



King County

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Lloyd Hara
Assessor

As we start preparations for the 2012 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

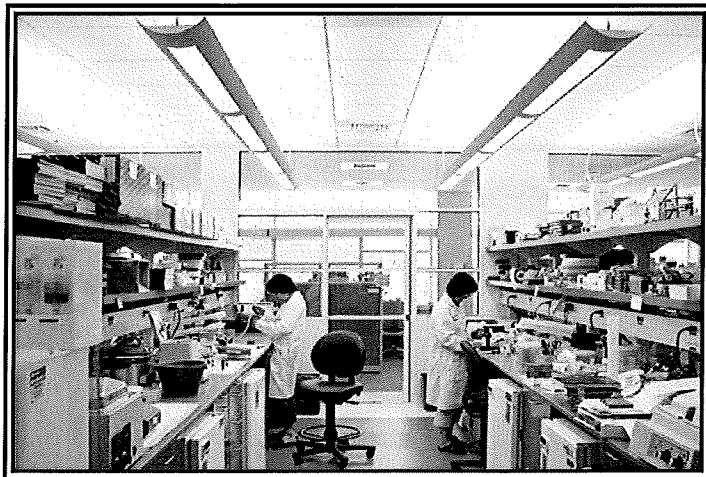
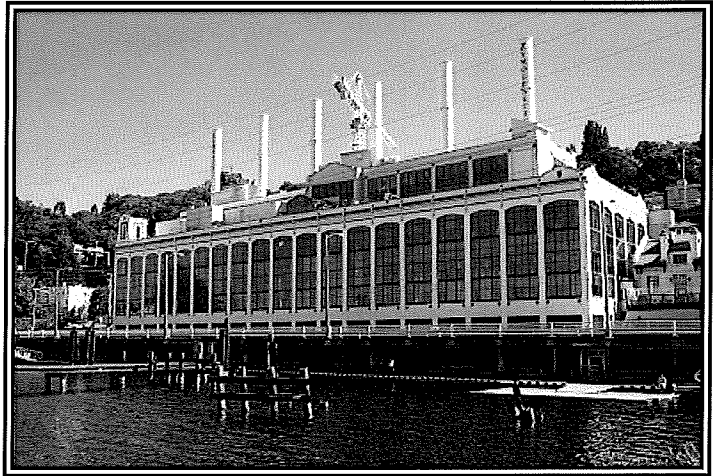
Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties;
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP;
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Time adjust sales to January 1, 2012 in conformance with generally accepted appraisal practices.
- Prepare written reports in compliance with USPAP Standard 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Lloyd Hara
King County Assessor

2012 ANNUAL REVALUE REPORT

KING COUNTY DEPARTMENT OF ASSESSMENTS BIOTECHNOLOGY (BIOTECH) PROPERTIES



Executive Summary Report

Appraisal Date 1/1/12 - 2012 Assessment Roll

Specialty Name: Biotech, Area 800-10

Sales – Improved Analysis Summary

- Number of Sales: 0

A ratio study was not performed for this report, as an absence of improved sales within the specialty precludes any meaningful statistical analysis.

The Income Approach is used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of biotech buildings and because income data is available as of the valuation date. Current market income parameters, including stable rents, vacancy and capitalization rates, suggest relatively unchanged value levels within the biotech market as of 01/01/2012 as compared to the 01/01/2011 assessment year. Overall industry data for biotech properties was used to make slight upward adjustments of approximately 3.87%.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2011 Value	\$300,430,300	\$1,128,838,500	\$1,429,268,800
2012 Value	\$300,603,800	\$1,184,040,800	\$1,484,644,600
Percent Change	0.06%	4.89%	3.87%

- Number of total parcels in biotech specialty population: **49**
- Number of improved parcels in biotech specialty population: **30**

Conclusion and Recommendation:

Assessed values for the 2012 revalue have increased on average by 3.87%.

The values recommended in this report are considered to maintain uniformity and equity over the previous assessment year; therefore it is recommended they be posted for the 2012 Assessment Year.

Analysis Process:

Specialty and Responsible Appraiser

- Specialty Area 800 - Biotech Properties

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved.

In those properties where the property is not at its highest and best use, a nominal value of \$1,000 is assigned to the improvements.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis.

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Specialty Area 800 – Biotech

Boundaries: Area within the boundaries of King County

Maps: Detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description: This specialty includes all biotech lab facilities with over 1,000 sf of building area that meet the biotech classification and are located within King County.

