Biotech

Area: 800

Commercial Revalue for the 2022 Assessment Roll

King County

Setting values, serving the community, and pursuing excellence*

Department of Assessments

KSC-AS-0708
201 S. Jackson Street, Room 708
Seattle, WA 98104
Office (206) 296-7300 Fax (206) 296-0595
Email: assessor.info@kingcounty.gov
w. http://www.kingcounty.gov/Assessor.aspx

*From Department of Assessment's Vision Mission

2020 Census King County Counts

King County

Department of Assessments
King Street Center
201 S. Jackson Street, KSC-0708
Seattle, WA 98104

OFFICE: (206) 296-7300 **FAX (206) 296-0595**
Email: assessor.info@kingcounty.gov
http://www.kingcounty.gov/assessor/

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 to implement your feedback and ensure we provide you accurate and timely information. 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 our process and the 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 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 720,000 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 neighborhood. 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. From the property inspections we update our property assessment records for each property. In cases where an appraiser has a question, they will approach the occupant to make contact with the property owner or leave a card requesting the taxpayer contact them.

RCW 84.40.025 - Access to property

> For the purpose of assessment and valuation of all taxable property in each county, any real or personal property in each county shall be subject to visitation, investigation, examination, discovery, and listing at any reasonable time by the county assessor of the county or by any employee thereof designated for this purpose by the assessor.
>
> In any case of refusal to such access, the assessor shall request assistance from the department of revenue which may invoke the power granted by chapter 84.08 RCW.

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 Property - General	Type of Property - Specific	COD Range
Single-family Residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family Residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2-4-unit housing	5.0 to 20.0
Income-Producing Properties	Larger areas represented by samples	5.0 to 15.0
Income-Producing Properties	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.

