

Commercial Revalue

2019 Assessment roll

BIO-TECH
AREA 800

**King County, Department of Assessments
Seattle, Washington**

John Wilson, Assessor



King County

Department of Assessments

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John Wilson
Assessor

Dear Property Owners,

Our field appraisers work hard throughout the year to visit properties in neighborhoods across King County. As a result, new commercial and residential valuation notices are mailed as values are completed. We value your property at its “true and fair value” reflecting its highest and best use as prescribed by state law (RCW 84.40.030; WAC 458-07-030).

We continue to work hard to implement your feedback and ensure we provide accurate and timely information to you. We have made significant improvements to our website and online tools to make interacting with us easier. The following report summarizes the results of the assessments for your area along with a map. Additionally, I have provided a brief tutorial of our property assessment process. It is meant to provide you with background information about the process we use and our basis for the assessments in your area.

Fairness, accuracy and transparency set the foundation for effective and accountable government. I am pleased to continue to incorporate your input as we make ongoing improvements to serve you. Our goal is to ensure every single taxpayer is treated fairly and equitably.

Our office is here to serve you. Please don't hesitate to contact us if you ever have any questions, comments or concerns about the property assessment process and how it relates to your property.

In Service,

John Wilson
King County Assessor

How Property Is Valued

King County along with Washington's 38 other counties use mass appraisal techniques to value all real property each year for property assessment purposes.

What Are Mass Appraisal Techniques?

In King County the Mass Appraisal process incorporates statistical testing, generally accepted valuation methods, and a set of property characteristics for approximately 700,000 residential, commercial and industrial properties. More specifically for commercial property, the Assessor breaks up King County into geographic or specialty (i.e., office buildings, warehouses, retail centers, etc.) market areas and annually develops valuation models using one or more of the three standard appraisal indicators of value: Cost, Sales Comparison (market) and Income. For most commercial properties the income approach is the primary indicator of value. The results of the models are then applied to all properties within the same geographic or specialty area.

Are Properties Inspected?

All property in King County is physically inspected at least once during each six year cycle. Each year our appraisers inspect a different geographic area. An inspection is frequently an external observation of the property to confirm whether the property has changed by adding new improvements or shows signs of deterioration more than normal for the property's age. For some larger or complex commercial properties an appraiser may need to also conduct an interior inspection of the buildings or property. From the property inspections we update our property assessment records for each property.

How are Commercial Properties Valued?

The Assessor collects a large amount of data regarding commercial properties: cost of construction, sales of property, and prevailing levels of rent, operating expenses, and capitalization rates. Statistical analysis is conducted to establish relationships between factors that might influence the value of commercial property. Lastly valuation models are built and applied to the individual properties. For income producing properties, the following steps are employed to calculate an income approach:

1. Estimate potential gross income
2. Deduct for vacancy and credit loss
3. Add miscellaneous income to get the effective gross income
4. Determine typical operating expenses
5. Deduct operating expenses from the effective gross income
6. Select the proper capitalization rate
7. Capitalize the net operating income into an estimated property value

How is Assessment Uniformity Achieved?

The Assessor achieves uniformity of assessments through standardization of rate tables for incomes, operating expenses, vacancy and credit loss collections and capitalization rates which are uniformly applied to similarly situated commercial properties. Rate tables are generated annually that identify specific rates based on location, age, property type, improvement class, and quality grade. Rate tables are annually calibrated and updated based on surveys and collection of data from local real estate brokers, professional trade publications, and regional

financial data sources. With up-to-date market rates we are able to uniformly apply the results back to properties based on their unique set of attributes.

Where there is a sufficient number of sales, assessment staff may generate a ratio study to measure uniformity mathematically through the use of a coefficient of dispersion (aka COD). A COD is developed to measure the uniformity of predicted property assessments. We have adopted the Property Assessment Standards prescribed by the International Association of Assessing Officers (aka IAAO) that may be reviewed at www.IAAO.org. The following are target CODs we employ based on standards set by IAAO:

Type of Commercial Property	Subtype	COD Range
Income Producing	Larger areas represented by large samples	5.0 to 15.0
Income Producing	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant Land		5.0 to 25.0
Other real and personal property		Varies with local conditions

Source: IAAO, *Standard on Ratio Studies*, 2013, Table 1-3. www.IAAO.org

More results of the statistical testing process are found within the attached area report.