Seattle's Biotech Core - South Lake Union

Neighborhood Description:

South Lake Union is a neighborhood in transition. Historically called the Cascade Neighborhood, residential use had declined since the 1950's when zoning changes limited new residential uses and promoted light manufacturing uses. Construction of I-5 in the 1960's cut off the neighborhood from the west portion of Capital Hill. In the late 1980's the in-close location and the lower land values attracted the attention of several biotech and high tech companies. Fred Hutchinson Cancer Research Center, and later Zymogenetics located in the northeast sector of the neighborhood, while in the southeast sector REI relocated their flagship store in 1995. In the mid 1990's the concept of the 74 acre "Seattle Commons" park was defeated twice by city voters. Subsequently, the City of Seattle and developers including the Vulcan Group (that has accumulated 60 acres) have put in place development plans that are transforming the South Lake Union neighborhood into a new commercial/residential neighborhood. The initial focus on biotech and biomedical research has evolved into a variety of commercial uses, including new single tenant and multi-tenant office buildings.

In 2004, Seattle's Comprehensive plan update designated South Lake Union as an Urban Center to recognize the expected growth. Under the new targets, the Comprehensive Plan calls for 16,000 new jobs and 8,000 new households to be added to the neighborhood between 2004 and 2024. There is zoning capacity for over 8,000,000 square feet of commercial space.

The planning area includes areas zoned for light-industrial, commercial and residential development. Twelve blocks in the center of the area are zoned Industrial Commercial (IC) to accommodate a mix of commercial activities, including office use, biotech and high-tech research and development uses, but not residential. The Cascade neighborhood, east of Fairview and south of the Mercer ramps to 1-5 is zoned Seattle Mixed Use (SM) and allows a mix of residential and non-residential uses. This zoning has recently been applied to areas west of Fairview, that were not zoned IC. The remainder of the South Lake Union Urban Center is

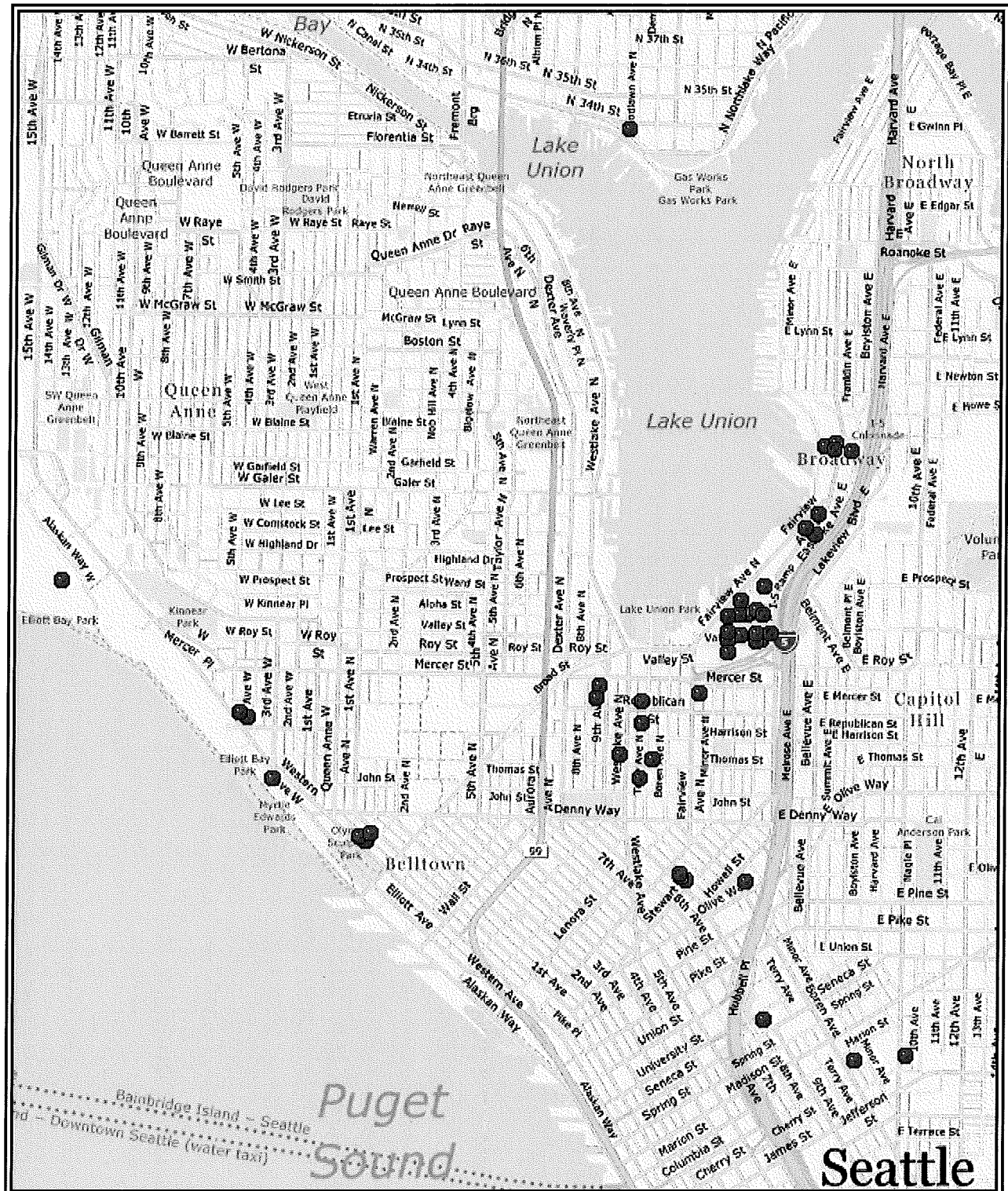
zoned Commercial 2 (C2) which accommodates auto-oriented and more intense commercial activity.

