



King County

Department of Assessments

Accounting Division

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<http://www.kingcounty.gov/assessor/>

Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2014 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2014 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

Fair and uniform assessments set the foundation for effective government and I am pleased that we are able to make continuous and ongoing improvements to serve you.

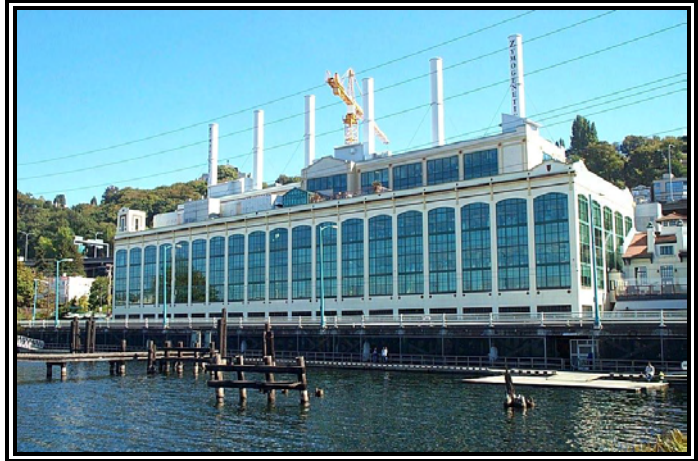
Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

2014 ANNUAL REVALUE REPORT

KING COUNTY DEPARTMENT OF ASSESSMENTS BIOTECHNOLOGY (BIOTECH) PROPERTIES



Executive Summary Report

Appraisal Date 1/1/14 - 2014 Assessment Roll

Specialty Name: Biotech, Area 800

Sales – Improved Analysis Summary

- Number of Sales: 1

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 01/01/2014 as compared to the 01/01/2013 assessment year. Overall industry data for biotech properties was used to make an upward adjustments of approximately 8.97%

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2013 Value	\$322,844,800	\$1,305,263,100	\$1,628,107,900
2014Value	\$438,480,400	\$1,335,601,200	\$1,774,081,600
Percent Change	35.82%	2.32%	8.97%

- Number of total parcels in biotech specialty population: **48**

Conclusion and Recommendation:

Assessed values for the 2014 revalue have increased on average by 8.97%.

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 2014 Assessment Year.

Analysis Process:

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.
- Sales from 1/2011 thru 12/2013 were considered in all analyses.
- This report is intended 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: All 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 biotech lab facilities with over 1,000 sf of building area meeting the biotech classification, and located within King County. The majority of properties are located within the South Lake Union area. Please see the area map below.

Seattle's Biotech Core - South Lake Union

Neighborhood Description:

South Lake Union continues to be 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 had accumulated 60 acres), have put in place development plans that are transforming South Lake Union into a new commercial/residential neighborhood. Development of office and retail buildings within this area has been augmented by biomedical research, with construction of additional special purpose buildings comprising Seattle's Biotech Core. Within this neighborhood are 48 Bio Tech properties, comprised of 36 improved, and 12 additional vacant parcels contributing to economic unit value.

Neighborhood infrastructure improvements also include the South Lake Union Streetcar, the final construction phase of the twelve acre Lake Union Park, and reconfiguration of the Mercer Street Corridor.

The University of Washington, 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), Vulcan development, and Amazon.com's growing presence (plans call for 1.6 million square feet of office/retail space) provide a significant economic driving force within this neighborhood



Seattle's Biotech Core - South Lake Union

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. However, production facilities can require even greater safety measures than labs. Biotech buildings generally have specific requirements in order to create and maintain the controlled environments required for research and development:

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 increasingly well known as one of the premier biotechnology centers in the world. This is due to a confluence of world-class research institutions, entrepreneurial spirit, government assistance and a regionally 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 Seattle Cancer Care Alliance, providing 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, and benefits from generous funding from large philanthropic organizations like the Bill and Melinda Gates Foundation.

According to a Milken Institute study, Seattle ranked 11th among the nations top life science markets, 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. 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:

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, generate local industry growth as they acquire, convert and construct more bio-tech space. However, this pace has slowed due to broader economic influences and associated sequestration at national and local levels, which have direct impact on pipeline grant activity, research, and venture capital funding availability for corporate development. Although developers are reluctant to initiate Bio Tech construction for speculative purposes, life science space remains tight, but investment capital is becoming more available to highly regarded start-up firms within this area. And with South Lake Union remaining the preferred location for start-ups, many firms will delay location/relocation decisions until additional space becomes available. Recent developments include:

- U of W Medicine has completed construction of Phase 3.1 of its Biotechnology and Medical Research Campus at 750 Republican. The seven story, 183,000 SF facility will focus on research associated with immunology, rheumatology, infectious disease treatment, and vision sciences.
- The Allen Institute for Brain Science has started construction of its six story, 245,000 SF building at the NW corner of Mercer St and Westlake Ave. N. Research will focus on neuroscience and genomics.
- The Omeros Corporation leased with options, the five story, 151,000 SF BioMed Realty building at 201 Elliott Ave W. The corporation is involved with research and development associated with small-molecule and protein therapeutics.
- The Infectious Disease Research Institute has relocated its headquarters to the Alexandria Real Estate Equities' 1616 Eastlake Building, occupying 55,000 SF.
- Immune Design also relocated into the 1616 Eastlake Building via sublease of 11,000SF from the University of Washington.

