

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

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

For information only.

Attachment

Metropolitan Tract Quarterly Report, Q3 as of 9/30/2010

Metropolitan Tract Quarterly Report

Q3 as of 9/30/2010

Q3 Notables:

- The Net Cash Flow as of Q3 2010 is ahead of budget due to slightly higher revenues and unspent capital items which will be completed by year end. At this point we expect the year end results to exceed the 2010 cash flow estimate.
- 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 up by 0.4% year over year as a result of increased occupancy.
- In early Q4, \$8 million was distributed to the University.

Market News:

- Office market vacancy declined in Q3 and now rests just above 18%. Market activity continues to improve and tenant lease commitments are on the rise likely due to a perception that the market has hit bottom. There is a general consensus that the office market is stabilizing although no rent growth is expected before late 2011 or early 2012.
- Amazon continues to occupy its new buildings in South Lake Union and Cobalt just leased 100,000 square feet at Union Station. In addition, the Russell Investment Company has completed its relocation from Tacoma bringing 900 employees to downtown Seattle.

Operations & Cash Flow

(Millions \$ - cash flow basis)

	Q3 2010	YTD 2010	Budget 2010	2009	2008	2007
Rent	4.83	20.97	20.55	25.80	22.94	18.83
Other (Op Savings, Misc)	0.42	0.80	0.07	0.54	1.47	6.58
Revenues ¹	\$ 5.25	\$ 21.77	\$ 20.62	\$ 26.33	\$ 24.42	\$ 25.41
Operating Expenses ²	\$ (0.96)	\$ (3.93)	\$ (3.72)	\$ (3.84)	\$ (3.50)	\$ (3.73)
Net Operating Income	\$ 4.29	\$ 17.84	\$ 16.90	\$ 22.50	\$ 20.91	\$ 21.68
Non-Operating Expenses	\$ (0.45)	\$ (1.51)	\$ (2.30)	\$ (3.02)	\$ (2.67)	\$ (1.80)
Net Income	\$ 3.84	\$ 16.33	\$ 14.60	\$ 19.47	\$ 18.24	\$ 19.88
Debt Repayment (Borrowing)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8.00)
Capital & Tenant Improvements ³	\$ (0.74)	\$ (4.00)	\$ (6.85)	\$ (3.76)	\$ (12.87)	\$ (11.65)
Net Cash Flow	\$ 3.11	\$ 12.33	\$ 7.74	\$ 15.71	\$ 5.38	\$ 0.23
Distribution to University	\$ -	\$ -	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)
Increase/(Decrease) in Cash	\$ 3.11	\$ 12.33	\$ (0.26)	\$ 7.71	\$ (2.62)	\$ (7.77)

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

² 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.

³ Unico and Rainier Tower.

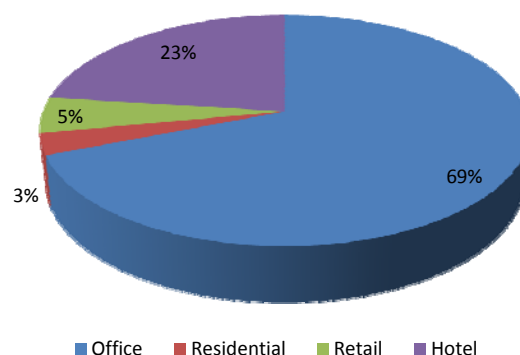
Assets Under Management

Product Type

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 (by RSF)

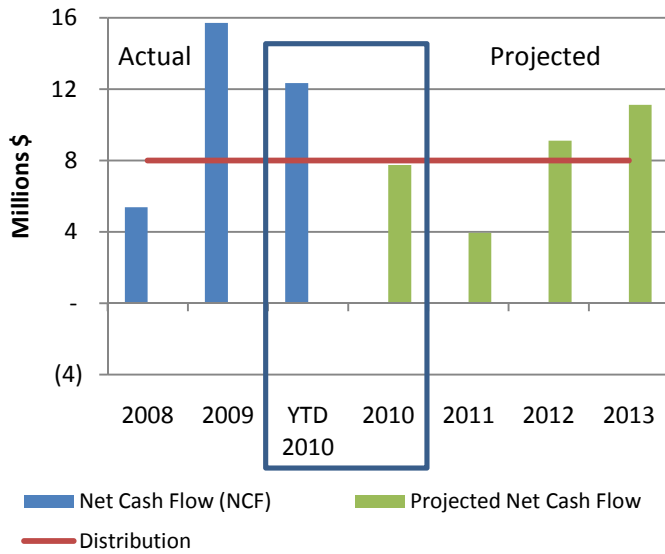


Metropolitan Tract Quarterly Report

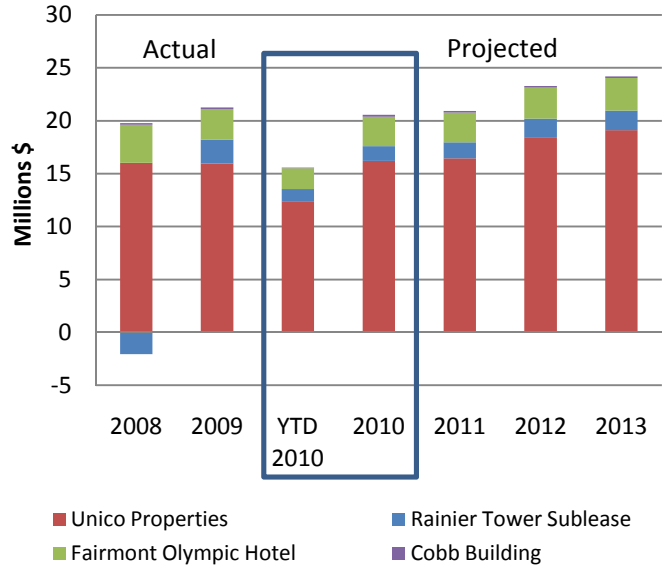
Q3 as of 9/30/2010

Q3

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 revenue is shown net of 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
Total	1,602,368 sf
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
Rainier Tower Sublease	
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