

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

Metropolitan Tract Quarterly Report: Q1 as of 3/31/2010

For information only.

*Attachment*

Metropolitan Tract Quarterly Report: Q1 as of 3/31/2010

# Metropolitan Tract Quarterly Report

Q1 as of 3/31/2010

## Q1 Notables:

- Unico's percentage rent payment for 2009 was received per Master Lease, at \$10.7M.
- Revenue generated during Q1 is consistent with 2010 projections. Both the hotel revenue and Unico's revenue are outpacing 2009.
- 2009 revenues include 2 quarters of additional rent payments from Unico based on a modification of the payment schedule from annual to quarterly.

## Market News:

- CBD office vacancy rates actually declined this quarter to 19% driven by Amazon.com expansion and PATH relocating downtown. All projects that were under construction are now on-line and most buildings are reporting strong leasing activity.
- In spite of the lackluster hotel market, hotel development is on the rise with the completion of Renaissance Seattle Hotel's renovation, a new Courtyard by Marriott planned for Second Avenue and a privately owned hotel being conceptualized in Pioneer Square.

## Operations & Cash Flow

(Millions \$ - cash flow basis)

	Q1 2010	YTD 2010	Budget 2010	2009	2008	2007
Revenues <sup>1</sup>	\$ 12.25	\$ 12.25	\$ 20.62	\$ 26.33	\$ 23.60	\$ 33.69
Operating Expenses <sup>2</sup>	\$ (0.68)	\$ (0.68)	\$ (3.72)	\$ (3.75)	\$ (4.12)	\$ (3.94)
Net Operating Income	\$ 11.57	\$ 11.57	\$ 16.90	\$ 22.59	\$ 19.48	\$ 29.74
Non-Operating Expenses	\$ (0.24)	\$ (0.24)	\$ (2.30)	\$ (2.79)	\$ (1.96)	\$ (1.12)
Net Income	\$ 11.33	\$ 11.33	\$ 14.60	\$ 19.80	\$ 17.52	\$ 28.62
Debt Repayment (Borrowing)	\$ -	\$ -	\$ -	\$ (0.33)	\$ (0.65)	\$ (8.47)
Capital & Tenant Improvements <sup>3</sup>	\$ (0.39)	\$ (0.39)	\$ (6.85)	\$ (3.76)	\$ (12.06)	\$ (11.65)
Net Cash Flow	\$ 10.94	\$ 10.94	\$ 7.74	\$ 15.71	\$ 4.81	\$ 8.50
Distribution to University	\$ -	\$ -	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)
Increase/(Decrease) in Cash	\$ 10.94	\$ 10.94	\$ (0.26)	\$ 7.71	\$ (3.19)	\$ 0.50

<sup>1</sup> Revenues include rent from tenant leases, operating savings payments from Unico and Leashold Excise Tax receipts from tenants.

<sup>2</sup> Operating Expenses include Leashold Excise Tax payments, earthquake insurance, professional fees and Met Tract Real Estate Office management expenses. Some payments occur in the second half of the year.

<sup>3</sup> Unico and Rainier Tower.

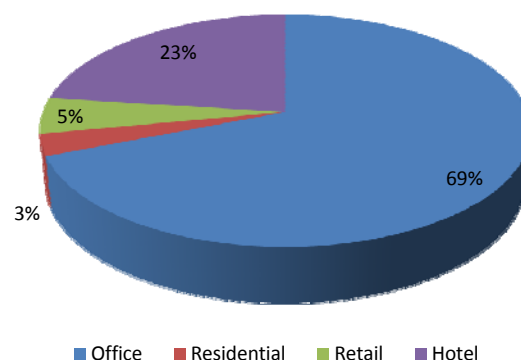
## Assets Under Management

2009	Valuation (Millions \$)	2008
\$338.3M	Office Buildings	\$366.0M
\$110.8M	Olympic Hotel	\$111.0M
\$30.5M	Cobb Building	\$29.0M
\$479.6M		\$505.0M

- Internal Valuation as of 12/31/2009
- UW portion of 2009 value is approx. \$342M
- 2009 decrease driven by higher cap rates and lower market rents
- Key assumptions include lease up rates, TI's, exit cap and discount rates

