

Commercial Revalue

2015 Assessment Roll

SPECIALTY AREA

800

BIO-TECH

King County, Department of Assessments

Seattle, Wa.

Lloyd Hara, Assessor



King County

Department of Assessments

Accounting Division

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Lloyd Hara
Assessor

Dear Property Owners:

Property assessments for the 2015 assessment year are being completed by my staff throughout the year and change of value notices are being mailed as neighborhoods are completed. We value property at fee simple, reflecting property at its highest and best use and following the requirement of RCW 84.40.030 to appraise property at true and fair value.

We have worked hard to implement your suggestions to place more information in an e-Environment to meet your needs for timely and accurate information. The following report summarizes the results of the 2015 assessment for this area. (See map within report). It is meant to provide you with helpful background information about the process used and basis for property assessments in your area.

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

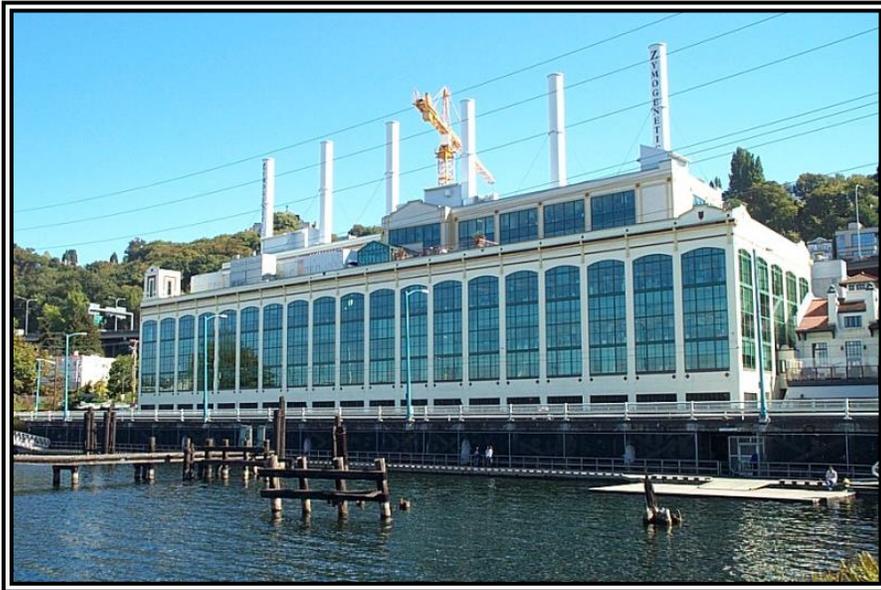
Please feel welcome to call my staff if you have questions about the property assessment process and how it relates to your property.

Sincerely,

Lloyd Hara
Assessor

2015 ANNUAL REVALUE REPORT

**KING COUNTY DEPARTMENT OF ASSESSMENTS
BIOTECHNOLOGY (BIOTECH) PROPERTIES**



King County



Executive Summary Report

Appraisal Date: 1/1/15 - 2015 Assessment Roll

Specialty Name: Bio Tech Properties, Specialty 800

Physical Inspection: For the 2015 Assessment Year, annual inspection was performed on 16% of all located within the Bio Tech Specialty.

Sales – Improved Analysis Summary

- Number of Sales: 1
- Date of Sale: 3/13/2014

Sales – Ratio Study Summary:

A ratio study was not performed for this report, as only one improved sale occurred within this specialty, and outside of a reference for general comparison purposes, precludes any meaningful statistical analysis.

The Income Approach was used in the final reconciliation of value as it allows greater equalization and uniformity of values for the various stratifications of biotech properties, and because income data is available as of the valuation date. Land values were provided by the respective appraiser for each geographical area and were applied to total value calculations.

Current market income parameters reflecting increased rents, stable vacancy and capitalization rates, along with continuing new construction within the South Lake Union area, suggest improved value levels within the biotech market as of 01/01/2015 as compared to the 01/01/2014 assessment year. Overall industry data for biotech properties was used to make an upward adjustment of approximately 9.20%. This includes an approximate increase of \$50 Million resulting from the added value of new construction associated with one parcel: The Allen Institute for Brain Science. Net of this parcel's added improvement value, total increase of specialty values moderate to 5.48%.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2014 Value	\$453,284,200	\$1,327,661,500	\$1,780,945,700
2015 Value	\$481,079,900	\$1,463,717,800	\$1,944,797,700
Percent Change	6.13%	10.25%	9.20%

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

Conclusion and Recommendation:

Assessed values for the 2015 revalue have increased on average by 9.20%.