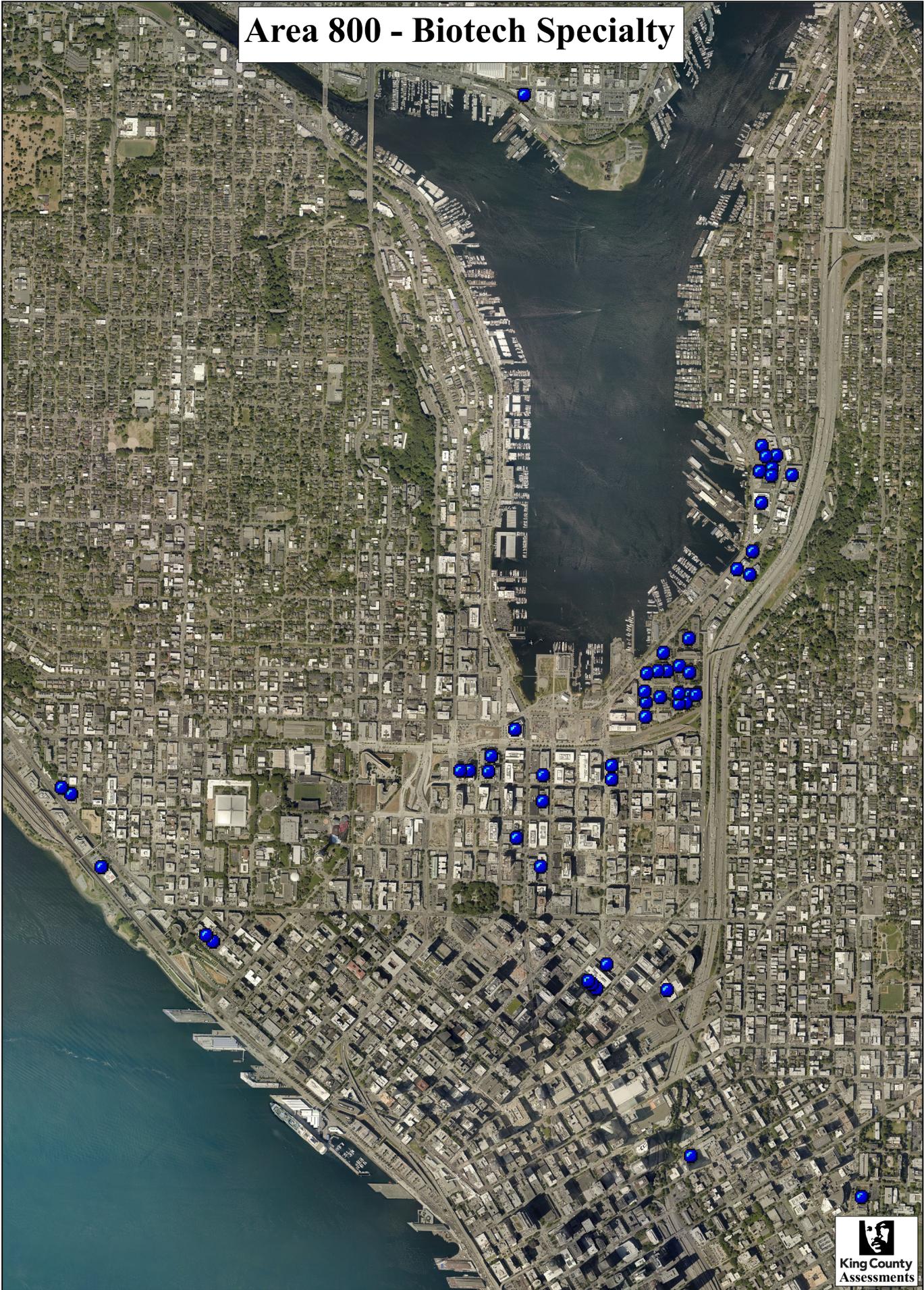
Requirements of State Law

Within Washington State, property is required to be revalued each year to market value based on its highest and best use. (RCW 84.41.030; 84.40.030; and WAC 458-07-030). Washington Courts have interpreted fair market value as the amount of money a buyer, willing but not obligated to buy, would pay to a seller willing but not obligated to sell. Highest and Best Use is simply viewed as the most profitable use that a property can be legally used for. In cases where a property is underutilized by a property owner, it still must be valued at its highest and best use.

