

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

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

For information only.

Attachment

Metropolitan Tract Quarterly Report, Q4 as of 12/30/2010

Metropolitan Tract Quarterly Report

Q4 as of 12/31/2010

Q4 Notables:

- The Net Cash Flow for Q4 and the year ended 12/31/2010 was significantly higher than budget due to the timing of cash payments from Unico, less capital spent than anticipated, and higher energy cost savings rebates from Unico.
- 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.

Market News:

- Office market vacancy declined in the 3rd quarter 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 headquarters in South Lake Union as the buildings are completed and, in addition, is expected to announce additional leasing of 450,000 sf at 1918 8th Avenue. With expected lease signings by Zillow.com and Dendreon at Russell Investment Center, only the top two floors of the building remain unleased. Lastly, Isilon Systems has leased approximately 140,000 sf at 505 1st Avenue South from Starbucks effectively filling this newly constructed building.

Operations & Cash Flow

(Millions \$ - cash flow basis)

	Q4 2010	YTD 2010	Budget 2010	2009	2008	2007
Revenues ¹	\$ 5.06	\$ 26.83	\$ 20.62	\$ 26.33	\$ 24.42	\$ 25.41
Operating Expenses ²	\$ (0.19)	\$ (4.12)	\$ (3.72)	\$ (3.84)	\$ (3.50)	\$ (3.73)
Net Operating Income	\$ 4.87	\$ 22.71	\$ 16.90	\$ 22.50	\$ 20.91	\$ 21.68
Non-Operating Expenses	\$ (0.54)	\$ (2.05)	\$ (2.30)	\$ (3.02)	\$ (2.67)	\$ (1.80)
Net Income	\$ 4.33	\$ 20.66	\$ 14.60	\$ 19.47	\$ 18.24	\$ 19.88
Debt Repayment (Borrowing)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8.00)
Capital & Tenant Improvements ³	\$ (0.95)	\$ (4.95)	\$ (6.85)	\$ (3.76)	\$ (12.87)	\$ (11.65)
Net Cash Flow	\$ 3.38	\$ 15.72	\$ 7.75	\$ 15.71	\$ 5.38	\$ 0.23
Distribution to University	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)	\$ (8.00)
Increase/(Decrease) in Cash	\$ (4.62)	\$ 7.72	\$ (0.25)	\$ 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.

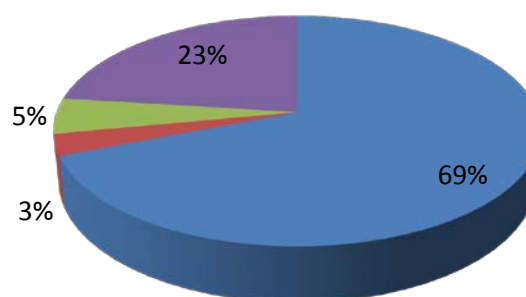
Assets Under Management

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)

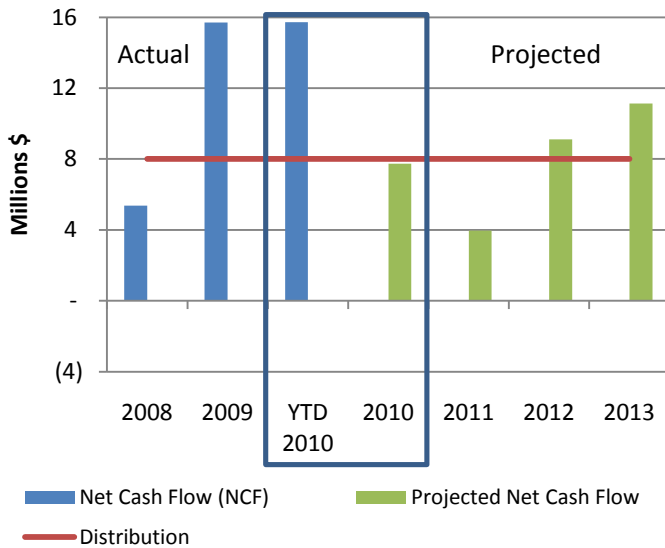


Office Residential Retail Hotel

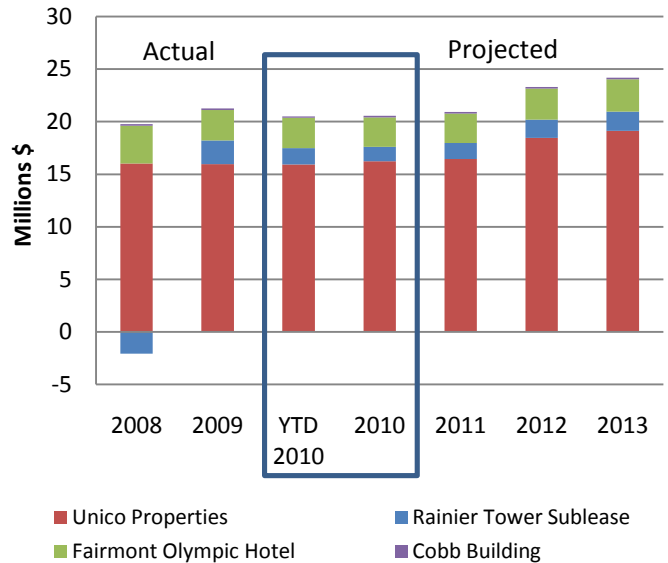
Metropolitan Tract Quarterly Report

Q4 as of 12/31/2010

UW Distribution & Cash Flow



Total UW Rent Earned



- Distribution has consistently been \$8M / year.

- NCF is impacted by capital expenses. Total 2010 capital was projected to be \$6.8M; however only \$4.9M was spent.

- 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 recorded 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