The values recommended in this report are considered to maintain uniformity and equity over the previous assessment year; therefore it is recommended they be posted for the 2015 Assessment Year.

Analysis Process

Effective Date of Appraisal: January 1, 2015

Date of Appraisal Report: August 12, 2015

Responsible Appraiser: The following appraiser did the valuation for this specialty assessment:

Bruce I. Zelk, 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 and Limiting Conditions

- All three approaches to value were considered in this analysis.
- The intent of this report is to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Specialty Area 800 – Biotechnology Properties

Boundaries: All area within the boundaries of King County, but most properties are situated within the South Lake Union Neighborhood. South Lake Union is considered the geographic center of Seattle, lying east of 6th Ave. South, south of Galer Street and Lake Union, west of the I-5 Freeway and north of Denny Way.

Maps:

A GIS map of the entire specialty area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Specialty Description:

This specialty includes biotech lab facilities with over 1,000 sf of building area meeting the biotech classification, and located within King County.

Biotech Property Characteristics:

The biotech real estate market is a mix of both newly developed and converted space. Since biotech research requires specialized construction of improvements, conversion is only possible with select buildings. Almost all the biotech facilities in King County are research laboratories. There is one production plant which manufactures a drug. However, production facilities can require even greater safety measures than labs. Biotech buildings generally have specific requirements in order to create and maintain the controlled environments required for research and development:



Ceiling heights of 14' -16'	Hazardous waste and containment control and disposal
High specification air and ventilation for controlled environments	Animal holding with lab facilities (Vivarium)
High load bearing floors / Impervious ceiling, wall and floor surfaces/coverings	Lines for compressed air, gas, liquids, etc.
Systems redundancy/Power conditioning	High structure rigidity and stability requirements to minimize vibration or movement.

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

The majority of these properties are concentrated within the South Lake Union area. This close proximity results from linkage clustering. Proximity to supporting institutional research facilities is preferred, and common to Life Science clustering patterns observed within the broader industry. Accordingly, no specific neighborhoods have been broken out for this report.

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 I-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 significant, and augmented by construction of special purpose buildings comprising Seattle's Biotech Core. Within this neighborhood are 49 Bio Tech parcels, comprised of 37 properties, with 12 additional vacant parcels contributing to economic unit value.

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

Notable Bio-Tech developments include:

- University of Washington completion of Phase 3.1 of its Biotechnology and Medical Research Campus at 750 Republican. This seven story, 183,000 SF, state of the art building will focus on research associated with immunology, rheumatology, infectious disease treatment, and vision science.
- On a campus site, the University of Washington recently announced plans for construction of a 187,000 SF Life Sciences Building. Construction is expected to start in July of next year, with a projected cost of \$160.5 Million.
- Fred Hutchinson Cancer Research Center previously released a proposal to double in size over the next twenty years, adding up to seven buildings with more than 1,000,000 square feet to its campus.



- The Allen Institute for Brain Science is completing construction of its six story, 245,000 SF building at the NW corner of Mercer St and Westlake Ave. N. Research will focus on neuroscience and genomics.
- The Omeros Corporation leased with options, the five story, 151,000 SF BioMed Realty building at 201 Elliott Ave W. The corporation is involved with research and development associated with small-molecule and protein therapeutics.
- Juno Therapeutics signed a lease for 80,000 SF, plus options in a 287,600 Sf building at 400 Dexter Ave N, to be completed by Alexandria Real Estate Equities in 2016.
- BioMed Realty Trust is nearing completion of a 122,000 SF building to be partially leased (35%) by both Novo Nordisk and NanoString Technologies. The building at 500 Fairview Ave N is scheduled for completion by year end 2015.
- Washington Holdings will start construction of a 212,000 SF Lab/Office building called the Atrium at 1818 Fairview Ave. N. with a two year construction period.
- The Infectious Disease Research Institute relocated its headquarters to the Alexandria Real Estate Equities' 1616 Eastlake Building, occupying 55,000 SF.
- Immune Design also relocated into the 1616 Eastlake Building via sublease of 11,000SF from the University of Washington.

A broader description of this neighborhood and associated development can be viewed within the Commercial Geo Report for Area 32 (North Downtown Seattle) for the 2015 Assessment Year.