Seattle's Biotech Core within South Lake Union has matured to reflect a rapidly changing but established market within the Puget Sound Region. Although the industry has been challenged by broad economic downturns, the local area's business model has evolved in providing alternatives to conventional liquidity and has maintained a slow but steady growth within a limited real estate market. Given Seattle's strong economic position and startup Bio Tech culture, with world class research and philanthropic support, Bio Tech property values are anticipated to maintain a steady increase in the foreseeable future.

Physical Inspection Identification:

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

- Approximately 17% of the biotech population was inspected for the 2014 Assessment year, 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 was only one qualifying sale. Accordingly, 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 the 2014 Assessment Year revalue, land values within this specialty have been adjusted upward significantly from the previous year, based upon market activity within this area. Please 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 was only one sale within the biotech population considered as a market reflection of value, and another sale not used reflecting a change in use. The property was the ISB building located at 401 Terry Ave N in South Lake Union. Owned by Vulcan Real Estate, the building was fully leased to ISB, and sold to Kilroy Realty Corp. for \$106.1 Million, and closed in March of 2014. The sale is considered to reflect benchmark value for properties of similar characteristics within this specialty.

Generally, the market approach is utilized when an adequate number of market sales exists, which allow ratio analysis in 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

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

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.

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, and for purposes of equalization, the assessor used full service expenses within the valuation model.

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 2014 assessment year was considered to experience increasing values resulting from stable leases, with declining vacancy and capitalization rates.

2013 YEAR END			
	OFFICE	INDUSTRIAL	BIOTECH
<i>RENTAL RATE</i>	STABLE TO INCREASING	STABLE TO INCREASING	STABLE
<i>VACANCY</i>	STABLE TO DECREASING	STABLE TO DECREASING	STABLE TO DECREASING
<i>CAPITALIZATION RATE</i>	STABLE TO DECREASING	STABLE TO DECREASING	STABLE TO DECREASING
<i>IMPROVED PROPERTY VALUES</i>	STABLE TO INCREASING	STABLE TO INCREASING	STABLE TO INCREASING

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%	6.75% to 7.75%
Office/Medical Office	\$19.00 to \$27.00	5%	33%	6.75% to 7.75%
Open Off./Mezz. Off./Bank	\$19.00 to \$27.00	5%	33%	6.75% to 7.75%
Retail/Mixed-Use Retail/Restaurant	\$20.50 to \$24.50	5%	33%	6.75% to 7.75%
Storage Whse./Bsm. Stor./Ind. Light Manuf./Mezz. Stor.	\$10.00 to \$12.00	5%	33%	6.75% to 7.75%

- **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 6.75% to 7.75%.
- **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 6.75% to 7.75%.

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 2013	Seattle MSA	5.83%	7.05%	7.16%	
		Pacific Region	6.21%	6.93%	6.37%	
PWC / Korpaz	4Q 2013	Seattle Pac. NW	6.61% 6.10% 7.13%	- - -	- - -	Range = 4.20% to 9.00% CBD Office Suburban Office
CBRE: Capital Markets Cap. Rate survey.	2 nd Half (2013)					CBRE professional's opinion of where cap rates are likely to trend in the 2 nd ½ of 2013 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% - 5.75% 6.00% - 6.50% 6.00% - 6.75% 7.00% - 8.00% 6.00% - 6.50% 7.50% - 8.50% 6.50% - 7.50% 8.25% - 9.25% - - - - - - - - - - - - -	- - - - - - - - 5.00% - 5.50% 6.50% - 7.00% 5.50% - 6.00% 7.00% - 7.50% - - - - - - - - - - -	- - - - - - - - - - - - - 5.00% - 5.75% 6.00% - 7.50% 6.00% - 6.75% 7.00% - 8.50% 6.00% - 7.00% 7.00% - 9.00% 6.75% - 7.50% 8.50% - 10.00% 5.25% - 5.75%	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 A (Neigh./Comm.) – Value Added Class B (Neigh./Comm. w/Grocery) Class B (Neigh./Comm.) – Value Added Class A (Power Centers) Class A (Power Centers) – Value Added Class B (Power Centers) Class B (Power Centers) – Value Added High Street Retail (Urban Core)
IRR: Viewpoint	Yr. End	Seattle	5.50%	-	-	<u>Institutional Grade Properties"</u> CBD Office – Class A