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

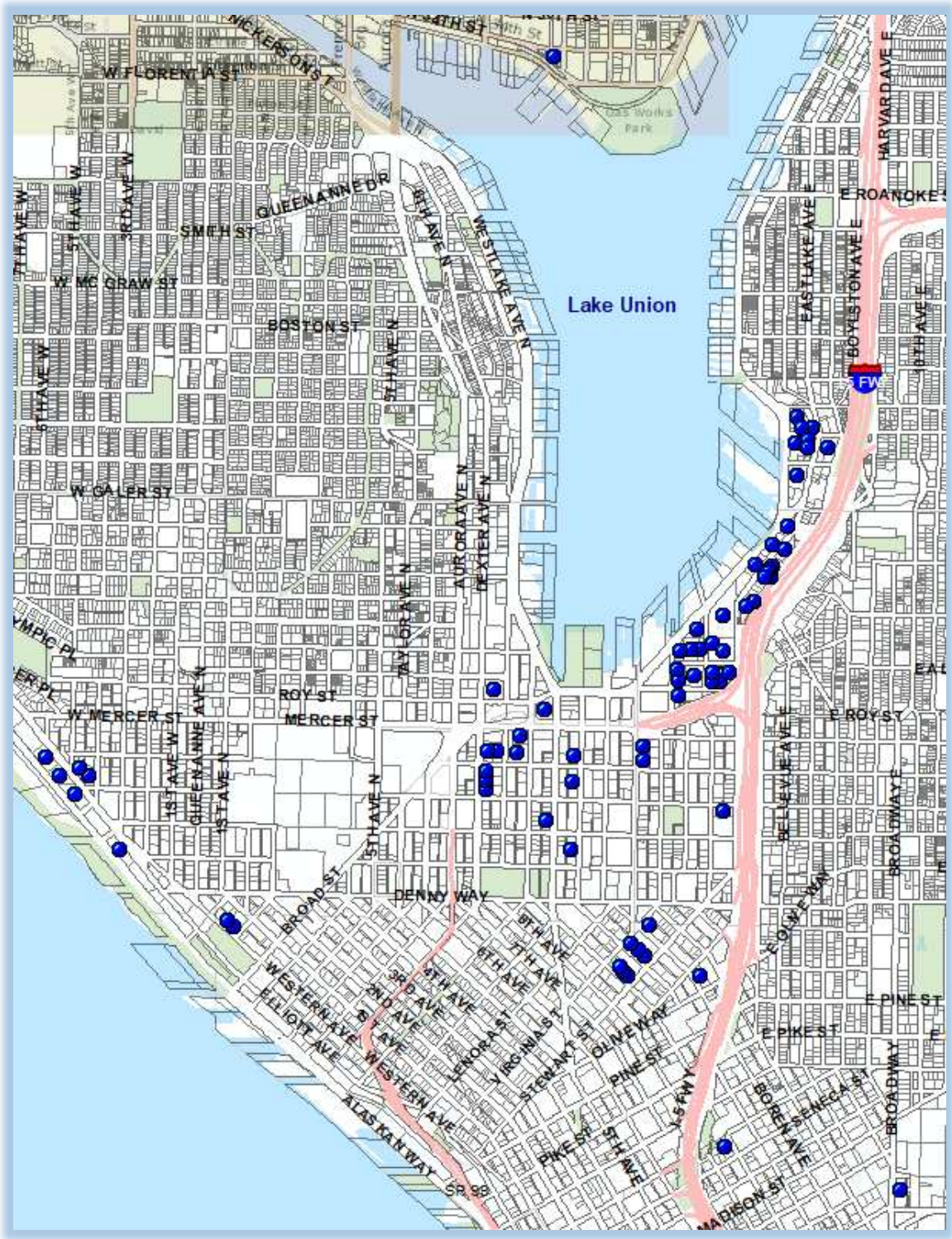
Requirements of State Law

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.

SPECIALTY AREA 800 – BIOTECH



Executive Summary Report

Appraisal Date: 1/1/2022 – 2022 Assessment Year

Specialty Appraisal Area:

- **Area 800:** Biotech Properties

Sales – Improved Summary:

- Number of Sales: 2
- Number of Sales included in a ratio study: 0
- Range of Sales Dates: 01/01/2019 – 01/01/2022

Sales – Ratio Study Summary:

A ratio study was not performed for the 2022 assessment year because there have been two fair market transactions involving a Biotech Specialty property within the past three years. As a result, a ratio study would not provide meaningful statistical analysis.

Total Population - Parcel Summary Data:

Change in Total Assessed Value			
	Land	Improvements	Total
2021 Total Value	$1,029,893,200	$3,746,621,600	$4,776,514,800
2022 Total Value	$ 1,053,404,300	$ 4,240,729,200	$ 5,294,133,500
% Change	2.28%	13.19%	10.84%

Number of Parcels in the Population: 72 (this figure does not include properties under construction)

Conclusion and Recommendation:

Total assessed values for the 2022 revalue increased by +10.84%, reflecting the healthy biotech market in King County and continued improving income fundamentals, notably higher rents.

The values recommended in this report improve uniformity and equity; therefore, it is recommended that the values should be posted for the 2022 Assessment Year.

Identification of the Area

Name or Designation

- **Area 800:** Biotech Properties

Area 800 Neighborhoods

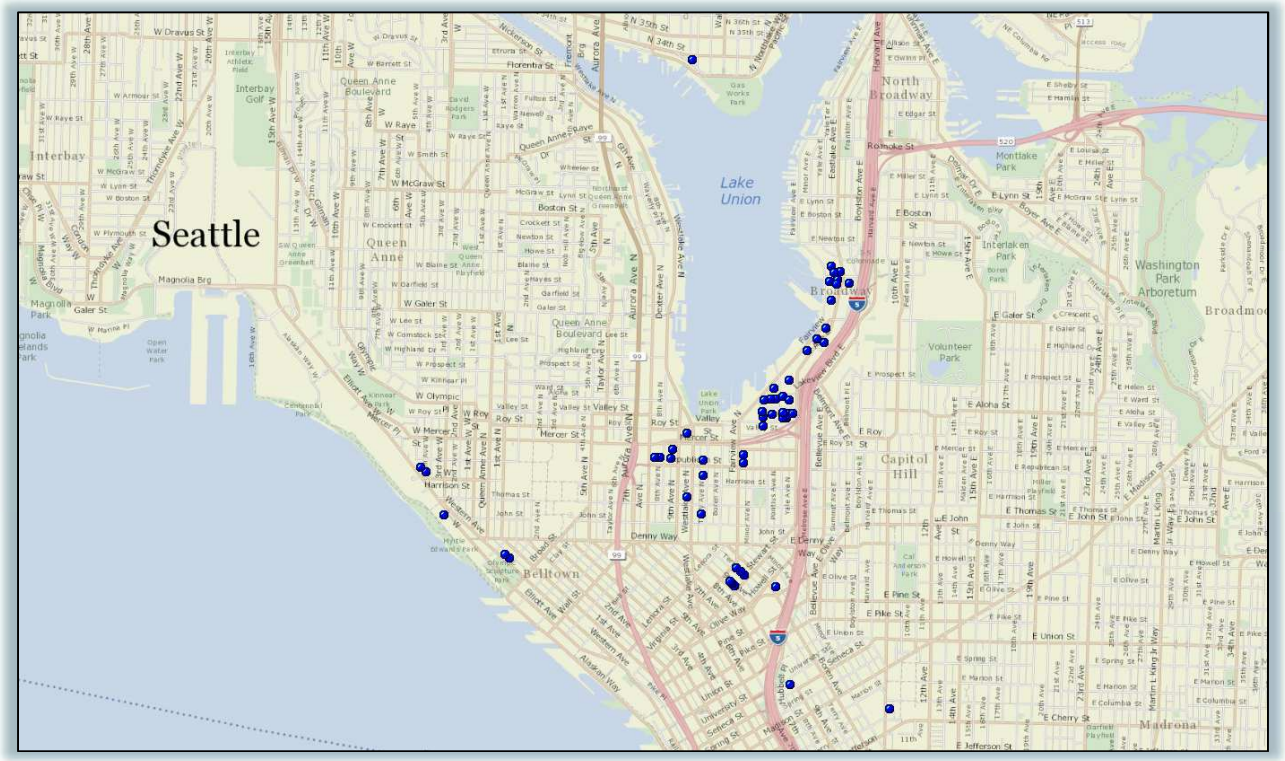
- **800-10** Seattle / South Lake Union
- **800-20** South King County