Changes in the zoning regulations now allow higher building heights to accommodate the mechanical equipment required for biotech buildings. The City of Seattle Department of Planning and Development is currently considering up-zoning South Lake Union and has released three up-zoning alternatives for the area that would permit greater development heights for both commercial and residential buildings. In December 2007 a spot rezoning was approved that would increase the building heights of a two block area allowing a 12-story office building height for the last phase of the Amazon.com project.

Neighborhood infrastructure improvements include the South Lake Union Streetcar, and the final construction phase of the twelve acre Lake Union Park which was completed in 2010. Future improvements include the reconfiguration of the Mercer Street Corridor (demolition for the project began in the first quarter of 2010 and continues as of this writing) and a new electric substation in the neighborhood.

Recent developments include the full-block Westlake/Terry Buildings that were completed in 2007. The 330,000 square foot office has a LEED (Leadership in Energy and Environmental Design) gold certified core and shell. It is leased by Group Health, and Microsoft. In 2009 the Terry Thomas Building, a 40,000 square foot, four-story, LEED gold certified office was completed. Biotech/office projects that were completed in 2008 include UW Medicine Lake Union Phase II biotech/medical office buildings, Fairview Research Center, and 1100 Eastlake. Future life science development will likely include the third phase, biotech building for the University of Washington, and Fred Hutchinson Cancer Research Center which has released a proposal to double in size over the next twenty years, adding up to seven buildings with more than 1,000,000 square feet to its campus.

Other new projects in South Lake Union include the first phases of an eleven building office development located between Terry and Boren Streets for Amazon.com and other tenants. The six block development may include as much as 1.6 million feet of office/retail space and could potentially bring up to 4,000 new employees to the South Lake Union neighborhood. In April of 2010, Amazon started moving into Buildings 1A and 1B with final construction of the last phase scheduled for completion in mid-2013.



Improved Parcel Total Values

Biotech Property Characteristics:

The biotech real estate market is a mix of newly developed space and converted space. Since biotech requires certain extreme sorts of construction, conversion is only possible in select buildings. Almost all the biotech facilities in King County are research laboratories. There is one production plant which manufactures a drug. Production facilities can require even greater safety measures than labs. Biotech buildings generally have specific requirements to meet their function including:

Ceiling heights of 14'-16'	Hazardous waste and containment disposal
Intensive air conditioning and ventilation	Animal holding facilities (Vivariums)
High load bearing floors	Lines for compressed air, gas, liquids, etc.
Impervious ceiling, wall and floor surfaces	Building structure rigidity/stability-absence of vibration or movement

Biotech Industry:

Within the King County/Seattle market area, biotech properties range from small startup companies to very large multinational corporations. The greater Seattle area has one of the most significant concentrations of biotechnology companies in the United States. The region is now becoming increasingly well known as one of the premier biotechnology centers in the world. This is due to the area's world-class research institutions, entrepreneurial spirit, government assistance and the region's dynamic economy. Seattle is home to major world-class research centers such as the University of Washington, the Fred Hutchinson Cancer Research Center, and the Institute for Systems Biology. They provide the research and technology necessary for startup companies. The area has six Nobel Prize winning scientists and is known for its high level of bio-tech education and experience.

According to the Milken Institute, Seattle ranked 11th among the nations top life science markets which is down from 10th place in 2005. In the latest rankings, Boston, Philadelphia and San Francisco continued to dominate the top positions with Washington D.C. coming in ranked 10th. The institute ranks cities based on biotech employment, research and development capacity, investment and other measures.