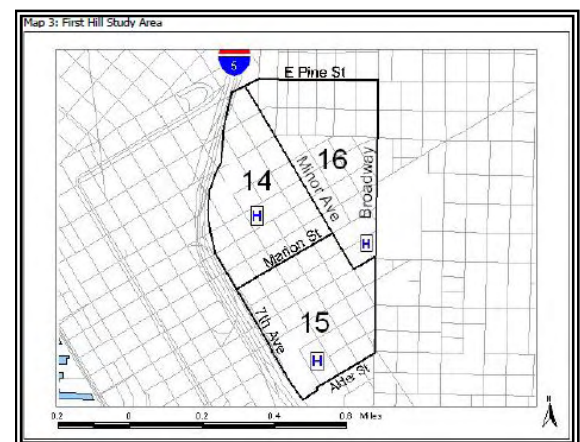
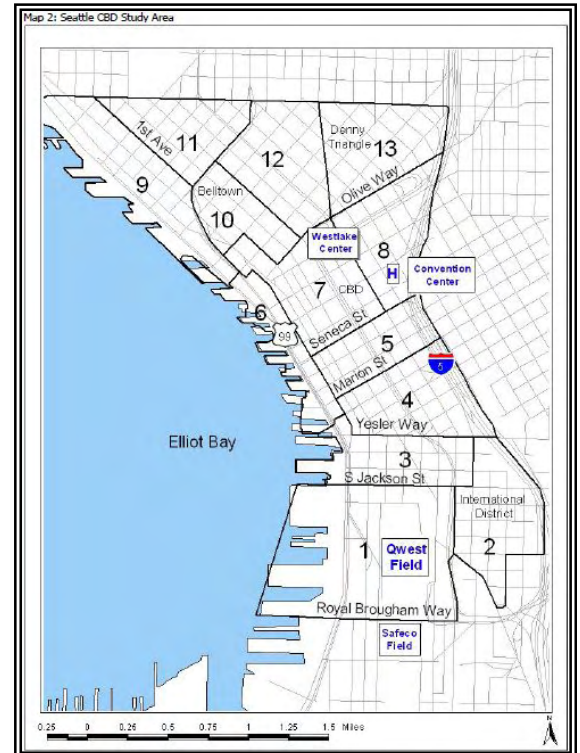
NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
			- - -	- - -	7.72% 7.41% 7.93%	Community Retail – Class B Neighborhood Retail – Class A Neighborhood Retail – Class B
RERC-CCIM: Investment Trends Quarterly	4Q 2013	National	7.70% 8.00% - - -	- - 7.80% 7.90% -	- - - - 7.50%	Office CBD Office Suburban Industrial Warehouse Flex Retail
Colliers International Office/Industrial Highlights	Q4 2013	National	7.27% 7.81% - - -	- - 7.50% 6.10% 7.22%	- - - - -	CBD Office Suburban Office\ U.S. Total Seattle/Puget Sound West Region
IAAO Webinar Cap. Rate Report	Yr End 2013	National	- - 7.20% - - - - - -	- - - - - - - -	- - - 7.40% 7.20% 7.40% 7.50% 7.20% 6.70% 6.40% 7.00%	<i>“Transactions over \$2.5mil” (Real Cap Anal)</i> Single Tenant Office Big Box Grocery/Supermarket Anchored Strip Malls Unanchored Strip Malls Power Center Drug Stores Malls Average – All Subcategories
Calkin: Net Lease Economic Report	Yr End 2013	National	- - - - - -	- - - - - -	6.70% 7.10% 6.60% 7.30% 7.45% 5.95%	Overall (Average) Drug Store Quick Service Rest. Restaurant Big Box Banks
The Boulder Group: Net Lease Market Report	4Q 2013	National West Region	7.70% - - - - - - -	8.00% - - - - - - -	7.02% 7.10% 6.25% 7.50% 7.05% 7.18% 7.58% 6.63%	Overall (Average) Big Box “Overall” Big Box “Investment Grade” Big Box “Non-Investment Grade” Jr. Big Box - (20,000/SF – 39,999/SF) Mid. Big Box - (40,000/SF – 79,999/SF) Mega Big Box - (80,000/SF +) Overall (Average)
Cassidy/Turley: Single Tenant Net Lease Overview	3Q 2013	National	- - - - -	7.60% - - - -	- 6.90% 6.90% 7.60% 7.90% 7.50%	Industrial Drug Store Quick Service Rest. Jr. Big Box - (20,000/SF – 39,999/SF) Mid. Big Box - (40,000/SF – 79,999/SF) Mega Big Box - (80,000/SF +)