Biotech Industry:

Bio Technology comprises a significant element within the field of Life Science. In the King County/Seattle market area, biotech properties range from small startup companies to very large multinational corporations. The greater Seattle area has one of the most significant concentrations of biotechnology companies in the United States. The region has become increasingly well known as one of the premier biotechnology centers in the world, due to a confluence of world-class research institutions, entrepreneurial spirit, and government assistance supported by a regionally dynamic economy. Seattle is home to major world-class research centers such as the University of Washington, the Fred Hutchinson Cancer Research Center, and the Seattle Cancer Care Alliance, providing the research foundation and technology necessary for startup companies. The area is home to Nobel Prize winning scientists, 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.

Seattle's Life Science and Bio Technology cluster is prominently referenced in the 2014 Jones Lange LaSalle Global Life Science Cluster Report.¹ From a world-wide perspective, Seattle was identified as one of ten cities in the world offering significant growth potential due it's concentration of world class research organizations, associated work forces involved in research and development, and the life style offered by Seattle's location and close-in living environment attractive to the younger, highly skilled professionals sought by this industry. Seattle Metro also ranks 11th in the United States based on the JLL Life Science Ranking within the United States. The following are excerpts from this report showing the ranking along with clarifying scorecard

¹ Life Science Cluster Report, Jones Lang LaSalle, 2014.

definitions and methodology applied. Additional benchmark data is included from this report highlighting Life Science workforce, employment, and patent classification activity within the Seattle Metro area.

United States cluster scorecard

Cluster	Life sciences employment concentration			Life sciences employment growth			Life sciences establishments concentration			Life sciences venture capital funding			National Institute of Health funding			Life sciences patents			Weighting	
	%	Weighted score	Rank	%	Weighted score	Rank	%	Weighted score	Rank	\$ (in millions)	Weighted score	Rank	\$ (in millions)	Weighted score	Rank	#	Weighted score	Rank	Weighted score	Rank
Greater Boston Area	4.5%	20.2	3	1.5%	5.5	3	1.6%	8.2	2	\$1,374.3	20.0	1	\$2,005.4	20.0	1	1,412	13.0	2	86.9	1
San Francisco Bay Area	3.8%	17.6	4	15.2%	10.0	1	0.9%	5.0	7	\$729.1	14.2	2	\$873.0	10.7	6	1,652	15.0	1	72.4	2
San Diego Metro Area	5.8%	25.0	1	2.7%	5.9	2	1.4%	7.3	3	\$640.6	13.4	4	\$785.6	9.8	8	956	9.3	6	70.7	3
Raleigh-Durham Metro Area	4.6%	20.6	2	1.2%	5.4	4	2.0%	10.0	1	\$262.6	9.7	8	\$893.1	10.8	5	303	1.8	13	58.3	4
New Jersey/New York City/Westchester Metro Area	1.8%	7.1	11	-1.2%	3.8	9	0.7%	1.7	12	\$661.1	13.5	3	\$1,648.3	17.0	2	1,325	12.3	3	55.4	5
Los Angeles/Orange County Metro Area	2.5%	12.9	7	-0.1%	5.0	7	0.6%	0.0	13	\$359.3	10.8	6	\$959.7	11.3	4	1,231	11.5	4	51.5	6
Philadelphia Metro Area	2.8%	14.0	6	-1.6%	3.3	12	1.0%	5.5	6	\$245.7	9.1	9	\$809.3	10.1	7	837	8.3	7	50.2	7
Suburban Maryland / Metro DC	2.3%	11.6	8	-4.5%	0.0	14	1.2%	6.4	4	\$407.7	11.2	5	\$989.1	11.6	3	639	6.2	8	47.0	8
Minneapolis - St. Paul Metro Area	3.1%	15.1	5	-1.3%	3.6	10	0.9%	5.0	7	\$174.1	6.4	10	\$297.8	2.8	13	1,180	11.1	5	44.0	9
Seattle Metro Area	2.0%	8.9	10	-1.3%	3.6	10	0.9%	5.0	7	\$275.7	10.0	7	\$773.8	9.6	9	411	3.2	11	40.4	10
Denver Metro Area	2.2%	10.7	9	-0.1%	5.0	7	1.1%	5.9	5	\$99.3	3.6	13	\$312.9	3.0	11	335	2.2	12	30.4	11
Central & Southern Florida	1.4%	3.6	13	0.1%	5.1	6	0.8%	3.3	10	\$133.1	4.9	11	\$304.4	2.9	12	456	3.8	10	23.5	12
Chicago Metro Area	1.0%	0.0	14	-2.8%	1.9	13	0.6%	0.0	13	\$110.0	4.0	12	\$682.7	8.3	10	505	4.4	9	18.7	13
Indianapolis Metro Area	1.5%	4.5	12	0.2%	5.1	5	0.8%	3.3	10	\$3.1	0.0	14	\$106.7	0.0	14	170	0.0	14	12.9	14

United States cluster scorecard definitions & methodology

Life sciences scorecard

Our proprietary life sciences scorecard ranks relevant metro areas along several factors that measure the propensity for new industry growth. Qualitative knowledge of the industry was used to refine the list of clusters. Each cluster is scored against this list and the ranking indicates its position among top life sciences markets.