2009 Ranking	Region	2009 Score	2005 Ranking	2005 Score
1	Boston	100	1	100
2	Greater Philadelphia	97.7	3	97.1
3	Greater San Francisco	92.1	2	98.4
4	Greater New York	92.0	4	94.6
5	Greater Raleigh-Durham	88.2	5	91.1
6	Greater Los Angeles	86.8	7	87.0
7	Chicago	80.1	9	75.9
8	San Diego	78.7	6	90.7
9	Minneapolis	78.2	8	77.9
10	Washington D.C.	74.8	N/A	N/A
11	Seattle	69.2	10	70.9

Washington has approximately 160 companies dedicated to biotechnology:

- 37% pursue the research and development of therapeutic products
- 27% focus on diagnostics
- 21% specialize in contract manufacturing
- 9% focus on plant, agriculture and animal research
- 4% focus on natural resources
- 2% other

Biotech Economy:

Year 2009 was a difficult year for many biotech companies. In 2009, four companies went completely out of business, while at least nine other companies reported significant layoffs. In 2009, ZymoGenetics announced the layoff of 161 jobs – approximately a third of its staff, and then was acquired in 2010 by “Big Pharma” Bristol-Myers-Squibb. Another “Big Pharma” company, Merck, announced the closing of its “Rosetta” research and development facility. There were also cuts by Cardiac Science, CMC Icos, Tribion Pharmaceuticals, Cell Therapeutics, Poniard Pharmaceuticals, Amgen, Targeted Genetics, and VLST. Many biotech companies are gutting their R&D efforts in order to maintain drug and device candidates through clinical trials. The Life Sciences Discovery Fund, a showpiece of Washington State’s commitment to scientific research, was impacted by the state’s current budget deficit. The \$350 million fund, which was set up from tobacco settlement money to further encourage health and science research, is facing a 41 percent cut to its funding.

Not all Seattle biotech companies are suffering. Despite the negative economic climate within the biotech industry, a number of new biotech companies still have entered the Seattle market. Some of the new biotech companies include, Arrowsmith Technologies, Beat Biotherapeutics, Qwell Pharmaceuticals, ImaRx, Novo Nordisk, AVI Biopharma, Covance, Arzeda, Zori, Presage Therapeutics, Integrated Diagnostics, Sage Bionetworks, and Genzyme.

The growth of funding for institutions like University of Washington Medical, The Fred Hutchinson Cancer Research Center, Seattle Biomedical Research Institute, Institute For Systems Biology, Benaroya Research Institute and others demonstrate local industry growth as they acquire, convert and construct more bio-tech space.

Biotech Construction and Redevelopment Activity:

During 2011, vacancy rates within the Seattle biotech sector continue to approximate 5%. Within the last year, the number of new construction projects has increased with new ventures being renovated space and build-to-suit buildings. Many building permits which had been previously on hold due to the negative economy have been reissued for current and future development.

- The Institute for Systems Biology (ISB) recently moved out of its existing Fremont location and into the newly renovated 130,000/SF 401 Terry Ave. N. Building. ISB will be occupying the 1st, 3rd, and 4th Floors, while the remaining tenant, Covance, continues

to lease the 2nd Floor. Much of the space that ISB will occupy was converted from general office use to a state-of-the-art office/lab research facility.

- Construction is complete on the 219 Terry Ave. N. Building. This former 30,500/SF 3-story warehouse building had been completely gutted and converted into a modern multi-tenant biotech research building
- In 2010, Gilead Sciences moved into the recently completed 199 Blaine Street Building. This office/biotech building is a new, state-of-the-art, 3-story office/laboratory facility that will encompass a total of approximately 115,000 square feet, including approximately 5,000 square feet for retail.
- Construction is complete on the Waterfront Research Center (Also known as the Elliott Park Bldg.), adding 20,000/sf to the existing 134,000/sf building. The Waterfront Research Center will house a new state-of-the-art office/laboratory/research facility.
- Seattle Children's Research Institute has opened the Center for Childhood Cancer Research at 1100 Olive Way. Seattle Children's spent \$5 million to remodel the 38,000 square foot building with 16,500 square feet added for lab research.
- In South Lake Union, construction to shell stage was completed in 2008 on the 5-story, 183,000 square foot, 1100 Eastlake Building. In December of 2010, Fred Hutchinson Cancer Research Center purchased the building for \$36 million, and plans on using the space for office and lab research. With tenant improvements currently ongoing, the center plans on occupying the building in June of 2012.
- Also completed to shell stage in late 2009 were the 4-story 635 Elliott (North Bldg.) and 645 Elliott (South Bldg.) offices with a total rentable area of 331,000 square feet.
- The Puget Sound Blood Center Research Institute has relocated to 1551 Eastlake Ave. E. This building was formally headquarters of the 100,000 SF Bill and Malinda Gates foundation building. The Puget Sound Blood Center Research Institute occupies approximately 45,000 SF, with the remaining space available for lease.
- On July 7th, 2011, the University of Washington held a groundbreaking ceremony for the soon to be expanded South Lake Union Campus. The first phase of the expansion will include an 183,000/SF Research Facility used for vision science, immunology, kidney diseases, rheumatology and infectious diseases. With construction just under way, completion of the new building is estimated in the spring of 2013. The second phase of the South Lake Union Campus expansion will include a 2nd and 3rd building to start construction around 2015.

Seattle's Biotech within the South Lake Union Core reflect an emerging and rapidly changing market, as approximately 33% of all parcels falling under the Biotech Specialty are under permit for construction/modification as of this writing.