Boundaries

- King County

Maps

General maps of the area are included in this report. More detailed Assessor's maps are located on the 7th floor of the King Street Center and the King County Assessor website.



Area Description

This report contains data pertinent to the revalue of biotech properties 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 mixes newly developed and converted space. Such 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 to create and maintain controlled environments for research and product development. Elements 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

Life Science/Bio Tech Buildings vs. Standard Office Building:

- Increased security
- Increased flexibility of design for changes in laboratory layout and needs
- Increased mechanical, electrical, and plumbing engineering (MEP)
- Increased plumbing to allow for emergency showers, eye wash stations, and sinks
- High floor load capacity
- Interstitial space
- 16-feet floor-to-floor heights
- Emergency power generators and uninterrupted power supply
- Increased HVAC that can run 24/7, including ventilation that allows for 100% outside air
- Additional loading docks to prevent cross-contamination
- Zoning differences

Converting space suitable for lab science use comes with its own unique set of challenges. Conversions make more sense in densely populated urban areas that are more expensive to develop. Yet whether the facility is a reconstruction or a brand-new development, creating lab space comes with its own set of risks for investors. Life science buildings require specialized HVAC systems and other unique equipment, making them a more expensive venture than a traditional office building.

But it's precisely because life science labs differ from traditional office buildings that investors feel more confident about their future. While most offices across the nation have embraced remote or hybrid work, laboratory, research, and development facilities are an entirely different story. Most lab work requires exclusive equipment that isn't suitable for home use, so few occupants have the luxury of working from home in some form or another. Since life science occupiers have few remote work options, occupancy levels in life science buildings have remained much higher than the general office sector. Despite the challenges, developers are certainly seeing the potential of office-to-lab conversions.

Converting other property types to labs and R&D space is costly and challenging. The infrastructure needed to support life sciences tenants is more robust than a standard office or most industrial buildings. Many require more specialized amenities, including but not limited to clean rooms, vivariums, and negative-pressure rooms.

The minimum conversation criteria from a standard office building into a life science building are outlined below:

- **Zoning/Planning/Occupancy:** There is a clear path to providing Group B Occupancy.
- **Vertical Circulation (Multi-Floor Buildings):** There is a segregated elevator for lab supplies/activity or a way to install one.
- **Floor-To-Floor Clearance (Multi-Floor Buildings):** 13 feet + clearance desired – anything less is limiting.
- **Structural:** There should be live load capacity at 100 psf+. The roof will likely need additional load capacity for typical Life Science mechanical equipment. As-built/current vibration design criteria should be known.
- **HVAC/Plumbing:** A design path to dedicated lab AHUs/100% OA units. A design path dedicated exhaust (1 cfm/sf – min). Design path to supporting utility shafts for HVAC and utilities, likely upgrade/addition to base building capacity.
- **Electrical:** Service up to 8.0 watts/sf for intended lab area sf. Emergency Generator capacity or service yard to install – for lab hoods and critical lab equipment plug load. Capacity/consideration for data/low voltage for lab controls, data collection, and enhanced BMS.

Area Overview

Seattle's Biotech Core – Seattle/South Lake Union (800-10)

The majority of the properties within the Biotech Specialty have concentrated within the South Lake Union submarket due to the tendency of biotechnology properties and formed a submarket cluster. Biotechnology and Life Sciences users prefer nearness to support institutional research facilities. Given the close proximity among these properties, no individual neighborhoods have broken out for this specialty assignment within the City of Seattle.