Appraisal Area Reports

The following area report summarizes the property assessment activities and results for a general market area. The area report is meant to comply with state law for appraisal documentation purposes as well as provide the public with insight into the mass appraisal process.

Area 800 - Biotech Specialty



Biotech Specialty Area 800

2019 Revaluation



King County

Department of Assessments

Executive Summary Report

Appraisal Date: 1/1/2019 - 2019 Assessment Year – 2020 Tax Roll Year

Specialty Name: Biotech Properties, Specialty 800

Sales - Improved Analysis Summary:

Number of Sales: 1 market transactions
Range of Sale Dates: 6/11/2018

Sales - Improved Analysis Summary:

A ratio study was not performed for the 2019 revalue due to the fact that there has only been one fair market transaction involving a Biotech Specialty property within the past three years. As a result, a ratio study would not provide any meaningful statistical analysis.

Total Population – Parcel Summary Data:

Number of Improved Parcels: 39 (This figured does not includes properties under construction)

Total Population - Parcel Summary Data			
	Land	Improvements	Total
2018 Value	\$682,076,100	\$2,030,655,500	\$2,712,731,600
2019 Value	\$693,824,800	\$2,269,445,400	\$2,963,270,200
% Change	1.72%	11.76%	9.24%

Number of Total Parcels in the Specialty Assignment: 52 (This figure includes economic land parcels and some properties currently under construction)

Conclusion and Recommendation:

Total assessed values for the 2019 revalue have increased 9.24% over 2018 assessment levels reflecting the healthy biotech market in King County and continued improving income fundamentals, particularly higher rents. This value does not include most new construction projects, which are valued as of July 31st of the assessment year.

The values recommended in this report reflect current biotech market parameters as of the valuation date of 1/1/2019 and improve uniformity and equity. Therefore it is recommended that the values should be posted for the 2019 Assessment Year.

Identification of the Area

Name or Designation: Specialty Area 800 – Biotechnology Properties

Boundaries: All of King County, however primarily concentrated in South Lake Union

Maps: A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building and the Assessor's website.

Specialty Description: This report contains data pertinent to the revalue of biotech buildings in King County. The Biotech specialty includes biotech lab facilities with over 1,000 SF of building area meeting the biotech classification, and located within King County. The biotech real estate market is a mix of both newly developed and converted space. Since biotech research requires more specialized construction of improvements, conversion is only possible with select buildings. Most biotech facilities in King County are research laboratories. There is one production facility involved in drug manufacturing. Production facilities may require an even higher specification level than labs.

Biotech buildings require specific improvement characteristics in order to create and maintain controlled environments for purposes of research and product development. Some characteristics can include:

- Increased ceiling heights of 14' to 16'
- Heavy-duty HVAC systems & enhanced environmental control technology
- High load bearing floors, increased roof loading capacity, & impervious surface finishes
- Upgraded building systems with redundancy
- Hazardous waste containment, control, and disposal
- Animal holding and lab facilities (vivarium)
- Hookups for compressed air, gas, liquids, etc
- High structural rigidity and stability to minimize vibration

Area Overview: Seattle's Biotech Core - South Lake Union

The majority of the properties within the Biotech Specialty are concentrated within the South Lake Union submarket due to the tendency of biotechnology properties to form submarket clusters. Biotechnology and Life Sciences users tend to have a preference for proximity to supporting institutional research facilities. Given the close proximity among these properties, no individual neighborhoods have been broken out for this specialty assignment.

Historically referred to as the Cascade Neighborhood, residential use had been declining since the 1950's, when zoning changes limited residential development to benefit light manufacturing. With construction of Interstate-5 during the 1960's, the neighborhood became separated from the west portion of Capitol Hill. In the late 1980's, low land values with relative close-in location attracted several biotech and high tech corporations. 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. By the mid 1990's the concept of the 74 acre "Seattle Commons" park had also been defeated twice by city voters. Subsequently, the City of Seattle and developers, including the Vulcan Group (who had already accumulated 60 acres within this

area), put in place plans to ultimately transform South Lake Union into the neighborhood observed today. Development of office, retail, and high density residential buildings within this area has been, and continues to be, significant and is augmented by buildings within Seattle's Biotech Core.