## Product Type

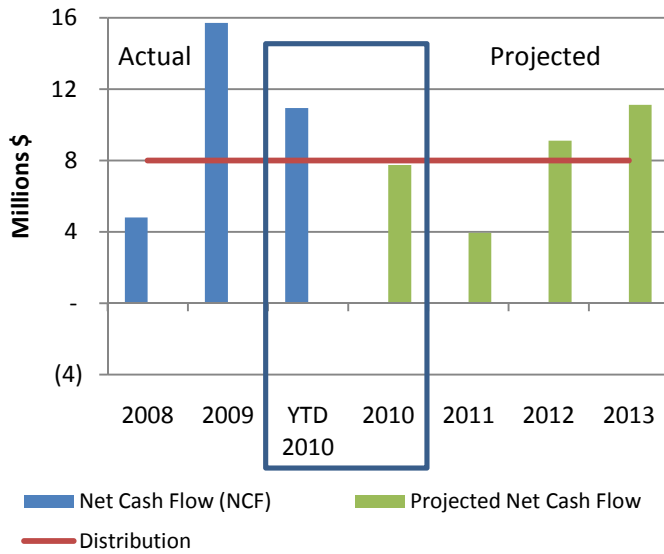
### Product Type (by RSF)



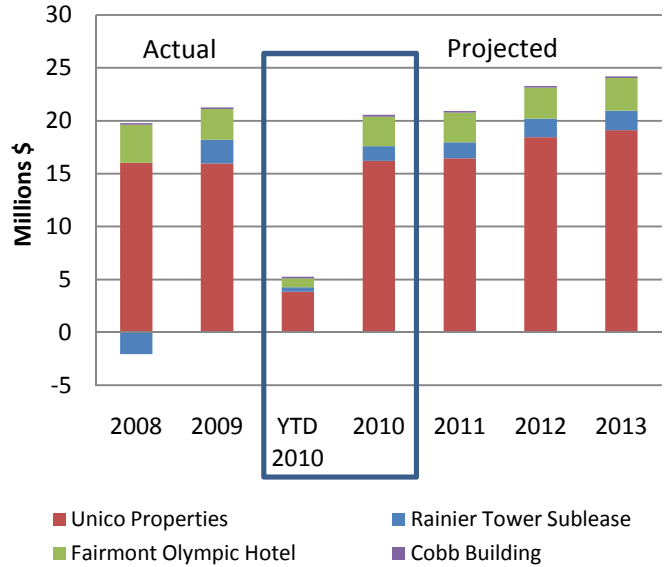
# Metropolitan Tract Quarterly Report

Q1 as of 3/31/2010

## UW Distribution & Cash Flow



## Total UW Rent Earned



- Distribution has consistently been \$8M / year.
- NCF is impacted by capital expenses. Total 2009 capital was \$3.76M, 2010 capital is projected to be \$6.8M and 2011 capital is projected to be \$10.8M driven by leasing and TIs.
- 1st Quarter 2010 includes \$10.7M attributable to percentage rent earned in 2009 under the Unico lease.

- Rent earned from each lease; does not include cash flow items or misc. revenue.
- Projected rent is based on Argus model of 12/31/09.
- Rainier Tower Sublease is net revenue including direct operating expenses and capital.

## Metropolitan Tract Portfolio



### Unico Portfolio

Rainier Tower	569,155 sf
Financial Center	339,527 sf
Puget Sound Plaza	274,885 sf
IBM Building	225,129 sf
Skinner Building	193,672 sf
<b>Total</b>	<b>1,602,368 sf</b>
Retail Space	141,806
Parking Stalls	744
Lease Expiration:	10/31/2014

### Cobb Building

Residential Units	91
Retail Space	18,717
Lease Expiration:	3/22/2050
<b>Rainier Tower Sublease</b>	
Sublease Space	379,463
Lease Expiration:	10/31/2017

### Fairmont Olympic Hotel

Luxury Hotel Rooms	450
Office Space	15,500
Retail Space	28,000
Parking Stalls	787
Lease Expiration:	10/1/2040