Physical Inspection Identification:

Biotech valuations were performed on all facilities within all areas of King County.

- Approximately 20% of the biotech population was inspected as required by WAC 458-07-015 4 (a). An exterior observation of the properties was made to verify the accuracy and completeness of property characteristics for valuation purposes.

Preliminary Ratio Analysis

A ratio study was not made part of this report as there were no sales. The Parcel Summary Data does not reflect any statistical measure associated with IAAO standards.¹

Scope of Data

Land Value Data:

The geographic appraiser in the area in which the specialty office property is located is responsible for the land value used by the Biotech specialty. For this revalue, land values typically were unchanged from the previous year. See appropriate area reports for land valuation discussion.

Improved Parcel Total Values:

Sales comparison approach model description

The sales comparison approach was not applied, as there were no sales within the biotech population.

Generally, the market approach is utilized when an adequate number of market sales exists, which allows for ratio analysis and application of standards set by the International Association of Assessment Officers. When improved sales are available, sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales are verified, if possible, by contacting either the purchaser or seller, or contacting the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. If necessary, a site inspection is also made.

¹ Mass Appraisal of Real Property, IAAO, 1999, p. 271-274

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift Valuation modeling system. Depreciation was based on studies completed by the Marshall Valuation Service. The cost was adjusted to the western region and the Seattle area. Cost estimates may be relied upon for valuation of special use properties where comparable sales data and/or income/expense information may not be available. These properties are typically exempt properties such as churches, schools, public utility buildings, and park improvements. Non-exempt properties valued by the Cost method might be fraternal halls, daycares, and on-going new construction. RCNLD (replacement cost less depreciation) may be applied to interim use properties where the greater portion of value resides in land. Replacement Cost New may be applied to building improvements, on a progressive basis, during the construction process.

Cost calibration

The Marshall & Swift cost-modeling system is built into the Assessor's Real Property Application and is re-calibrated annually to both the Western Region and Seattle area.

Income Capitalization Approach model description

The Income Approach was considered a reliable approach to valuation throughout Area 800 for improved property types where income and expense data is available to reflect market rates. Income parameters were derived from the market through market rental surveys, sales, and real estate publications and websites.

Income: Income parameters were derived from the market place through listed fair market sales as well as through published sources (i.e. Office Space Dot.Com, Commercial Brokers Association, Costar, and multiple corporate real estate websites such as CBRE, Colliers, GVA Kidder Mathews, Grubb & Ellis, etc.), and opinions expressed by real estate professionals active in the market.

Vacancy: Vacancy rates used were derived mainly from published sources tempered by personal observation.

Expenses: Expense ratios were estimated based on industry standards, published sources, and personal knowledge of the area's rental practices. Within the income valuation models for Area 800, typical office/medical buildings, the assessor used full service expenses within the valuation models.

Capitalization Rates: Capitalization rates were determined by local published market surveys, such as CoStar, Real Capital Analytics, The American Council of Insurance Adjustors, Integra Realty Resources, Korpaz, etc. The effective year built and condition of each building determined the capitalization rate used by the appraiser. For example; a building with a lower effective year built of lesser condition will typically warrant a higher capitalization rate and a building in better condition with a higher effective year built will warrant a lower capitalization rate.

Income approach calibration

Income tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using adjustments based on size, effective year built, and construction quality as recorded in the Assessor's records.

The following table is the result of an analysis of this information. The table stratifies the major property types for each property characteristic and the income parameters that were typically used.

Biotech Income Analysis: - Area 800-10

With respect to the greater biotech/flex market, the 2012 assessment year experienced stable to property values generally due to flat to slightly decreasing lease rates, lower vacancy rates & stable capitalization rates.

2011 YEAR END			
	OFFICE	INDUSTRIAL	BIOTECH
RENTAL RATE	STABLE	STABLE	STABLE
VACANCY	STABLE	STABLE	STABLE
CAPITALIZATION RATE	STABLE	STABLE	STABLE
IMPROVED PROPERTY VALUES	STABLE	STABLE	STABLE

Property Type	Typical Rent/SF Range	Vacancy Rate	Expense Rate	OAR
Laboratories/Vivarium (Lab Space Typically Blended With Off./Lab/Research Space)	\$35.00 to \$55.00	5%	33%	7.50 % to 8.50%
Office/Medical Office	\$19.00 to \$27.00	5%	33%	7.50 % to 8.50%
Open Off./Mezz. Off./Bank	\$19.00 to \$27.00	5%	33%	7.50 % to 8.50%
Retail/Mixed-Use Retail/Restaurant	\$20.50 to \$24.50	5%	33%	7.50 % to 8.50%
Storage Whse./Bsmt. Stor./Ind. Light Manuf./Mezz. Stor.	\$10.00 to \$12.00	5%	33%	7.50 % to 8.50%

- **Office/Retail:** The typical rental rates per square foot range from \$19.00/SF to \$27.00/SF for office space and \$20.50/SF to \$24.50/SF for retail space. Vacancy and Collection Loss was estimated at 5%, with operating expenses estimated at 33%, and capitalization rates ranging from 7.50% to 8.50%.