Notable Biotech real estate market influences include:

- Established in 1975, Fred Hutchinson Cancer Research Center occupies a 14-acre campus in South Lake Union containing 1.3 million square feet and is 2nd only to the University of Washington in terms of NIH funding. The institution has a long term development plan to double in size over the next twenty years, adding up to seven buildings and more than 1,000,000 square feet to its existing campus.
- Fred Hutchinson also announced that they had agreed to lease all of the iconic 106,000 square foot Lake Union Steam Plant that was set to be vacated by ZymoGenetics.
- In 2004, the University of Washington School of Medicine began a multi-phase plan to establish a state-of-the-art biomedical research campus in the South Lake Union area. Several buildings have opened in recent years and at full build-out the campus will consist of six buildings and 800,000 square feet of office and laboratory space.
- On its main campus, construction of the 187,000 square foot UW Life Sciences Building was recently completed offering state-of-the-art research and lab facilities.
- Seattle Cancer Care Alliance's 240,000 square foot expansion project is progressing through Early Design Phase with Seattle's Design Review Board, however no construction start date has been announced.
- Seattle Children's Research Institute's down campus expansion is continuing with the 361,269 square foot Building Cure facility nearing completion. The 310,000 square foot Building Care facility recently breaking ground.
- BioMed Realty's Dexter Yard development of approximately 500,000 SF recently broke ground.
- Alexandria Real Estate filed a master use permit for a new 12-story, 303,000 square foot office and laboratory research building in the Eastlake area across from the Lake Union Steam Plan.
- Alexandria's 188,490 SF biotech facility at 1818 Fairview Ave. E. known as "The Atrium" is nearing completion.

A broader description of this neighborhood and associated development can be found within the 2019 Area 30 annual report.

Market Conditions:

Bio Technology comprises a significant proportion of the Life Science field in Washington State. Within the King County/Seattle market area, biotech properties range from small startup companies to very large multinational corporations, and continually ranks nationally among the top ten markets for Venture Capital and National Institute of Health funding.

Due to its concentration of corporate representation and supporting research facilities located within the South Lake Union submarket, the region has become increasingly well known as one of the premier biotechnology centers in the world. Seattle is home to major world-class research centers such as the University of Washington, Fred Hutchinson Cancer Research Center, Seattle

Children’s Hospital, and the Seattle Cancer Care Alliance, providing the research foundation and technology necessary for startup companies.

Nationally speaking, Seattle is the fastest growing life sciences clusters and is currently considered the #1 ranked emerging life sciences cluster in the US¹. The University of Washington continues to be one of the larger producers of life sciences graduates and doctorates in the nation and currently Seattle ranks 11th in the nation for medical research funding. According to the non-profit trade association, Life Science Washington, the life science in Washington is comprised of over 1,100 organizations directly employing 35,914 individuals and contributing \$11.5 billion to the state’s GDP. The area is known for its high level of bio-tech education and start-up experience, and benefits from generous funding from large philanthropic organizations such as the Bill and Melinda Gates Foundation.

According to Cushman & Wakefield’s 2019 report titled “Life Science: Great Promise & Rapid Growth”, the Seattle life sciences market is thriving from an investment standpoint. The market contains approximately 10.9 million square feet of life sciences inventory with overall vacancy currently at 3.2% and average triple-net asking rates of \$26.42. Regional vacancy has continuously trended lower over the past decade from a high of just over 8% in 2008.

According to the report, the Seattle CBD submarket (includes SLU and downtown) leads the market with average asking rates of \$52.46 per square foot, NNN, and vacancy at just 1.1%. Vacancy and rents for standard office space was reported at 5% and \$40/SF NNN, respectively.

2019 Cushman & Wakefield Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Seattle CBD	5,548,372	1.1%	\$52.46
Seattle In-City	1,082,375	0.3%	\$37.00
Bothell	2,623,353	9.0%	\$29.56
Redmond	1,627,487	2.7%	\$24.81
Market Total	10,881,587	3.2%	\$26.42

*NNN lease rates per square foot

¹ 2019 CBRE U.S. Life Sciences Clusters: Markets Positioned for ‘Century of Biology’

Analysis Process

Effective date of Appraisal: January 1st, 2019

Date of Appraisal Report: July 16th, 2019

Responsible Appraiser: Andrew Murray, Commercial Appraiser II

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, Departures and Limiting Conditions

- All three approaches to value were considered in this analysis.
- The following Departmental guidelines were considered and adhered to:
 - Sales from 1/1/2016 to 12/31/2018 (at minimum) were considered in all analyses.
 - This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standards 5 and 6.

