaine
- Dorsey Whitney
- Drumheller
- Ellis Li & McKinstry
- Foster Pepper
- Hansen Baker
- Karr Tuttle Campbell
- K&L Gates
- Lane Powell
- Lasher Holzapfel Sperry & Ebberson
- Miller Nash Graham & Dunn
- Perkins Coie
- Pillsbury Winthrop Shaw Pittman
- Schwabe Williamson & Wyatt
- Stafford Frey Cooper



T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101



COURT EXPERIENCE

- United States Bankruptcy Court
- United States Federal Court
- King County, Washington Superior Court
- Kitsap County, Washington Superior Court
- Pierce County, Washington Superior Court
- Snohomish County, Washington Superior Court
- Santa Cruz County, California Superior Court

EDUCATION

BUSINESS ADMINISTRATION, Western Washington University (1980)

PROFESSIONAL LICENSES

STATE OF WASHINGTON Certified General Real Estate Appraiser (No. 1100389)

STATE OF OREGON Certified General Real Estate Appraiser (No. C000599)

STATE OF CALIFORNIA Real Estate Appraiser License (AG014564)

STATE OF IDAHO Real Estate Appraiser License (CGA-3932)

Reciprocal agreements with other states as needed

ADDITIONAL CLIENTS

Corporations/Property Owners

3M Corporation	Goodman Financial	Miller Brewing Company
Albertsons, Inc.	Health Science Properties	Nitze-Stagen
Bekins Company	Hertz Corporation	Nobel House Hotels & Resorts
Bristol Meyers Squibb	International Paper Company	Northwest Airlines
Clise Properties	KCTS Channel 9	Northwestern Trust
Consolidated Restaurants, Inc.	Kilroy Industries	Olympic Resource Management
Delta Airlines	KMPG	PACCAR
Fred Hutchinson	Lindal Cedar Homes	Pine Street Associates
Gai's Bakery	Lone Star Northwest	Portac, Inc.
Goodale & Barbieri	McDonalds Corporation	Rayonier

Attorney/Law Firms Continued

Stokes Lawrence

Stoel Rives

Tousley Brain Stephens

Williams Kastner

T 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101

**Corporations/Property Owners Cont'd**

Seattle Seahawks	Swinomish Tribal Community	Union Carbide
Skokomish Tribal Community	The Boeing Company	Vulcan, Inc.
Southland Corporation	Unigard Security Insurance	Wesley Homes
		YWCA

Development Companies

Bentall Corporation	Quadrant	Trammell Crow
Lincoln Property Co.	Sobrato Development Co.	Wright Runstad & Co
Opus		

Financial Institutions/Life Insurance Companies

AETNA Life Ins. Co.	Group	T. Rowe Price
Amresco	Home Street Bank	The Union Bank of California
Allstate Life Ins. Co.	InterWest	TIAA-CREF
Bank of America	Key Bank	Transamerica Insurance Co.
CitiCorp	L.J. Melody & Co.	US Bancorp
Coldwell Banker Financial	Manufacturer's Hanover Trust Co.	Washington Capital Management
Collateral Mortgage	Mellon Financial	Washington Mutual
Crown Life Ins. Co.	Merrill Lynch	Washington Trust Bank
First Horizon	Morgan Stanley	Wells Fargo Bank
Frontier Bank	New York Life	
GE Capital	Pacific NW Bank	
Glaser Financial	Sterling Savings	

† 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101



Governmental Agencies/Port Authorities/Nonprofits

City of Bainbridge Island	King County Dept. of Transportation	Port of Seattle
City of Half Moon Bay	King County Property Services	Port of Tacoma
City of Kirkland	King County Prosecutor's Office	Sound Transit
City of Santa Cruz	Port of Anacortes	The Nature Conservancy
City of Seattle	Port of Chelan	Trust for Public Land
Dept. of Natural Resources (WA State)	Port of Friday Harbor	United States Postal Service
General Services Administration	Port of Port Townsend	Washington State Attorney General's Office
Internal Revenue Service	Port of Renton	

☎ 206.205.0201
peter.shorett@kidder.com

601 Union St
Suite 4720
Seattle, WA 98101



STATE OF WASHINGTON

DEPARTMENT OF LICENSING – BUSINESS AND PROFESSIONS DIVISION
THIS CERTIFIES THAT THE PERSON OR BUSINESS NAMED BELOW IS AUTHORIZED AS A



CERTIFIED GENERAL REAL ESTATE APPRAISER

PETER K SHORETT
601 Union St
Seattle WA 98101-2341

1100389

License Number

01/06/1992

Issue Date

04/10/2023

Expiration Date

Teresa Berntsen
Teresa Berntsen, Director