- **Lab Space:** Rent rates for Laboratory/Research space typically range from \$35.00/SF to \$55.00/SF for lab space and is quoted as a blended rent due to the combination office/lab/research type use. Vacancy and Collection Loss was estimated at 5%, with operating expenses estimated at 33%, and capitalization rates ranging from 7.50% to 8.50%.

Capitalization Rates: The following tables demonstrate ranges of capitalization rates and trends that are compiled with information that is collected on a national or broad regional scale. This information is reconciled in support of data specific to the real estate market in the Bio Tech Specialty in developing the income model. The range of capitalization rates reflects the variety of properties in this area.

SEATTLE / PACIFIC NW CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	Seattle	7.14%	7.27%	7.58%	
		Pacific Region	6.32%	7.03%	7.14%	
PWC – Korpaz	4Q 2011	Pacific NW	7.57%	-	-	Range = 5.5% to 12.00%
CBRE – Capital Markets Cap. Rate survey.	Aug.-11					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2011 based on recent trades as well as interactions with investors. Value Added represents an underperforming property that has an occupancy level below the local average under typical market conditions.
		Seattle	5.00% - 5.50% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% 5.50% - 6.25% 6.00% - 7.60% 6.50% - 7.50% 7.00% - 8.00% - - - -	- - - - - - - - 6.25% - 7.00% 6.75% - 7.25% 6.50% - 7.25% 7.75% - 8.25% - -	- - - - - - - - - - - - 5.75% - 6.50% 7.00% - 7.50%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm. w/Grocery) Class B (Neigh./Comm. w/Grocery)
	Mar.-12					
		Seattle	5.50% - 5.75% 6.00% - 7.00% 6.50% - 7.00% 7.00% - 8.00% 5.50% - 6.25% 6.00% - 8.00% 6.50% - 7.50% 7.00% - 8.00% - - - -	- - - - - - - - 5.25% - 5.50% 6.00% - 6.50% 6.00% - 6.50% 6.50% - 7.00% - -	- - - - - - - - - - - - 5.00% - 6.25% 5.00% - 6.25% 6.25% - 7.25% 6.25% - 7.25%	CBD - Class A CBD - Class A – Value Added CBD - Class B CBD - Class B – Value Added Suburban - Class A Suburban - Class A – Value Added Suburban - Class B Suburban - Class B – Value Added Class A Class A - Value Added Class B Class B - Value Added Class A (Neigh./Comm.) Class A (Neigh./Comm.) – Value Added Class B (Neigh./Comm.) Class B (Neigh./Comm.) – Value Added

Real Capital Analytics	4Q 2011	Seattle	7.60%	7.20%	7.20%	
	Yr. End 2011	Seattle	6.80%	7.30%	7.40%	
IRR Viewpoint for 2012	Yr. End 2011	Seattle	6.00% 6.50% - - -	- - 8.25% - 8.75% 7.00% -	- - - - 6.50% - 7.50% 7.50%	"Institutional Grade Properties" CBD Office Suburban Office Manuf./Bulk/R&D Office/Warehouse Reg./Comm. Mall Neigh. Strip Ctrs.
Reis Quarterly Reports	4th Qtr 2011	Seattle	6.60%	-	8.50%	
Colliers International Office Highlights	Q4 2011	Seattle - Puget Sound	6.36% 7.94%	- -	- -	CBD Office Suburban Office
Terranomics Chainlinks Retail Advisors	Fall 2011	Pacific Region	-	-	7.00%	Shopping Centers (All Types)