Physical Inspection: All of the biotech specialty properties have been physically inspected within the previous six years as required by WAC 458-07-015 4 (a). Exterior observations of all properties have been made to verify the accuracy and completeness of property characteristics for valuation purposes. No biotech specialty properties were selected for physical inspection this assessment year.

Preliminary Ratio Analysis

Given the small sample size, particularly in comparison to the recommended minimum for this data set, appraisal ratio and associated distribution analysis were not considered representative of the Bio Tech population and would not provide for any meaningful statistical analysis. As such, no ratio study has been included.

Scope of Data

Land Value Data:

The geographic appraiser in the area in which the specialty property is located is responsible for the land value used by the biotech specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Value Data:

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 made. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report.

Improved Parcel Total Values

Sales comparison approach model description

A traditional sales comparison approach model was not applied due to the fact that there has been only one fair market sale transaction of a biotech specialty property within the previous three years.

Sales comparison calibration

Since there was no sales comparison model developed, no sales comparison calibration was performed. Calibration of coefficients utilized for the model applied within a Sales Comparison

approach is typically established via analysis of all sales within the specialty. Sales from supporting geographic neighborhoods may also be considered, as they relate to basic property types and/or use categories (single purpose office buildings, and warehouses, for example). While sales are reviewed and market data extracted wherever possible, sales modeling was not utilized in the final reconciliation of value.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older properties, this approach to value was given the least weight in the final reconciliation of values. However, it was given more weight in the valuation of new construction. With new buildings the cost method is reconciled with the income method to determine the appropriate approach.

Cost calibration

The Marshall & Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

Income capitalization approach model description

The Income Approach was considered the most reliable approach to valuation throughout Area 800 for improved properties, as income and expense data was generally available to reflect market value. Income parameters were derived from the market through rental surveys, sales, real estate publications and websites. Direct capitalization methodology was applied in calculating estimates for most properties within the specialty. Due to the significance of parking income within the specialty and broader Seattle market, and that many of the properties within the specialty contain parking space, parking income was included as a component of the direct capitalization process. Restrictions of proprietary software within the department's income program precluded application of standard income tables in the revaluation process. A direct capitalization spreadsheet was created showing each property's income value estimate with supporting parking value contribution.

Income parameters were established for economic rent, vacancy and credit loss, operating expenses, and capitalization rates. Rents, operating expenses, and capitalization rates were collected on sold properties when available. This data was then considered along with surveys conducted by outside resources, along with information gathered from properties available for lease and sale and utilized to establish general guidelines

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

Vacancy: Vacancy rates used were derived mainly from published sources.

Expenses: Expense ratios were estimated based on industry standards, published sources, and appraiser knowledge of the area's rental practices.

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 (age), quality, and condition of each building determine the capitalization rate used by the appraiser. The effective age, quality, and condition of each building contributes to the capitalization rate applied in the model. For example; a building of poorer condition and quality with a lower effective year built (1930, for example) will typically warrant a higher capitalization rate, and a building of higher quality in better condition and with a higher effective year built (2010, for example) will warrant a lower capitalization rate.

Income approach calibration

Income values 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.

Typical Income Parameters Applied

The table below summarizes the typical income parameters applied for the major section uses:

Section Use	Rent Range per SF*	Vacancy Rate %	Operating Expense Rate	Capitalization Rate %
Laboratories/Vivarium	\$45.00 - \$67.00	5%	10%	6.25% - 7.00%
Office/Medical Office	\$27.00 - \$36.00	5%	10%	6.25% - 7.00%
Retail/Restaurant	\$26.00 - \$31.00	5%	10%	6.25% - 7.00%
Storage	\$11.00 - \$17.00	5%	10%	6.25% - 7.00%

*NNN

Income Tables

The tables on the following pages detail the income model parameters for the major section uses:

Table Number	1					
Version	A					
Area	800					
Neighborhood	10					
Calculate Income	Y					
Min SqFt	100					
Max SqFt	750000					
MIN EFF YR	MAX EFF YR		POOR	AVG	GOOD	EXCEL
		RENT				
1950	1979		34.50	40.00	45.00	51.00
1980	1989		40.00	45.00	51.00	57.00
1990	1999		45.00	51.00	57.00	62.00
2000	2019		51.00	57.00	62.00	67.00
		VCL				
1950	2019		5.00	5.00	5.00	5.00
		OEX				
1950	2019		10.00	10.00	10.00	10.00
		CAP				
1950	1979		7.25	7.25	7.00	6.75
1980	1989		7.25	7.00	6.75	6.75
1990	1999		7.00	6.75	6.75	6.50
2000	2019		6.75	6.75	6.50	6.25
Use Codes						
	496	LABORATORIES (496)				

Table Number	3					
Version	A					
Area	800					
Neighborhood	10					
Calculate Income	Y					
Min SqFt	100					
Max SqFt	750000					
MIN EFF YR	MAX EFF YR		POOR	AVG	GOOD	EXCEL
		RENT				
1950	1979		23.00	24.00	25.00	26.00
1980	1989		24.00	25.00	26.00	28.00
1990	1999		25.00	26.00	28.00	29.50
2000	2019		26.00	28.00	29.50	31.00
		VCL				
1950	2019		5.00	5.00	5.00	5.00
		OEX				
1950	2019		10.00	10.00	10.00	10.00
		CAP				
1950	1979		7.25	7.25	7.00	6.75
1980	1989		7.25	7.00	6.75	6.75
1990	1999		7.00	6.75	6.75	6.50
2000	2019		6.75	6.75	6.50	6.25
Use Codes						
353	RETAIL					
830	MIXED-USE RETAIL					
846	CONDO RETAIL					
350	RESTAURANT					

The following is a description of the parking income parameters used in the income approach to value the Downtown Seattle and Bellevue CBD office properties. A map of the parking neighborhoods is included in the addendum of the this report.

Seattle CBD			
Nbhd Zone	Daily Rate	Monthly Rate	Occupancy
1	\$16.75	\$174.50	47.00%
2	\$14.81	N/A*	53.90%
3	\$18.63	\$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%
Lower Queen Anne/South Lake Union			
Nbhd Zone	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%

Bellevue CBD			
Nbhd Zone	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%

First Hill			
Nbhd Zone	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%

University District			
Nbhd Zone	Daily Rate	Monthly Rate	Occupancy
1	\$10.40	\$116.00	56.60%
2	\$10.13	\$125.11	61.50%
3	\$12.11	\$140.67	56.70%
4	\$12.71	\$139.53	78.00%
9	\$6.00	\$50.00	59.90%

Capitalization Rate Information

The tables on the following pages summarize capitalization rates gathered from various commercial real estate industry research reports.

The published capitalization rates indicate that rates for the Seattle Metropolitan Area are lower than the national averages. Seattle is one of the top ten investment markets in the nation and is considered a top-tier market. With continued low cost of funds and strong investor interest in the Puget Sound market, capitalization rates for well-leased, institutional grade biotech buildings remain low.

When market sales are available an attempt is made during the sales verification process to ascertain the capitalization rate on the sale or a pro-forma cap rate. Whenever possible information on the occupancy level, lease rates, tenancy terms, and expenses is collected to determine how the sale compares to the current economic parameters of the market and how the leased fee cap rate compares to a fee simple cap rate.