Historically referred to as the Cascade Neighborhood, residential use declined since the 1950s when zoning changes limited residential development to benefit light manufacturing. The construction of Interstate-5 during the 1960s separated the neighborhood from the west portion of Capitol Hill. In the late 1980s, low land values and relatively close 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 its flagship store in 1995. By the mid-1990s, the concept of the 74-acre "Seattle Commons" park had 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), planned and ultimately transformed 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.

South Lake Union has one of the highest concentrations of health and biotech firms in the country, anchored by research centers such as The Allen Institute for Brain Science, UW Medicine, Fred Hutchinson Cancer Research Center, Seattle Biomedical Research Institute, Seattle Children's Hospital, PATH, Rosetta, and Zymogenetics. The market area is the hub for life sciences, biotechnology organizations, and corporations.

The 2022 Reports for Geo Areas 17, 20, 25, and 30 offer a broader description of this neighborhood.

South King County (800-20)

The property at 1601 Lind Avenue SW, Renton, WA, was valued in the past by the Office Specialty (280). The site contains two parcels whose identification numbers are 334040-4006 and 334040-4004. In May of 2022, the property was re-assigned to the Bio-Tech Specialty (800) due to a new tenant converting the existing office building into lab and office flex spaces.

University of Washington Department of Laboratory Medicine and Pathology recently leased the existing 1990 five-story Class A Office Building in January 2022. The tenant UW is leasing the entire building with a net rentable area of 197,446 square feet, and the lease term is for 20 years NNN with rental rates of $25.50/SF/YR plus annual rental rates escalation. In addition to the

rent, UW will pay approximately $51 million for tenant improvements converting office space to lab space, plus $12 million for lab equipment to operate as a life science/biotech building.

The South King County Neighborhood 800-20 has been assigned to accommodate future life science/biotech properties developing in the submarket area. The neighborhood market area is from the southern boundary of the City of Seattle Limits to the King and Pierce Counties boundary line. The neighborhood consists of Renton, Sea-Tac, Burien, Tukwila, Kent, Auburn, Black Diamond, Enumclaw, Pacific, Algona, Des Moines, Federal Way, and Milton.

With new life science/biotech building proposal developments and office conversions on the rise, the future biotech specialty neighborhood will be the King County Eastside submarket. The King County Eastside submarket includes Bellevue, Bothell, Redmond, Kirkland, Woodinville, Issaquah, Sammamish, North Bend, Fall City, Snoqualmie, Newcastle, and Factoria. Another possible future biotech specialty neighborhood will be the North King County submarket that includes Shoreline, Lake Forest Park, and Kenmore.

Seattle/Puget Sound's notable Life Science/Bio Tech real estate investors and developers:

- Fred Hutchinson Cancer Research
- University of Washington
- Seattle Cancer Care Allianc
- Seattle Children's Hospital Research
- BioMed Realty
- Alexandria Real Estate Equities
- Lincoln Property Company (LPC)/Invesco

Biotech Market Summary

The emergence and continuance of COVID-19 influenced increasing demand for new and conversion of biotech/lab space. The inventory of life science/biotech buildings in the Seattle/Puget Sound area relative to the market's demand is scarce, and low vacancy rates prevail. In some cases, newly delivered Class A office buildings are being converted into biotech/lab spaces. Bio-Tech/Life Science buildings maintain the lowest vacancy rate out of all commercial/industrial property types in the Seattle area.

The Colliers '2022 Puget Sound Life Science – Life Science Expanding Beyond Traditional Cluster' newsletter reported Life Science/Bio Tech continues to drive activity in the Seattle area, with major developers announcing plans for significant lab-capable developments and impressive funding from the National Institutes of Health (NH) and venture capital (VC) firms. The completion of Dexter Yard early this year added more than 500,000 square feet of supply to the South Lake Union (SLU) life science/biotech cluster. Another 2.0 million have been approved or

are early in the process. The market is not just expanding in size but also in reach. Most notable, Seagen is building a biomanufacturing facility in Everett, and Alexandria Real Estate Equities is planning a campus with 700,000 square feet of life science space near the Spring District in Bellevue. Expanding the life science/biotech market beyond the traditional lab cluster in SLU and manufacturing cluster in Bothell is good news for the region and points to continuing growth in this rapidly escalating sector.

The Colliers's newsletter indicated Seattle and the entire Puget Sound region have a significant opportunity to be in the top 5 life sciences markets in the nation. Due to the COVID pandemic, the growth in the sector has accelerated tremendously, and the local regions have benefited. Historically, there has not been enough supply to accommodate large lab requirements. Recent demand has outpaced the supply but rapidly growing to accommodate these companies and to become a vortex for talent, which is limited across the country. The future is bright with the depth of intellectual talent and standard of living Puget Sound offers.