Life sciences employment concentration

Weighting: 25.0 percent
Measured as the percent of industry employment against total metro private employment. Higher percentages mean the industry has a greater influence on a given metro's economic success. Local policy and economic development groups are behooved to support the industry to keep employment levels high.

Life sciences employment growth

Weighting: 10.0 percent
A broad measure of economic success and job creation.

Life sciences establishments concentration

Weighting: 10.0 percent
Measured as the percent of industry establishments (individual business locations) against total metro private establishments.

Life sciences venture capital funding

Weighting: 20.0 percent
Reports the actual dollars invested during 2013 in life sciences industries. Demonstrates the potential for industry growth through private investment.

Life sciences National Institute of Health funding

Weighting: 20.0 percent
Reports the actual dollars invested during 2013. Measures the potential for industry growth through public investment.

Life sciences patents

Weighting: 15.0 percent
Measures the actual patent approvals awarded by the U.S. Patent and Trademark Office (USPTO) for a given metro area. Demonstrates a cluster's ability to transfer technology into marketable goods.

Cluster	Weighted score	Rank
Greater Boston Area	86.9	1
San Francisco Bay Area	72.4	2
San Diego Metro Area	70.7	3
Raleigh-Durham Metro Area	58.3	4
New Jersey/New York City/Westchester Metro Area	55.4	5
Los Angeles/Orange County Metro Area	51.5	6
Philadelphia Metro Area	50.2	7
Suburban Maryland / Metro DC	47.0	8
Minneapolis - St. Paul Metro Area	44.0	9
Seattle Metro Area	40.4	10
Denver Metro Area	30.4	11
Central & Southern Florida	23.5	12
Chicago Metro Area	18.7	13
Indianapolis Metro Area	12.9	14

Seattle Metro Area



Major lab supply:
Clusters of established lab stock with long-time industry presence



Emerging lab supply:
Areas with limited lab stock today that are poised for growth



Life Sciences manufacturing supply:
Clusters of manufacturing space devoted to pharmaceutical, biological or medical device & instrument manufacturing

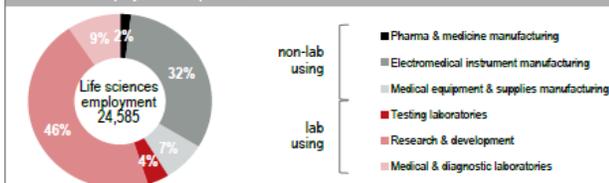


Economic scorecard

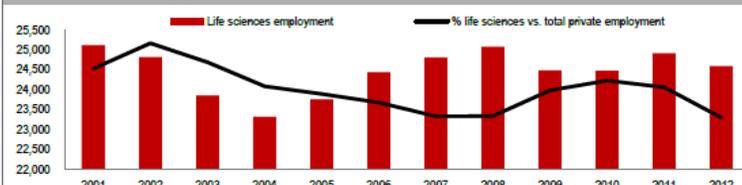
Cluster score:
40.4

Workforce	Total life sciences	% life sciences to private employment	Year-over-year growth
Employment	24,585	2.0%	-1.3%
Establishments	875	0.9%	1.9%
Funding	Total life sciences	% to total U.S.	
VC funding	\$275.7M	3.2%	
NIH funding	\$773.8M	3.5%	
Innovation	Total life sciences	% to all patent classes	
Patents	411	11.4%	

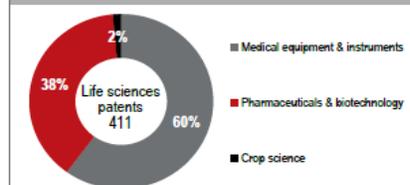
Life sciences employment composition



Historical life sciences employment



Life sciences patents by classification



Biotech Economy:

The growth of funding for institutions like University of Washington Medical, The Fred Hutchinson Cancer Research Center, and The Seattle Biomedical Research Institute, Institute For Systems Biology, and The Benaroya Research Institute, and others, generate local industry growth as they acquire, convert and construct more bio-tech space. Seattle's ranking has remained relatively stable, but also reflects change resulting from industry pressures related to scale of corporate operation, outsourcing of function and operational flexibility. Changes in our health care laws and basic industry structure associated with funding research, and bringing product to market, tend to favor small to mid-sized corporations and startups. These broader changes were echoed within our local market by Amgen's announcement of corporate restructure and campus closure, in contrast to Juno Therapeutics' spin-off, IPO offering, and subsequent expansion through acquisition and partnership. The AMGEN exit and campus sale was considered a setback to our Bio Tech community. However, as large a campus as it was, it sold within a relatively short time to be repurposed and expanded for Expedia's corporate headquarters. With a loss of 750,000 SF of state of the art research and lab space, real estate developers remain reluctant to initiate Bio Tech construction for speculative purposes, and life science space is expected to remain tight in the foreseeable future. Investment capital, however, is becoming more available to highly regarded start-up firms within this area. And with South

Lake Union remaining the preferred location, many firms will delay location or relocation decisions until additional space becomes available.

Seattle’s Biotech Core within South Lake Union reflects a rapidly changing but established market within the Puget Sound Region. Although the industry has been challenged by broad economic downturns, the local area’s business model has evolved in providing alternatives to conventional liquidity, and has maintained a slow but steady growth within a limited real estate market. The University of Washington, the Fred Hutchinson Cancer Research Center, and Vulcan’s development supported by Amazon’s growing presence provide a significant economic driving force within this neighborhood.

Given Seattle’s strong regional economic position with a Bio Tech culture characterized by world class research and philanthropic support, Bio Tech property values are anticipated to maintain a steady increase within a very tight Bio Tech real estate market in the foreseeable future.

Preliminary Ratio Analysis

A ratio study was not made part of this report as there was one qualifying sale. Accordingly, the Parcel Summary Data does not reflect any statistical measure associated with IAAO standards.²

Physical Inspection Identification

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

Approximately 16% of the biotech population was inspected for the 2015 Assessment year, as required by WAC 458-07-015 4 (a). An exterior observation of the properties was made to verify the accuracy and completeness of property characteristics for valuation purposes. Eight improved parcels were reviewed and inspected, as identified below. This parcel inspection list, with a corresponding location map are also attached to this report.

**Bio Tech Property Inspection List
2015 Assessment Year**

Major	Minor	PT	Area	Sub	Q	S	T	R	PropName
066000	1215	C	30	100 NE		31	25	4	9th & Stewart Life Sciences
069500	0090	C	32	10 NW		31	25	4	Dendreon
069500	0100	C	32	10 NW		31	25	4	Dendreon
136130	0025	C	32	20 NW		29	25	4	FHCRC-Valley Bldg.
136130	0028	C	32	20 NW		29	25	4	FHCRC-Aloha Bldg.
198320	0160	C	32	20 SE		30	25	4	ROSEN BUILDING
198420	0105	C	32	20 NW		29	25	4	FHCRC-Fairview Bldg.
198420	0135	C	32	20 NW		29	25	4	FHCRC Phase IV

² Mass Appraisal of Real Property, IAAO, 1999, p. 271-274



Parcel #066000-1215
9th and Stewart Life Sciences Building



Parcel #069500-0090
Alexandria Real Estate Equities, Inc.



Parcel # 069500-0100
Alexandria Real Estate Equities, Inc.



Parcel #136130-0025
Fred Hutch Cancer Research – Valley Bldg.



Parcel #136130-0028
Fred Hutch Cancer Research – Aloha Bldg.



Parcel #198320-0160
Rosen Bldg.



Parcel #198420-0105
Fred Hutch Cancer Research – Fairview Bldg.



Parcel #198420-0135
Fred Hutch Cancer Research – Arnold Bldg.

Scope of Data:

Land Value Data

The geographic appraiser in the area in which the specialty office property is located is responsible for the land value used by the Biotech specialty. For the 2015 Assessment Year revalue, land values within this specialty continue to be adjusted upward from the previous year, based upon market activity within this area. Please see appropriate area reports for land valuation discussions within Area Reports 17 (University District and Sand Point), 25 (Capitol Hill), 30 (Downtown Seattle), and 32 (North Downtown Seattle).

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

The sales comparison approach was not applied, as only one sale occurred within the biotech population which was considered a market reflection of value. The property was the ISB building located at 401 Terry Ave N in South Lake Union. Owned by Vulcan Real Estate, the building was fully leased to ISB, sold to Kilroy Realty Corp. for \$106.1 Million, and closed in March of 2014. The sale is, however, considered to reflect benchmark value for properties of similar characteristics within this specialty. A second sale was not used as a market indication of value, as it reflected a change in use from Bio Tech.