SEATTLE / REGIONAL CAP RATES

Source	Date	Location	Multifamily	Hospitality	Remarks
CBRE: U.S. Cap. Rate survey. Advance Review	H2 2018	Seattle	4.25% - 4.75%	-	Infill – Class A
			4.50% - 5.00%	-	Infill – Class A – Value Added
			4.75% - 5.00%	-	Infill – Class B
			5.00% - 5.50%	-	Infill – Class B – Value Added
			5.50% - 6.00%	-	Infill – Class C
			5.50% - 6.25%	-	Infill – Class C – Value Added
			4.75% - 5.00%	-	Suburban – Class A
			4.75% - 5.25%	-	Suburban – Class A – Value Added
			5.00% - 5.25%	-	Suburban – Class B
			5.00% - 5.50%	-	Suburban – Class B – Value Added
			5.50% - 6.00%	-	Suburban – Class C
			5.50% - 6.25%	-	Suburban – Class C – Value Added
			-	6.00% - 6.50%	CBD – Luxury
			-	6.25% - 6.75%	CBD – Full-Service
			-	6.75% - 7.25%	CBD – Select-Service
			-	8.25% - 9.00%	CBD – Economy
-	6.75% - 7.75%	Suburban – Luxury			
-	7.75% - 8.50%	Suburban – Full-Service			
-	7.75% - 8.50%	Suburban – Select-Service			
-	9.25% - 10.25%	Suburban – Economy			
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2018	Seattle	5.70%	-	Apartments – All Classes
			-	7.50%	Hotels – All Classes
		West Region	4.00% - 6.50%	-	Apartments – 1 st Tier Properties
			4.50% - 7.00%	-	Apartments – 2 nd Tier Properties
			4.50% - 7.50%	-	Apartments – 3 rd Tier Properties
			-	6.00% - 8.50%	Hotels – 1 st Tier Properties
			-	7.00% - 8.50%	Hotels – 2 nd Tier Properties
-	7.50% - 10.00%	Hotels – 3 rd Tier Properties			
IRR: Viewpoint for 2019	Year-end 2018	Seattle	4.25%		Urban Class A
			4.50%		Urban Class B
			4.75%		Suburban Class A
			5.25%		Suburban Class B
IRR: Viewpoint for 2019	Year-end 2018	West Region	4.52%	-	Urban Class A
			5.12%	-	Urban Class B
			4.71%	-	Suburban Class A
			5.34%		Suburban Class B
IRR: Viewpoint for 2019	Year-end 2018	National		8.1%	Full Service
				8.8%	Limited Service
PWC / Korpaz Real Estate Investor Survey	4Q 2018	Pacific Region	3.50% - 6.00%	-	Apartments
ACLI	4Q 2018	Seattle-Bellevue Everett	4.35%		All Classes
		Pacific	4.48%	6.16%	All Classes

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Income Vs. Price Realities	4Q 2018					1 st Tier properties are defined as new or newer quality const. in prime to good location
		National	4.00% -6.50% 5.40% - 7.50% - - - - -	- - 4.50% - 7.30% 5.50% - 9.00% 6.50% - 8.00% - -	- - - - - 5.00% - 8.00% 5.50% - 8.50% 5.00% - 6.50%	Office CBD – 1 st Tier Properties Suburban Office – 1 st Tier Properties Warehouse – 1 st Tier Properties R&D – 1 st Tier Properties Flex – 1 st Tier Properties Regional Mall – 1 st Tier Properties Power Center – 1 st Tier Properties Neigh/Comm. Ctrs. – 1 st Tier Properties
IRR: Viewpoint 2019 Commercial Real Estate Trends report	Yr. End 2018	National	6.68% 7.51% 7.01% 7.81% - - - -	- - - - 6.68% 7.50% - -	- - - - - 6.80% 6.88% 7.04%	“Institutional Grade Properties” CBD Office – Class A CBD Office – Class B Suburban Office – Class A Suburban Office – Class B Industrial Flex Industrial Regional Mall Community Retail Neighborhood Retail
ACLI	4Q 2018	National	5.07% 6.43% 6.03% 6.00% 4.75%	5.93% 6.97% 6.60% 6.23% 5.84%	6.11% 6.53% 6.13% 6.20% 5.94%	Overall Sq.Ft. - <50k Sq.Ft. - 50k – 100k Sq.Ft. – 100,001 – 200k Sq.Ft. – 200k+
PWC / Korpaz Real Estate Investor Survey	4Q 2018	National	3.00% - 7.50% 5.00% - 10.00% 5.00% - 9.50% 4.50% - 10.00% - - - -	- - - - - 1.00% - 6.50% - -	- - - - - - 4.00% - 9.00% 5.25% - 9.00% 4.00% - 9.50%	CBD Office Suburban Office Secondary Office Medical Office Flex/R&D Warehouse Regional Mall Power Center Neigh. Strip Centers
PWC / Korpaz Real Estate Investor Survey	4Q 2018	National	3.00% - 7.50% 5.00% - 10.00% 4.50% - 10.00% - - - -	- - - 1.00% - 6.50% - - -	- - - - - - 4.00% - 9.50% 5.25% - 9.00% 4.00% - 9.00% 5.00% - 8.50%	U.S. CBD Office U.S. Suburban Office Medical Office U.S. Warehouse U.S. Flex/R&D U.S. Strip Shop Centers U.S. Power Centers U.S. Regional Malls Net Lease
The Boulder Group: Net Lease Market Report	4Q 2018	National West	7.02% 5.10% 5.50%	7.07%	6.25%	Overall (Average) Bank Medical Office