There are over 150 companies in the life science industry headquartered in the Puget Sound region, primarily in the biotechnology, disease research, and medical drug discovery fields. Several biotech companies entered the public markets in 2021, including Sana Biotechnology, Icosavax, and Eliem Therapeutics; others, such as Variant Bio, Mozart Therapeutics, and Parse Biosciences, are seeing fast growth.

Nearly 64% of the region's life science inventory is situated in the Lake Union submarket. Due to low supply and high demand, some newly delivered office projects (1930 Boren and 330 Yale) were converted to life science uses. Along with newly constructed BioMed's Dexter Yard delivering 24% of preleased space and the Cascadian delivering preleased labs, there are another 1.4 million square feet of life science in the planning stages and or near the submarket. Rents in this submarket are typically in the $60-$80 NNN range, and vacancy is at 1.9%.

With historically low vacancies and ever-rising rents in the Lake Union submarket, the suburban submarkets have seen significant leasing activity and office-to-lab conversion, especially in Bothell, where rents are closer to $28-$30 NNN and vacancy is 7%. Bellevue and Renton are also poised for growth, with Alexandria purchasing a large development site in a prime Bellevue location Bellevue and the 1.1-million square feet Southport West project in Renton in the planning stages.

CBRE Q4 2021 Seattle Life Science publication indicated investment sales continue to shine in the 2nd half of 2021. Headlining sales: a) Lincoln Property Company (LPC)/Invesco bought the Unico's Cascadian Building for $165 million, or $779 per square foot. b) Oxford Properties Group, a Canadian investor, purchased the 1930 Boren Loft Building for $119 million or $874 per square foot. c) and BioMed purchased the Tableau-occupied asset, Northedge Building, for $220 million, or $1,053 per square foot. Their footprint in the region is now nearly one million square feet. Puget Sound's largest landlord is Alexandria Real Estate Equities, with 1.7 million square feet of the completed product. Another player on the scene is LPN, which just completed its second

land acquisition located at 222 5th Avenue North and planning to construct a new eight-story Class A life science building with 198,000 square feet called the 222Fifth Building.

Nationally, demand for life science space ignites office-to-lab conversions. The growing need for life science space is ushering in an era of office-to-lab conversions. A recent CBRE report revealed that these conversions totaled 9.9 million square feet in the 12 top life sciences markets by the end of 2021, an increase of 49% from the beginning of the year. By year-end 2021, ground-up lab development had expanded by 42% to over 18.8 million square feet. JLL 2021-Year End Life Science market report indicated Seattle is ranked #10 of the 12 top life science markets.

The demands for life science space are currently occurring in the Puget Sound. Several Class A office buildings are actively converting office space into life science space. The life science tenants in the Seattle area are paying market rents ranging from $60.00 to $85.00 per square foot NNN leases with a minimum of 10-year lease terms with annual rental rate escalation. The Eastside and South King County areas are converting high-tech/flex buildings and class A or B office buildings into life science spaces with rental rates ranging from $28.00 to $55.00 per square foot NNN leases. Bio-Tech/Life Science buildings maintain the lowest vacancy rate out of all commercial/industrial property types in the Seattle area.

Market Conditions:

2021 and 2022 Bio-Tech/Life Science market report publications from Cushman & Wakefield, CBRE, JLL, Newmark, and Collier indicate the South Lake Union blended rental rates range from $60.00 to $85.00 per square foot NNN. The Bothell market shows blended rental rates from $40.00 to $55.00 per square foot NNN. The South Lake Union's vacancy rate range from 0.08% to 6.6%. The Bothell submarket vacancy rate ranges from 6% to 15%. The higher vacancy rates reflect new life science buildings in the construction or conversion process from office to lab space. Most recent developments are centered in the Seattle CBD and South Lake Union area.

2021 Cushman & Wakefield Bio Tech Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Seattle	3,712,000	1.9%	$60.00 - $80.00
Bothell	988,000	7.0%	$28.00 - $30.00
Bellevue & Renton	1,100,000	In Development	In Development
Market Total	5,800,000	3.7%	$50.27

NNN Lease Rates (Blended) Per Square Foot

2021 1st Qtr Cushman & Wakefield Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Market Total	7,000,000	3.4%	$50.35

NNN Lease Rates (Blended) Per Square Foot

2021 4rd Qtr-Year Collier Bio Tech Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Seattle/Lk Union	5,067,488	0.08%	
Bothell	2,687,121	14.60%	
Market Total	7,754,609	5.60%	$73.00