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

Sales comparison calibration

While sales are reviewed and market data extracted when possible, an Income Approach was utilized in the final reconciliation of value as it allows greater equalization and uniformity among values for the various stratifications among bio tech properties and because sufficient market income data was available as of the valuation date.

Cost approach model description

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

Cost calibration

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

Income Capitalization Approach model description

The Income Approach was considered 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 the majority of the properties within the specialty contain parking space, the parking income was included as a necessary component of the direct capitalization process. Restrictions of proprietary software within the department's income program precluded application of income tables in the revaluation process. Therefore, no tables were created. Instead, a direct capitalization spreadsheet was created showing each property's income value estimate.

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

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

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

Capitalization Rates: Capitalization rates were determined by local published market surveys, such as CoStar, Real Capital Analytics, The American Council of Insurance Adjustors, Integra Realty Resources, Korpaz, etc. The effective year built (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 tables were calibrated after setting economic rents, vacancy, expenses and capitalization rates by using adjustments based on size, effective year built, and construction quality as recorded in the Assessor's records.

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

Biotech Income Analysis: - Area 800

With respect to the greater biotech market, the 2015 assessment year was considered to experience increasing values resulting from increasing lease rates, continued lower vacancy and stable capitalization rates.

2015 YEAR END			
	OFFICE	INDUSTRIAL	BIOTECH
<i>RENTAL RATE</i>	SLIGHT INCREASE	SLIGHT INCREASE	SLIGHT INCREASE
<i>VACANCY</i>	DECREASING	DECREASING	DECREASING
<i>CAPITALIZATION RATE</i>	SLIGHT DECREASE	SLIGHT DECREASE	SLIGHT DECREASE
<i>IMPROVED PROPERTY VALUES</i>	INCREASING	INCREASING	INCREASING

Property Type	Typical Rent/SF Range	Vacancy Rate	Expense Rate	OAR
Laboratories/Vivarium (Lab Space Typically Blended With Off./Lab/Research Space)	\$30.00 to \$60.00	5%	35%	6.75 % to 7.75%
Office/Medical Office	\$18.00 to \$30.00	5%	35%	6.75 % to 7.75%
Open Off./Mezz. Off./Bank	\$18.00 to \$30.00	5%	35%	6.75 % to 7.75%
Retail/Mixed-Use Retail/Restaurant	\$20.50 to \$27.50	5%	35%	6.75 % to 7.75%
Storage Whse./Bsmt. Stor./Ind. Light Manuf./Mezz. Stor.	\$6.25 to \$15.00	5%	35%	6.75 % to 7.75%

- **Office/Retail:** The typical rental rates per square foot range from \$18.00/SF to \$30.00/SF for office space and \$20.50/SF to \$27.50/SF for retail space. Vacancy and Collection Loss was estimated at 5%, with operating expenses estimated at 35%, and capitalization rates ranging from 6.75% to 7.75%.
- **Lab Space:** Rent rates for Laboratory/Research space typically range from \$30.00/SF to \$60.00/SF for lab space and is quoted as a blended rent due to the combination office/lab/research type use. Vacancy and Collection Loss was estimated at 5%, with

SEATTLE / REGIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
			6.89%	-	-	Suburban Office
			-	5.58%	-	Warehouse - (4.00% - 7.00%)
ACLI	Yr. End 2014	Seattle MSA	6.52%	6.66%	5.52%	
		Pacific Region	5.94%	6.08%	6.57%	

