

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Metropolitan Tract Performance Report for the Quarter Ended June 30, 2010

For information only.

*Attachment*

Metropolitan Tract Quarterly Report, Q2 as of 6/30/2010

# Metropolitan Tract Quarterly Report

Q2 as of 6/30/2010

## Q2 Notables:

- The Net Cash Flow as of Q2 2010 is ahead of budget due to unspent capital items which will be completed by year end. Mid-year budget analysis is showing the portfolio to be exceeding 2010 cash flow estimates.
- Unico's YTD 2010 results are about even with 2009 with strong leasing across the portfolio pushing occupancy to 89% by year end.
- The Hotel is down by 4.2% year over year, but occupancy is trending up.

## Market News:

- Office market vacancy actually declined in the 2nd quarter and now rests just above 20%. New office buildings previously under construction are open and tenants have begun to relocate.
- Amazon has occupied its first phase in South Lake Union and the Gates Foundation will begin moving later this year.
- There is a general consensus that the office market is stabilizing although no rent growth is expected before late 2011 or early 2012.

## Operations & Cash Flow

(Millions \$ - cash flow basis)

	Q2 2010	YTD 2010	Budget 2010	2009	2008	2007
Rent	3.99	16.14	20.55	25.80	22.94	18.83
Other (Op Savings, Misc)	0.28	0.38	0.07	0.54	1.47	6.58
Revenues <sup>1</sup>	\$ 4.27	\$ 16.52	\$ 20.62	\$ 26.33	\$ 24.42	\$ 25.41
Operating Expenses <sup>2</sup>	\$ (2.29)	\$ (2.97)	\$ (3.72)	\$ (3.84)	\$ (3.50)	\$ (3.73)
Net Operating Income	\$ 1.98	\$ 13.55	\$ 16.90	\$ 22.50	\$ 20.91	\$ 21.68
Non-Operating Expenses	\$ (0.82)	\$ (1.06)	\$ (2.30)	\$ (3.02)	\$ (2.67)	\$ (1.80)
Net Income	\$ 1.16	\$ 12.49	\$ 14.60	\$ 19.47	\$ 18.24	\$ 19.88
Debt Repayment (Borrowing)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8.00)
Capital & Tenant Improvements <sup>3</sup>	\$ (2.88)	\$ (3.26)	\$ (6.85)	\$ (3.76)	\$ (12.87)	\$ (11.65)
Net Cash Flow	\$ (1.72)	\$ 9.23	\$ 7.74	\$ 15.71	\$ 5.38	\$ 0.23
Distribution to University	\$ -	\$ -	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)
Increase/(Decrease) in Cash	\$ (1.72)	\$ 9.23	\$ (0.26)	\$ 7.71	\$ (2.62)	\$ (7.77)

<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.

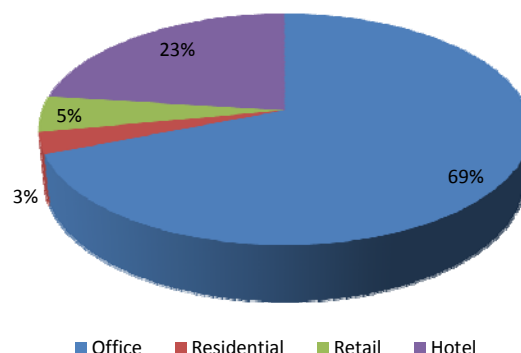
## Assets Under Management

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

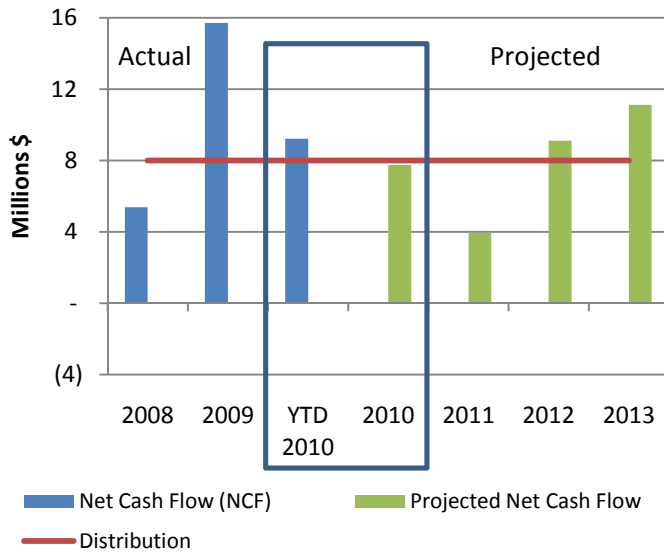
### Product Type (by RSF)



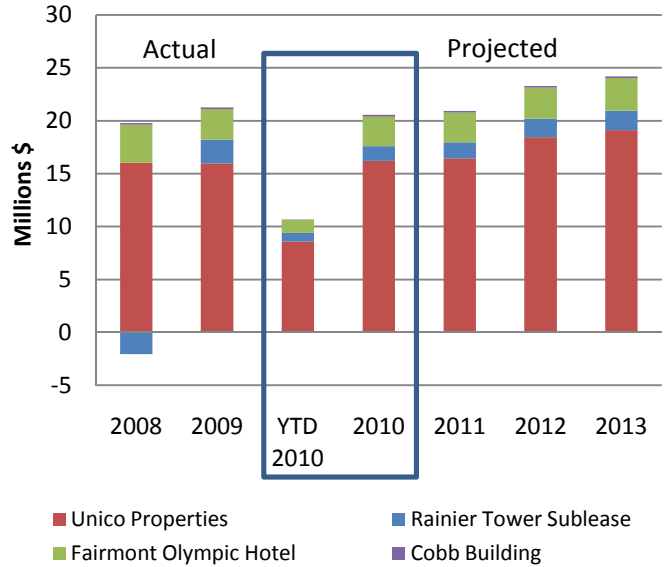
# Metropolitan Tract Quarterly Report

Q2 as of 6/30/2010

## 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.
- 2010 is running ahead of budget due to unspent capital costs which will occur before the end of the year.

- 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