**NNN Lease Rates (Blended) Per Square Foot*

2021 4th Quarter Collier Puget Sound Region Life Science Report					
Market Name	Inventory (SF)	Vacancy (SF)	Vac %	Under Construction (SF)	Avg Asking Rate*
Lake Union	5,067,488	41,646	0.80%	1,255,966	
Bothell	2,687,121	391,732	14.60%	152,050	
Puget Sound Total	**7,754,609**	**433,378**	**5.60%**	**1,408,016**	**$73.00**

**NNN Lease Rates (Blended) Per Square Foot*

2021-Year CBRE Bio Tech Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Seattle/Lk Union	5,784,195	6.60%	$84.03
Bothell	2,762,371	15.50%	$32.47
Market Total	9,198,215	8.80%	$48.96

**NNN Lease Rates (Blended) Per Square Foot*

2021 4th Quarter CBRE Puget Sound Region Life Science Report					
Under Construction	# of Projects	Total Size (SF)	Tot Spec Sz (SF)	Delivering (2022)	% Pre-leased
New	4	972,000	972,000	0	10.20%
Conversion	2	296,066	296,066	296,066	0.00%
Total	**6**	**1,268,066**	**1,268,066**	**296,066**	**7.80%**

Futuure Supply Lab/R&D

2021-Year End Newmark Bio Tech Submarket Stats			
	Inventory (SF)	Vacancy %	Avg Asking Rate*
Seattle	7,336,922	0.60%	$70.00 - $85.00
Bothell	2,853,247	6.50%	$40.00 - $55.00
Market Total	10,190,169	7.10%	$40.00 - $85.00

**NNN Lease Rates (Blended) Per Square Foot*

2021-Year End Newmark Bio Tech Puget Sound Region Market Stats							
Market Size (SF)	Under Constr (SF)	Under Renov (SF)	Proposed New (SF)	2021 Sales Volume	2021 Sales $ PSF Avg	Vacancy %	Avg Asking Rate*
10,190,169	1,043,119	212,000	4,419,259	$682,000,000	$924.00	7.10%	$40 - $85

**NNN Lease Rates (Blended) Per Square Foot*

Analysis Process

Effective Date of Appraisal: January 1, 2022

Date of Appraisal Report: June 6, 2022

The following appraiser did the valuation for this geographic area:

- Yuen Chin – Commercial Appraiser II

The process and results were reviewed for quality control and administrative purposes by Andrew Murray, Senior Commercial Appraiser.

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 our 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. We find that 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.

Interim Use: In many instances a property's highest and best use may change in the foreseeable future. A tract of land at the edge of a city might not be ready for immediate development, but current growth trends may suggest that the land should be developed in a few years. Similarly, there may not be enough demand to justify new construction at the present time, but increased demand may be expected within five years. In such situations, the immediate development of the site or conversion of the improved property to its future highest and best use is usually not financially feasible.

The use to which the property is put until it is ready for its future highest and best use is called an interim use. Thus, the interim use becomes the highest and best use, in anticipation of change over a relatively short time in the future.

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, via 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 appraisal.
- Sales from 01/01/2019 to 12/31/2021 (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 (USPAP compliant).

Physical Inspection Identification:

WAC 458-07-015 requires each property to be physically inspected at least once during a six-year revaluation cycle. At a minimum, an exterior observation of the properties is made to verify the accuracy and completeness of property characteristic data that affect value. Property records are updated in accordance with the findings of the physical inspection. All of the biotech specialty properties have been physically inspected within the previous six years as required. No biotech specialty properties were selected for physical inspection this assessment year.

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 Area 800 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.

Preliminary Ratio Analysis

The sales ratio study is an important assessment tool to ensure that properties are uniformly assessed based on market value. This analysis utilizes statistical methods to measure the relationship between a property's assessed value and its sale price by grouping individual sales according to property type and geographic area. This data can be used to review current assessment levels, identify inequities that need to be addressed, and assist in revaluation model development.

Given the small sample size, particularly in comparison to the recommended minimum for this data set, ratio study measurements are not considered representative of the Bio-Tech population and would not provide for any meaningful statistical analysis. Therefore, no ratio study has been included.

Improved Parcel Total Values

Sales Comparison Approach Model Description

All sales were verified with all knowledgeable parties and inspections, when possible. The model for the sales comparison approach was based on characteristics from the Assessor's records including location, effective age, building quality and net rentable area. Sales with characteristics most similar to the subject properties were considered.

At the time of sale, information on vacancy and market absorption rates, capitalization rates, current and anticipated rents, and the competitive position of the properties were also gathered. Sales were then compared to similar properties within the area for valuation. These sales statistics also helped form the income approach to value by setting parameters for the income rates, vacancies, expenses, and capitalization rates. When necessary, sales of similar improved properties in adjacent neighborhoods were also considered.