NATIONAL CAP RATES						
Source	Date	Location	Office	Industrial	Retail	Remarks
RERC: Real Estate Report Valuation Rates & Metrics	4Q 2014					1 st Tier properties are defined as new or newer quality const. in prime to good location
		National	6.90%	-	-	Office CBD - 1 st Tier Properties
			7.40%	-	-	Suburban Office - 1 st Tier Properties
			-	7.20%	-	Warehouse - 1 st Tier Properties
			-	7.60%	-	R&D - 1 st Tier Properties
			-	7.60%	-	Flex - 1 st Tier Properties
			-	-	6.90%	Regional Mall - 1 st Tier Properties
			-	-	7.20%	Power Center - 1 st Tier Properties
			-	-	7.20%	Neigh/Comm. Ctrs. - 1 st Tier Properties
						Institutional Grade Properties ^{??}
IRR: Viewpoint for 2015	Yr. End 2014	National	7.05%	-	-	CBD Office - Class A
			7.84%	-	-	CBD Office - Class B
			7.43%	-	-	Suburban Office - Class A
			8.06%	-	-	Suburban Office - Class B
			-	7.11%	-	Industrial - Class A
			-	7.79%	-	Flex Industrial - Class A
			-	-	6.83%	Reg. Mall - Class A
			-	-	7.17%	Community Retail - Class A
			-	-	7.33%	Neighborhood Retail - Class A
ACLI	Yr. End 2014	National	5.90%	6.90%	6.46%	Overall
			7.50%	7.49%	7.17%	Sq.Ft. - <50k
			6.09% - 6.83%	6.96% - 7.49%	6.11% - 6.44%	Sq.Ft. - 50k-200k
			5.67%	6.74%	6.20%	Sq.Ft. - 200K+
PWC / Korpaz	4Q 2014	National	6.16%	-	-	CBD Office - (3.75% - 8.00%)
			6.66%	-	-	Sub. Office - (5.00% - 9.00%)
			7.27%	-	-	Medical Office - (4.25% - 10.00%)
			-	7.53%	-	Flex/R&D - (6.00% - 10.00%)
			-	5.82%	-	Warehouse - (4.50% - 7.00%)
			-	-	6.21%	Mall- A+ = .4.88%; A = 5.47%; B+ = 6.67%
			-	-	6.60%	Power Center - (5.50% - 8.00%)
			-	-	7.05%	Neigh. Strip Ctrs. - (5.00% - 10.00%)
The Boulder Group: Net Lease Market Report	4Q 2014	National	7.31%	8.03%	6.50%	Overall (Average)
			-	-	6.71%	Big Box "Overall"
			-	-	6.00%	Big Box "Investment Grade"
			-	-	7.00%	Big Box "Non-Investment Grade"
			-	-	6.78%	Jr. Big Box - (20,000/SF - 39,999/SF)
			-	-	6.72%	Mid. Big Box - (40,000/SF - 79,999/SF)
			-	-	6.48%	Mega Big Box - (80,000/SF +)
		West Region	-	-	5.75%	Overall (Average)

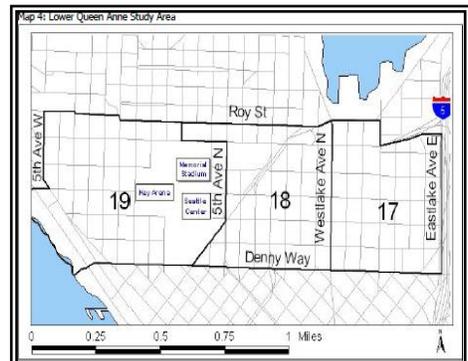
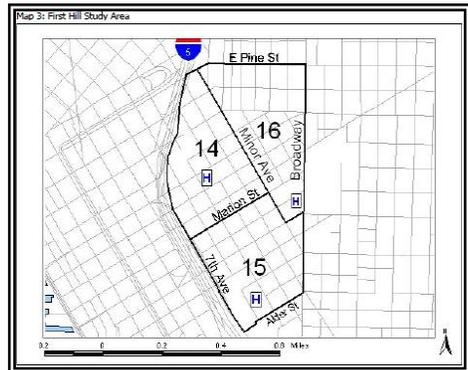
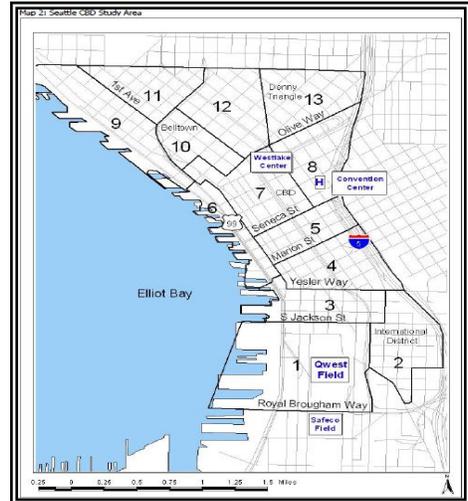
Biotech Parking Income Analysis:

As referenced above, properties where income from parking was valued, an additional income approach was incorporated. A parking income calculation was developed using data from the

2010-2013 Parking Inventory Survey (most recent) prepared by the Puget Sound Regional Council. For the 1/01/2015 valuation, adjustments applied to the daily and monthly stall rates continue to reflect a slight increase in overall occupancy and rates.

