

VII. STANDING COMMITTEES

B. Finance, Audit & Facilities Committee

Metropolitan Tract Quarterly Report for the Quarter Ended December 31, 2009

For information only.

*Attachment*

Metropolitan Tract Quarterly Report for the Quarter Ended December 31, 2009

# Metropolitan Tract Quarterly Report

Q4 as of 12/31/2009

Cash received in 2009 was approx. \$3.2M greater than projected due to modification of the Unico lease to quarterly percentage rent payments instead of a single annual payment after year end.

- The Hotel's revenue was down 20% for the year due to the very soft travel market although it maintained the #1 position in its competitive set and a \$35 rate premium over the competition.
- Office occupancy of the Met Tract was 84%; CBD occupancy was 77% .
- Approx. \$400,000 was paid to UW from Unico for operating savings resulting from energy efficiency projects.
- 2009 capital spending was about 50% of 2008 due to focus on limiting capital projects and fewer TI expenditures.
- 2009 and 2008 cash differential can be attributed to additional Unico quarterly rent payment and a positive contribution from Rainier Tower (\$2.2M in 2009 vs. -\$2.1 in 2008)

## Operations & Cash Flow<sup>1</sup>

(Millions \$ - cash flow basis)

|  | Q4<br>2009 | YTD<br>2009 | Budget<br>2009 | 2008      | 2007       | 2006      |
|--|------------|-------------|----------------|-----------|------------|-----------|
| Revenues <sup>2</sup>                      | \$ 4.38    | \$ 24.34    | \$ 21.24       | \$ 16.88  | \$ 18.93   | \$ 17.77  |
| Operating Expenses <sup>3</sup>            | \$ (0.72)  | \$ (3.77)   | \$ (3.77)      | \$ (3.58) | \$ (3.96)  | \$ (4.41) |
| Net Operating Income                       | \$ 3.66    | \$ 20.57    | \$ 17.47       | \$ 13.30  | \$ 14.97   | \$ 13.36  |
| Non-Operating Expenses (UW RE)             | \$ (0.48)  | \$ (2.36)   | \$ (2.36)      | \$ (1.96) | \$ (1.12)  | \$ (1.75) |
| Net Income                                 | \$ 3.18    | \$ 18.21    | \$ 15.11       | \$ 11.34  | \$ 13.84   | \$ 11.61  |
| Debt Repayment (Borrowing)                 | \$ (0.04)  | \$ (0.33)   | \$ (0.33)      | \$ (0.65) | \$ 5.53    | \$ 4.39   |
| Capital & Tenant Improvements <sup>4</sup> | \$ (0.03)  | \$ (3.76)   | \$ (3.76)      | \$ (7.14) | \$ (10.91) | \$ (7.97) |
| Net Cash Flow                              | \$ 3.12    | \$ 14.12    | \$ 11.02       | \$ 3.55   | \$ 8.47    | \$ 8.03   |
| Distribution to University                 | \$ -       | \$ (8.00)   | \$ (8.00)      | \$ (8.00) | \$ (8.00)  | \$ (8.00) |
| Increase/(Decrease) in Cash                | \$ 3.12    | \$ 6.12     | \$ 3.02        | \$ (4.45) | \$ 0.47    | \$ 0.03   |

<sup>1</sup> Total cash activity for calendar years shown

<sup>2</sup> Revenues contain rent from tenant leases plus additional revenue from operating savings payments from Unico , LET receipts from tenants and miscellaneous items.

<sup>3</sup> Operating Expenses include LET payments, earthquake insurance, professional fees and Met Tract real estate office management expenses.

<sup>4</sup> Unico only.

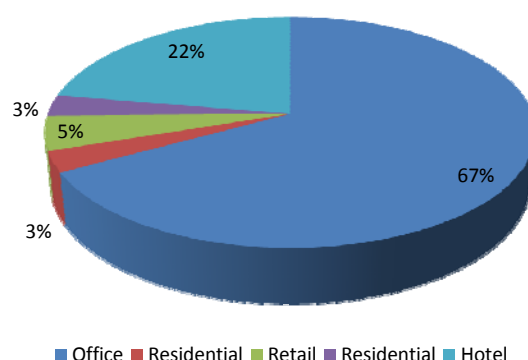
## Assets Under Management

## Product Type

| 2009     | Valuation<br>(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 12/1/2009
- 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

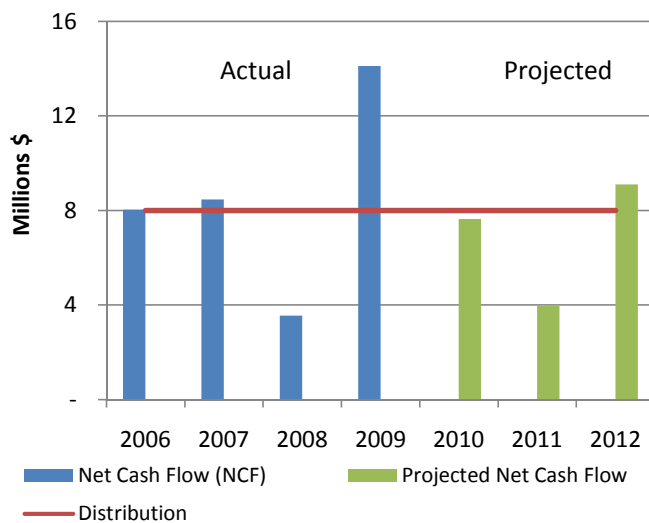
## Product Type (by RSF)



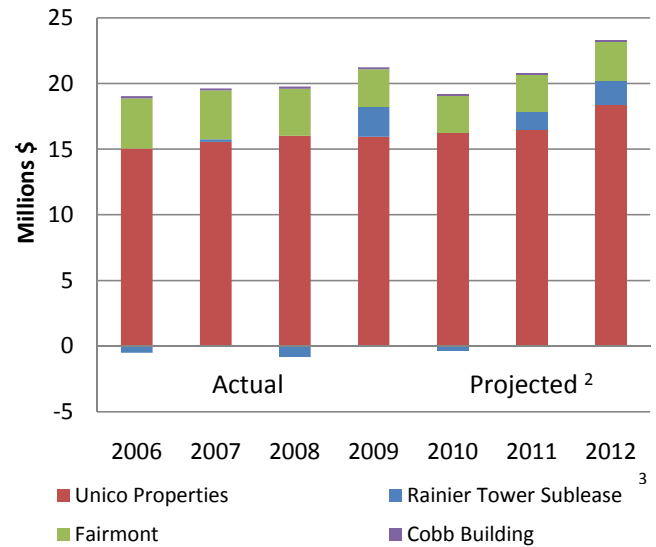
# Metropolitan Tract Quarterly Report

## Q4 as of 12/31/2009

### UW Distribution & Cash Flow



### Total UW Rent Earned <sup>1</sup>



- Distribution has consistently been \$8M / year.
- NCF is impacted by capital expenses. Total 2009 capital was \$3.76M. 2011 capital is projected to be \$10.8M driven by leasing and TIs.
- 2009 NCF increased significantly from 2008 due to an accelerated \$3M payment from Unico, lower capital ex and positive contribution from RT Sublease.

<sup>1</sup> Rent earned from each lease only; does not include cash flow items or misc. revenue.

<sup>2</sup> Based on Argus model of 12/31/10.

<sup>3</sup> Represents sublease net revenue including direct op 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 |