A traditional sales comparison approach model was not applied due to the fact that there have been only two fair-market sale transactions of a biotech specialty properties within the previous three years.

BioTech property sales:

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Present Use	Par. Ct.
800	010	066000	2190	136,217	3110138	$119,019,316	04/07/21	$873.75	BOREN OFFICE LOFT	DMC 240/290-440	Office Building	1
800	010	684770	0115	211,066	3149738	$164,500,000	10/01/21	$779.38	CASCADIAN OFFICE BUILDING	SM-SLU 100/95	Office Building	1

Sales Comparison Calibration

Since there was two 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 and other specialties' properties may also be considered, as they relate to basic property types and/or use categories (single purpose and major office buildings, high techs, and industrials, 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 Valuation modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. Marshall & Swift cost calculations are automatically calibrated based on the data 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. Cost estimates were relied upon for valuing new construction where comparable sales data and/or sufficient

income and expense information is not available. With new construction, the cost method is reconciled with the income method to determine the appropriate approach.

Cost Calibration

The Marshall & Swift Valuation modeling system, which is built into the Real Property Application, is calibrated to the region and the Seattle area.

Income Capitalization Approach Model Description

The Income Approach was considered a reliable approach to valuation for improved property types where income and expense data are available to ascertain market rates. Due to the significance of parking income within the specialty, 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 derived from the marketplace through market rental surveys, sales, and available real estate publications and websites. In addition, owners, tenants, and agents of non-sale properties are surveyed to collect similar data. Disclosure of this information is not required by law and therefore is often difficult to obtain. The return rate of mail surveys varies, and the data can be incomplete. Telephone interviews are dependent upon obtaining a valid number for a knowledgeable party and the opportunity to contact them. Due to the highly competitive nature of this specialty, information of a confidential nature is very difficult to obtain. As a supplement, lease information is gathered from Costar and other similar online sources. Majority of properties in this area were valued utilizing an income approach (Direct Capitalization Method).

In general, the valuation model includes the following steps:

1. The program multiplies the property's net rentable area by the market rent to derive potential gross income (PGI).
2. The program subtracts allowances for vacancy and operating expenses to derive net operating income (NOI).
3. The program capitalizes NOI (divides it by the overall rate) to produce the value estimate.

Income: Income data was derived from the marketplace from landlords and tenants, market sales, as well as through published sources (i.e., officespace.com, Commercial Brokers Association, Co-Star, and real estate websites such as CBRE, Colliers, Cushman & Wakefield, Newmark, Kidder Mathews, etc.), and opinions expressed by real estate professionals active in the market. When necessary, rental rates of similar property types from other market areas were considered.

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

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

Capitalization Rates: When market sales are available, an attempt is made to ascertain the capitalization rate on the sale or a pro-forma cap rate on the first-year performance, during the sales verification process. In addition, capitalization rate data was collected from published market surveys, such as Co-Star, Real Capital Analytics, The American Council of Life Insurance (Commercial Mortgage Commitments), Integra Realty Resources, Kopacz Real Estate Investor Survey (PWC), CBRE – National Investor Survey, etc. These sources typically have capitalization rates or ranges based on surveys or sales, and they usually include rates for both the Seattle Metropolitan area and the nation.

The effective age and condition of each building contributes to the capitalization rate applied in the model. For example; a building in poorer condition with a lower effective year (1965, for example) will typically warrant a higher capitalization rate, and a building in better condition with a higher effective year (2010, for example) will warrant a lower capitalization rate.

Income Approach Calibration

Rental rates, vacancy levels and operating expenses are derived by reconciling all the information collected through the sales verification process, interviews with tenants, owners, and brokers and the appraiser's independent market research. Quality, effective year, condition, and location are variables considered in the application of the income model to the parcels in the population best suited to be valued via the income approach.

The following table contains the results of an analysis of this information and stratifies the uses in Area 800 and the typical income parameters that were used to set value. It should be noted that due to the nature of commercial real estate, not all properties fall within the typical parameters.

Typical Income Parameters				
Section Use	Rent Range per SF*	Vacancy Rate %	Operating Expense Rate	Capitalization Rate %
Labortories/Vivarium	$57.00 - $70.00	8.00%	10.00%	5.50% - 6.50%
Office/Medical Office	$25.00 - $39.00	8.00%	10.00%	5.50% - 6.50%
Retail/Restaurant	$22.00 - $34.00	8.00%	10.00%	5.50% - 6.50%
Note: Blended Rate, NNN				

Typical Income (Blended) Parameters				
Section Use	Blended Rent Range per SF*	Vacancy Rate %	Operating Expense Rate	Capitalization Rate %
Overall Bio Tech	$42.50 - $69.00	8.00%	10.00%	5.50% - 6.50%
Note: Blended Rate, NNN				

Parking income, if applicable, was developed using PSRC's 2018 parking inventory study.