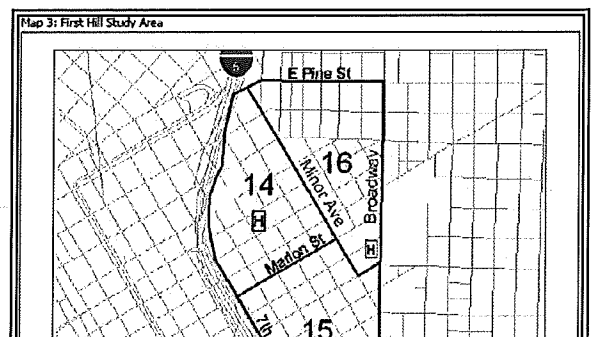
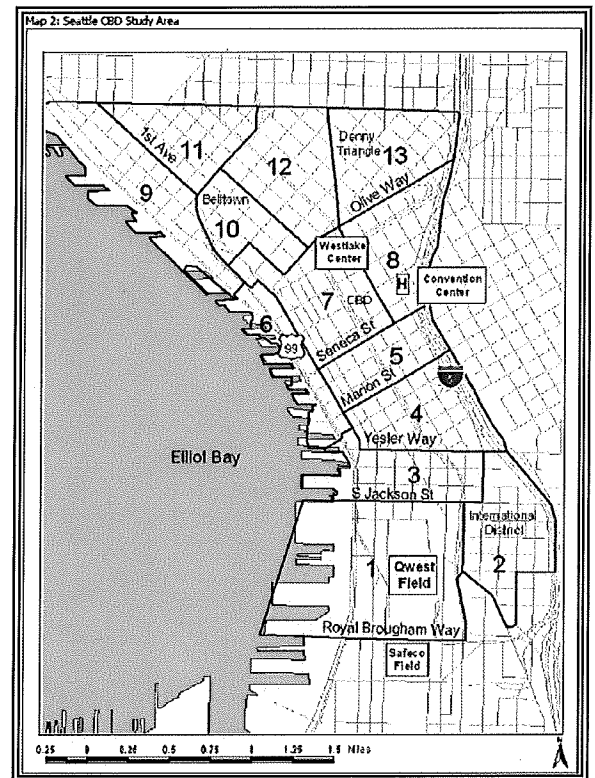
NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
ACLI	Yr. End 2011	National	6.53% 7.84% 7.16% - 7.74% 6.33%	7.65% 8.92% 7.62% - 8.15% 7.52%	7.00% 8.14% 7.39% - 7.68% 6.66%	Overall Sq.Ft. = <50k Sq.Ft. = 50k-200k Sq.Ft. = 200K+
Korpaz (PWC)	4Q 2011	National	6.84% 7.43% - - -	- - 7.48% - 8.71% - -	- - - 7.23% - 7.35% 7.16%	CBD Office Sub. Office Flex/R&D/Whse Regional Mall /Power Center Neigh. Strip Ctrs
Real Capital Analytics	4Q 2011	National	7.20%	7.60%	7.50%	
	Yr End 2011	National	7.30%	7.80%	7.50%	
IRR Viewpoint for 2012	Yr End 2011	National	7.98% 8.13% - - - -	- - 8.46% 8.22% - -	- - - - 7.56% - 7.83% 7.96%	CBD Office - (Range 5.25% - 12.75%) Sub. Office - (Range 6.50% - 10.00%) R&D - (Range 6.75% - 9.50%) Off./Whse. - (Range 6.75% - 10.00%) Reg./Comm. Mall - (Range 5.75% - 9.50%) Neigh. Strip Ctrs. - (Range 5.75% - 9.25%)
Emerging Trends in Real Estate 2011	August 2011	National	6.32% (CBD) 7.77% (Suburban)	7.02% - 7.59% (Office/Whse./R&D)	6.66% - 7.43% (Reg. Mall/Power Ctr.) 7.12% (Neigh./Comm. Ctr.)	
RERC-CCIM Investment Trends Quarterly	4Q 2011	National W. Region	6.40% 5.70% - 6.60% 7.00%	7.40% 6.70% - 7.40% 7.10%	7.70% 6.70% - 7.10% 7.40%	RERC Realized Cap Rates NCREIF Implied Cap Rates
Marcus & Millichap (Net Lease Single-Tenant Retail Report)	1 st Half 2011	National	N/A	N/A	7.30% 7.70% 8.90%	Drug Store Quick Service Rest. Casual Dining
Calkin Site Service (Net Lease Single-Tenant Retail Report)	Yr End 2011	National	N/A	N/A	7.69% 7.40% 7.50% 7.50%	Overall (Average) Drug Store Quick Service Rest. Big Box

Biotech Parking Income Analysis:

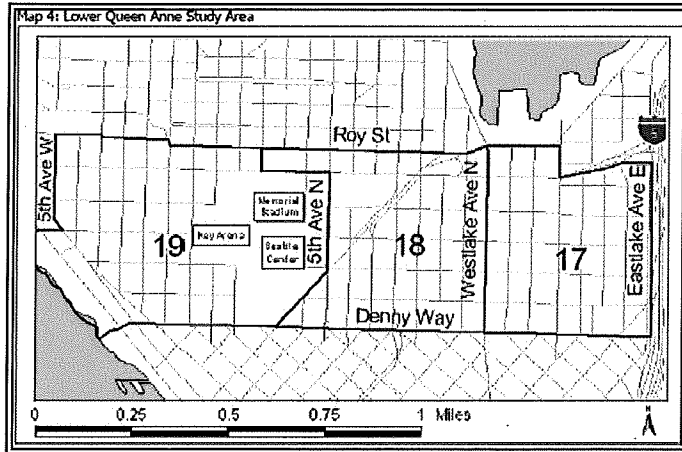
On properties where income from parking was valued, an additional income approach was incorporated. A parking income calculation was developed using data from the 2010 Parking Inventory Survey prepared by the Puget Sound Regional Council. For the 1/01/2012 valuation, adjustments applied to the daily and monthly stall rates reflect an increase in overall occupancy and rates.