The non-reserved monthly and daily rates and occupancy rates for various areas were based on this data. Typically the assessor assigned 2/3rds of the stalls a monthly rate and 1/3rd a daily rate. A five day work week with no turnaround on parking was assumed in the model. The monthly rates in Area 800 ranged from \$138 to \$238/stall and the daily rates ranged from \$12/stall to \$20/stall depending on location. The occupancy range was 39% to 66% and the annual expense rate range applied was 15% to 25%. Please refer to the following parking rate summary tables.

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



Reconciliation:

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market approach is generally considered the most reliable indicator of value when comparable sales are available, however the single sale used within this year's report was not considered adequate justification for ratio study application. Accordingly, the income approach was applied to most parcels in final reconciliation to allow greater uniformity and equalization of property values. Whenever possible, market rents, expenses, and capitalization rates were estimated from sales along with data extracted from surveys and publications, and incorporated within the income model. Market rents applied to some properties varied from the income model but fell within an acceptable range of variation from established patterns. The income approach to value was considered the more reliable indicator of value in most instances. All parcels were individually reviewed for correctness of the model application before final value selection.

Model Validation

Total Value Conclusions, Recommendations and Validation:

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

The January 1, 2015 valuation is based upon a moderately improving bio tech market as of the valuation date, reflecting downward pressure on already low vacancy rates, a slight increase of effective lease rates, and continued downward pressure on capitalization rates, all occurring within a rapidly developing South Lake Union market with limited inventory for bio tech properties.

Application of these recommended values for the 2015 assessment year results in an increase from the 2014 assessment of 9.20%. As referenced in the Executive Summary Report, this includes an approximate increase of \$50 Million resulting from the added value of new construction associated with the Allen Institute for Brain Science. Net of this parcel's increased improvement value, total increase of specialty value moderates to 5.48%.

Total Population - Parcel Summary Data:			
	Land	Imps	Total
2014 Value	\$453,284,200	\$1,327,661,500	\$1,780,945,700
2015 Value	\$481,079,900	\$1,463,717,800	\$1,944,797,700
Percent Change	6.13%	10.25%	9.20%

The total assessed value for the 2014 assessment year was \$1,780,945,700. The recommended assessed value for the 2015 assessment year is \$1,944,797,700.

USPAP Compliance

Client and Intended Use of the Appraisal:

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

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

Definition and date of value estimate:

Market Value

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

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

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

Highest and Best Use

RCW 84.40.030

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

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

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

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

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

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

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

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

Date of Value Estimate

RCW 84.36.005

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

RCW 36.21.080

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

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

Property Rights Appraised: Fee Simple

Wash Constitution Article 7 § 1 Taxation:

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

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

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

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

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

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

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

Assumptions and Limiting Conditions:

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

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

Scope of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the

Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report

CERTIFICATION:

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

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

Bruce I. Zelk
Commercial Appraiser II

Date

2015 Bio Tech - Sales Used Location Map



The information included on this map has been compiled by King County staff from a variety of sources and is subject to change without notice. King County makes no representation or warranties, express or implied, as to the accuracy, completeness, timeliness, or rights to the use of such information. King County shall not be liable for any general, special, indirect, incidental, or consequential damages including, but not limited to, lost revenues or lost profits resulting from the use or misuse of the information contained on this map. Any sale of this map or information on this map is prohibited except by written permission of King County.



King County
Assessments
9/22/15

Improvement Sales for Area 800 with Sales Used

05/26/2015

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

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
800	010	859090	0646	208,712	2585713	\$42,600,000	01/22/13	\$204.11	SEATTLE LIFE SCIENCE CENTER	MI0-160-NC3-160	6	37	Securing of debt

2015 Physical Inspection Map – Bio Tech Specialty 800



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King County
Assessments
9/22/15

**Bio Tech Property Inspection List
2015 Assessment Year**

Major	Minor	PT	Area	Sub	Q	S	T	R	PropName
066000	1215	C	30	100	NE	31	25	4	9th & Stewart Life Sciences
069500	0090	C	32	10	NW	31	25	4	Dendreon
069500	0100	C	32	10	NW	31	25	4	Dendreon
136130	0025	C	32	20	NW	29	25	4	FHCRC-Valley Bldg.
136130	0028	C	32	20	NW	29	25	4	FHCRC-Aloha Bldg.
198320	0160	C	32	20	SE	30	25	4	ROSEN BUILDING
198420	0105	C	32	20	NW	29	25	4	FHCRC-Fairview Bldg.
198420	0135	C	32	20	NW	29	25	4	FHCRC Phase IV