Reconciliation

All parcels were individually reviewed for correct application of the model before final value selection. All the factors used to establish value by the model were subject to adjustment. All 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 have 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. Andrew Murray, Senior Commercial Appraiser, made an administrative review of the selected values for quality control purposes.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

The 2022 valuation model utilized the income approach to value the majority of the income-producing properties, as there are an insufficient number and variety of sales to appraise the different property types by the market approach. The income approach also ensures greater uniformity and equalization of values.

CHANGE IN TOTAL ASSESSED VALUE

The total assessed value in Area 800 for the 2021 assessment year was $4,776,514,800, and the total recommended assessed value for the 2022 assessment year is $5,294,133,500. Application of these recommended values for the 2022 assessment year results in an average total change from the 2021 assessment of +10.84%. This increase does not include new construction values from projects currently under construction. These values will be added later during the new construction maintenance period (new construction is valued as of July 31st of the assessment year).

Change in Total Assessed Value			
2021 Total Value	2022 Total Value	$ Change	% Change
$4,776,514,800	$ 5,294,133,500	$292,496,100	10.84%

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 Standards 5 and 6. 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. (Samish 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. (Samish 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 are 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 one provided significant real property appraisal assistance to the person signing this certification. Any services regarding the subject area performed by the appraiser within the prior three years, as an appraiser or in any other capacity is listed adjacent to their name.
- To the best of my knowledge the following services were performed by me within the subject area in the last three years:
    - Annual Model Development and Report Preparation
    - Data Collection
    - Sales Verification
    - Appeals Response Preparation / Review
    - Appeal Hearing Attendance
    - Physical Inspection Model Development and Report Preparation
    - Land and Total Valuation
    - New Construction Evaluation

Yuen Chin, Commercial Appraiser II Date 6/8/2022

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Present Use	Par. Ct.	Ver. Code	Remarks
800	010	066000	2190	136,217	3110138	$119,019,316	04/07/21	$873.75	BOREN OFFICE LOFT	DMC 240/290-440	Office Building	1	Y	
800	010	684770	0115	211,066	3149738	$164,500,000	10/01/21	$779.38	CASCADIAN OFFICE BUILDING	SM-SLU 100/95	Office Building	1	Y	

King County

Department of Assessments
King Street Center
201 S. Jackson Street, KSC-AS-0708
Seattle, WA 98104
(206) 296-7300 FAX (206) 296-0595
Email: assessor.info@kingcounty.gov

John Wilson

Assessor

As we start preparations for the 2022 property assessments, it is helpful to remember that the mission and work of the Assessor's Office sets the foundation for efficient and effective government and is vital to ensure adequate funding for services in our communities. Maintaining the public's confidence in our property tax system requires that we build on a track record of fairness, equity, and uniformity in property assessments. Though we face ongoing economic challenges, I challenge each of us to seek out strategies for continuous improvement in our business processes.

Please follow these standards as you perform your tasks.

- Use all appropriate mass appraisal techniques as stated in Washington State Laws, Washington State Administrative Codes, Uniform Standards of Professional Appraisal Practice (USPAP), and accepted International Association of Assessing Officers (IAAO) standards and practices.
- Work with your supervisor on the development of the annual valuation plan and develop the scope of work for your portion of appraisal work assigned, including physical inspections and statistical updates of properties.
- Where applicable, validate correctness of physical characteristics and sales of all vacant and improved properties.
- Appraise land as if vacant and available for development to its highest and best use. The improvements are to be valued at their contribution to the total in compliance with applicable laws, codes and DOR guidelines. The Jurisdictional Exception is applied in cases where Federal, State or local laws or regulations preclude compliance with USPAP.
- Develop and validate valuation models as delineated by IAAO standards: Standard on Mass Appraisal of Real Property and Standard on Ratio Studies. Apply models uniformly to sold and unsold properties, so that ratio statistics can be accurately inferred to the entire population.
- Time adjust sales to January 1, 2022 in conformance with generally accepted appraisal practices.
- Prepare written reports in compliance with USPAP Standards 5 and 6 for Mass Appraisals. The intended users of your appraisals and the written reports include the public, Assessor, the Boards of Equalization and Tax Appeals, and potentially other governmental jurisdictions. The intended use of the appraisals and the written reports is the administration of ad valorem property taxation.

Thank you for your continued hard work on behalf of our office and the taxpayers of King County. Your dedication to accurate and fair assessments is why our office is one of the best in the nation.

John Wilson

Specialty Area 800

2022 Assessment Year

King County

Department of Assessments