The non-reserved monthly and daily rates and occupancy rates for various areas were based on this data. Typically the assessor assigned 2/3rds of the stalls a monthly rate and 1/3rd a daily rate. A five day work week with no turnaround on parking was assumed in the model. The monthly rates in Area 800 ranged from \$142 to \$285/stall and the daily rates ranged from \$11/stall to \$27/stall depending on location. The occupancy range was 39% to 70% and the annual expense rate range applied was 10% to 25% (See the parking rate summary tables following).

Seattle CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$ 16.44	\$ 178.86	38.70%
2 - Intl. District	\$ 16.94	\$ 141.67	51.40%
3	\$ 15.90	\$ 173.50	69.70%
4	\$ 25.93	\$ 235.15	70.10%
5	\$ 26.53	\$ 279.27	60.00%
6	\$ 20.91	\$ 212.13	60.00%
7	\$ 24.76	\$ 244.16	68.80%
8	\$ 25.51	\$ 286.12	69.80%
9	\$ 14.90	\$ 170.97	69.70%
10	\$ 15.20	\$ 187.47	50.00%
11	\$ 11.02	\$ 163.23	64.30%
12	\$ 13.77	\$ 205.80	62.20%
13	\$ 14.40	\$ 213.54	60.00%
First Hill			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
14	\$ 17.05	\$ 162.88	67.60%
15	\$ 14.57	\$ 168.15	73.90%
16	\$ 13.24	\$ 160.97	67.80%
Lower Queen Anne/South Lake Union			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
17	\$ 10.22	\$ 203.45	62.50%
18	\$ 12.87	\$ 128.05	41.90%
19	\$ 10.15	\$ 137.72	58.60%
University District			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
3	\$ 13.10	\$ 119.33	56.10%



Bellevue CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$ 16.25	\$ 120.73	54.60%
2	\$ 16.50	\$ 172.93	49.00%
3	\$ 14.53	\$ 155.88	52.50%
4	\$ 16.50	\$ 181.57	61.30%
5	N/A	N/A	37.20%
6	N/A	N/A	57.70%
7	\$ 6.33	N/A	57.70%



Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach is considered the most reliable indicator of value when comparable sales are available, however the income approach was applied to most parcels in order to better equalize similar property types. Whenever possible, market rents, expenses, and cap rates may be ascertained from sales and along with data from surveys and publications parameters and applied to the income model. The income approach to value was considered to be a reliable indicator of value in most instances. The market rents applied to some properties varied from the model but fell within an acceptable range of variation from the established guideline. All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

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

Application of these recommended values for the 2012 assessment year results in an increase from the 2011 assessment of 3.87%. The total assessed value for the 2011 assessment year was \$1,429,268,800. The recommended assessed value for the 2011 assessment year is \$1,484,644,600.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2011 Value	\$300,430,300	\$1,128,838,500	\$1,429,268,800
2012 Value	\$300,603,800	\$1,184,040,800	\$1,484,644,600
Percent Change	0.06%	4.89%	3.87%

With respect to the greater biotech/flex market, the 2012 assessment year experienced stable to slightly increasing property values generally due to flat rates, vacancy rates, and stable capitalization rates.

USPAP Compliance

Client and Intended Use of the Appraisal:

This mass appraisal report is intended for use by the public, King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others for other purposes is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a mass appraisal report as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65).

The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Retrospective market values are reported herein because the date of the report is subsequent to the effective date of valuation. The analysis reflects market conditions that existed on the effective date of appraisal.

Highest and Best Use

RCW 84.40.030

All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.

An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

WAC 458-07-030 (3) True and fair value -- Highest and best use.

Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922))

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

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date of valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.

Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914)

...the entire [fee] estate is to be assessed and taxed as a unit...

Folsom v. Spokane County, 111 Wn. 2d 256 (1988)

...the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee...

The Dictionary of Real Estate Appraisal, 3rd Addition, Appraisal Institute.

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Assumptions and Limiting Conditions:

1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.
2. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.
3. No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.
4. Rental areas herein discussed have been calculated in accord with generally accepted industry standards.
5. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.

6. The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.
7. The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.
8. No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.
9. Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.
10. The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.
11. An attempt to segregate personal property from the real estate in this appraisal has been made.
12. Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.
13. The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.
14. I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.
15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by

property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report

CERTIFICATION:

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

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *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.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of 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.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *Services that I provided within the prior three years include physical inspection, revaluation, appeal response preparation, attendance and participation in hearings, data collection, sales verification, and identifying new construction and recording the corresponding data.*