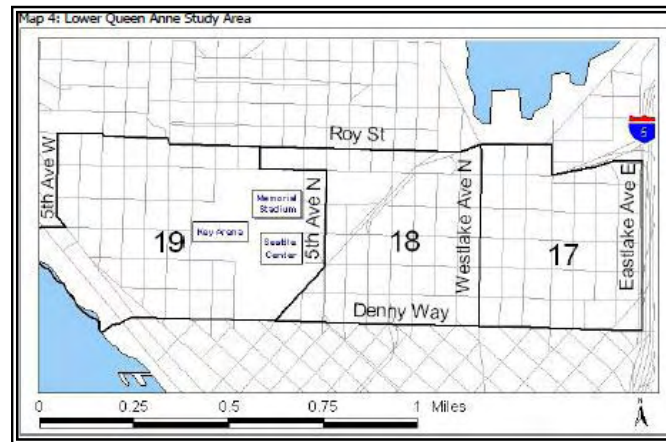
Biotech Parking Income Analysis:

On properties where income from parking was valued, an additional income approach was incorporated. A parking income calculation was developed using data from the 2010-2013 Parking Inventory Survey prepared by the Puget Sound Regional Council. For the 1/01/2014 valuation, adjustments applied to the daily and monthly stall rates reflect a slight 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 \$138 to \$238/stall and the daily rates ranged from \$12/stall to \$20/stall depending on location. The occupancy range was 39% to 66% and the annual expense rate range applied was 15% to 25% (See the parking rate summary tables following).

Seattle CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$ 16.75	\$ 174.50	47.00%
2 - Intl. District	\$ 14.81	N/A *	53.90%
3	\$ 18.83	\$ 194.50	79.60%
4	\$ 23.76	\$ 238.73	63.10%
5	\$ 25.06	\$ 280.82	70.70%
6	\$ 18.66	\$ 229.70	67.00%
7	\$ 23.00	\$ 300.04	57.10%
8	\$ 24.56	\$ 296.66	63.90%
9	\$ 17.55	\$ 193.54	55.90%
10	\$ 19.47	\$ 202.83	62.40%
11	\$ 11.04	\$ 164.89	62.90%
12	\$ 16.41	\$ 225.83	57.20%
13	\$ 17.07	\$ 238.16	65.50%
*2012 Rate-\$141.67			
First Hill			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
14	\$ 19.62	\$ 187.56	63.90%
15	\$ 16.44	\$ 208.91	31.70%
16	\$ 11.93	\$ 151.40	62.90%
Lower Queen Anne/South Lake Union			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
17	\$ 15.22	\$ 190.00	39.30%
18	\$ 15.74	\$ 137.97	34.10%
19	\$ 12.08	\$ 139.04	53.90%
University District			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
3	\$ 12.11	\$ 140.67	56.70%
Bellevue CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$ 12.50	\$ 130.36	48.30%
2	\$ 14.00	\$ 171.52	56.90%
3	\$ 15.91	\$ 189.82	34.20%
4	\$ 17.51	\$ 173.33	55.00%
5	N/A	N/A	40.50%
6	\$ 15.00	N/A	32.90%
7	\$ 5.50	N/A	43.90%





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 publication 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.

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 2014 assessment year results in an increase from the 2013 assessment of 8.97%. The total assessed value for the 2013 assessment year was \$1,628,107,900. The recommended assessed value for the 2014 assessment year is \$1,774,081,600.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2013 Value	\$322,844,800	\$1,305,263,100	\$1,628,107,900
2014 Value	\$438,480,400	\$1,335,601,200	\$1,774,081,600
Percent Change	35.82%	2.32%	8.97%

With respect to the greater biotech/flex market, the 2014 assessment year was considered to experience increased property values generally due to declining vacancy and 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.*

Improvement Sales for Area 800 with Sales Used

05/07/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
800	010	198320	0200	176,177	2657267	\$106,125,000	03/13/14	\$602.38	ISB (Institute For System Biology)	SM 160/85-240	1	Y	

Improvement Sales for Area 800 with Sales not Used

05/07/2014

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
800	010	066000	2030	38,345	2498637	\$11,120,000	06/30/11	\$290.00	1100 OLIVE BUILDING Targeted Genetics	DMC 340/290-400	1	33	Lease or lease-hold
800	010	859090	0646	208,712	2585713	\$42,600,000	01/22/13	\$204.11	SEATTLE LIFE SCIENCE CENTER	MI0-160-NC3-160	6	37	Securing of debt/Change of Use