NATIONAL CAP RATES					
Source	Date	Location	Restaurant	Retail	
The Boulder Group: Net Lease Market Report	4Q 2018	West		7.02%	Junior Big Box (20K-40K SF)
				7.15%	Mid Box (40K-80K SF)
				6.70%	Large Format (over 80K SF)
				6.29%	Median
				6.21%	Drug Store
				5.30%	Auto Parts Stores
			5.48%		Casual Dining
			4.32%		Quick Service Restaurants

Reconciliation and/or Validation Study of Calibrated Value

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. All of the factors used to establish value by the model were subject to adjustment. The market approach is generally considered the most reliable indicator of value when comparable sales are available, however there has not been a sufficient number of sales of biotech properties for this analysis. The income approach to valuation is given the greatest weight in the final analysis due to the information available.

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 is 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 for particular characteristics and conditions as they occur in the valuation area.

The 1/1/2019 valuation reflects the changing market dynamics as of the valuation date. These include declining market vacancy rates, increasing market lease rates, and generally low capitalization rates for well leased good quality buildings. These factors have resulted in higher valuations for most of the biotech specialty properties.

Application of these recommended values for the 2019 assessment year results in a total change from the 2018 assessment of 9.24%. This increase does not include new construction value from projects currently under construction. These will be added later during the new construction maintenance period (new construction is valued as of July 31st of the assessment year).

The total assessed value for the 2018 assessment year was \$2,712,731,600 and the total recommended assessed value for the 2019 assessment year is \$2,963,270,200.

Change in Total Assessed Value			
2018 Total Value	2019 Total Value	\$ Change	% Change
\$2,712,731,600	\$2,963,270,200	\$250,538,600	9.24%

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.*
- *No significant real property assistance as determined by the undersigned. All services as may be variously defined significant or otherwise, and performed by duly authorized and qualified King County Assessment staff employed in the areas of Public Information, Accounting/Abstract, Commercial, Residential, Information Services, Personal Property, Accounting/Mapping, Accounting/Support, Accounting/Appeals, Chief Appraiser, Accounting/Exemptions, Accounting/Levy Administration, who may have involvement in physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time, is made part of each real property parcel as a matter of public record and this certification by reference.*
- *Any services regarding the subject area performed by me within the prior three years, as an appraiser or in any other capacity is listed here: 2016-2018 Revalue. Any and all activities required under the Certificate of Appointment dated December 5th, 2011 under sworn oath appointing the below signed appraiser to the position of true and lawful deputy in the Office of the King County Assessor, and authorized by the State of Washington, Department of Revenue under a Certificate of Accreditation. To Wit: all duties, responsibilities, and services associated with the position description of Commercial Appraiser II in the management and valuation of Commercial Area 280. Such duties, responsibilities and services include, but are not limited to physical inspection, revalue, appeal response preparation, appeal hearing appearance, data collection, sale verification, new construction evaluation, and any other service which may be required from time to time and to be determined significant or otherwise during the fulfillment of position requirements, and are made part of each real property parcel, is a matter of public record and this certification by reference.*

7/16/2019

Andrew Murray
Commercial Appraiser II

Date

Improvement Sales for Area 800 with Sales Used

07/01/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
800	010	069500	0135	70,647	2935236	\$21,490,000	06/11/18	\$304.19	ECONET, INC	DMC-75	1	34	Use-change after sale; not in ratio

Improvement Sales for Area 800 with Sales not Used

07/01/2019

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
800	010	198820	1480	102,235	2819558	\$34,736,000	08/31/16	\$339.77	BLUE FLAME BUILDING	SM-SLU	1	33	Lease or lease-hold
800	010	198820	1485	272,375	2819573	\$98,864,000	08/31/16	\$362.97	UW Medicine-Lk Union Phase II & III	SM-SLU	1	33	Lease or lease-hold
800	010	286960	0135	0	2862988	\$79,875	05/05/17	\$0.00	ZYMOGENETICS	IC-45	1	68	Non-gov't to gov't
800	010	408880	2925	106,003	2862989	\$11,925	05/05/17	\$0.11	ZYMOGENETICS	IC-45	1	68	Non-gov't to gov't