

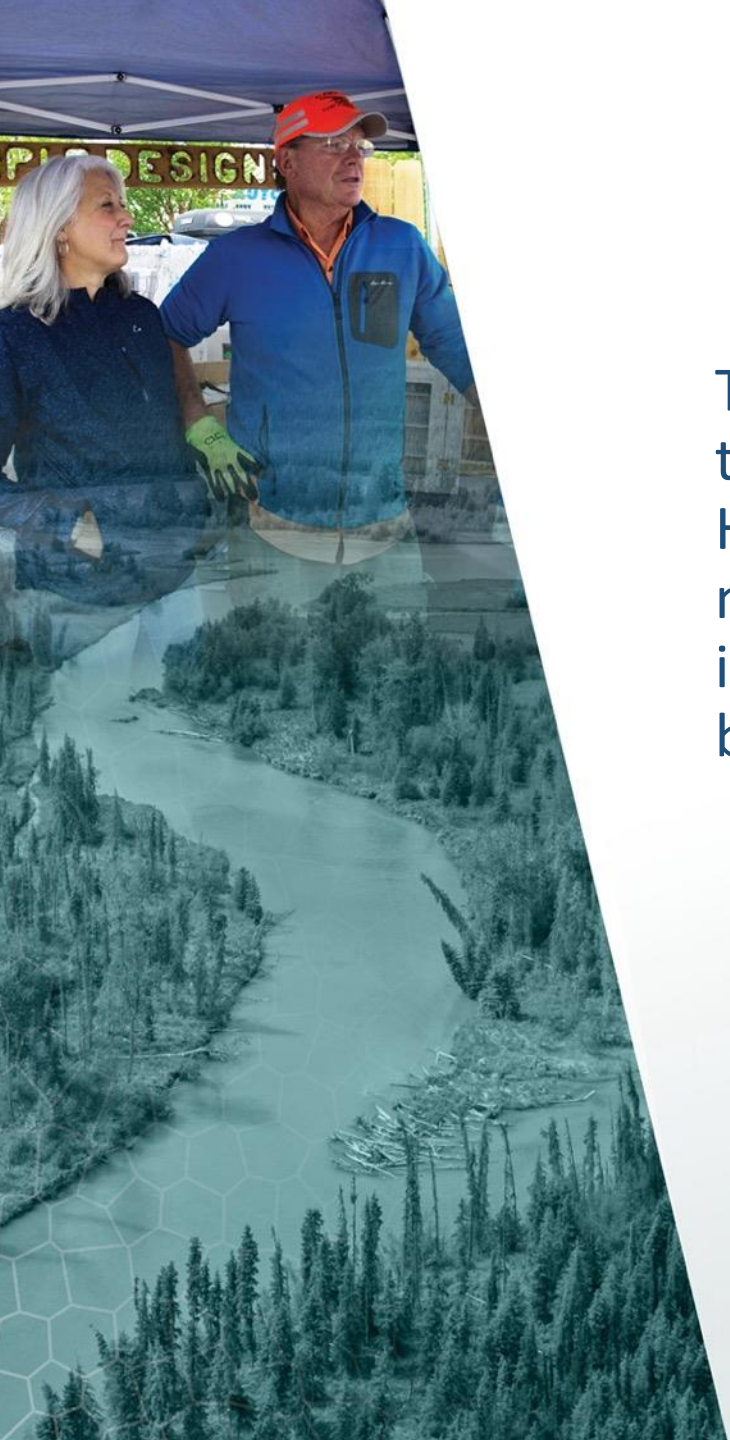


Trust
Land Office

FY 2023 Commercial Real Estate Performance Review

Resource Management Committee

July 25, 2023



Our Purpose

The purpose of the Trust Land Office is to serve as a perpetual trust, protecting and enhancing the values of the Alaska Mental Health Trust Authority lands, utilizing our resources to maximize revenues in order to support a comprehensive integrated mental health program that improves the lives of our beneficiaries to the greatest extent possible.

Asset Management Team

Staff-Level:

David MacDonald, *Sr. Real Estate Asset Manager*

Three decades of experience in commercial real estate covering large-scale projects in all primary sectors (office, industrial, retail, multi-family, land, etc.) with specific experience in a variety of roles including commercial brokerage, asset management, consulting, development and acquisitions. In addition to participation as an employee, David has also served as an advisor and as a principal. David has a bachelor's degree in finance with an emphasis in investments and a Master of Real Estate degree.

Marisol Miller, *Real Estate Asset Manager*

Eight years of direct leasing and property management experience including multi-family and commercial assets. Nine years of professional accounting and finance experience in both the private sector as well as government. Five years of progressively responsible commercial asset and portfolio management experience. Marisol has a bachelor's degree in Business Management and is also actively completing her master's degree in Business Management and Leadership.

Leadership:

Jeff Green, *Deputy Director*

Jusdi Warner, *Executive Director*





David MacDonald – Experience

- Grubb & Ellis (Now Newmark) – Global real estate brokerage firm.
- Deloitte & Touche (Now Deloitte) – One of the Big Four global accounting and consulting firms.
- Newhall Land – A publicly listed (NYSE) development firm created via the 143,000-acre Spanish Land Grant. One of Los Angeles County's largest landowners, Newhall Land was best known for master planning the communities of Valencia and Newhall Ranch.
- Westrust – Privately owned shopping center developer.
- Vintage Capital – Privately owned private-equity firm controlled by a prominent high net worth individual.
- Highmark Ventures – A boutique firm specializing in investment, development, brokerage and real estate consulting.
- Trust Land Office

Valencia Commerce Center



Town Center Drive



Tesoro Village



Hemet Village



Hawthorne Exchange





Marisol Miller – Experience

- TM Reynolds LLC
- Emerald Property Management
- Kansas State University
- City of Killeen, Texas
- Division of Air Quality, State of North Carolina
- DNR/Financial Services Office, State of Alaska
- Trust Land Office

Fieldhouse Apartments



Healthcare Express



Portfolio Performance



Year-End Occupancy

Project	Street Address	City & State	Year Built	Rentable Sq. Feet	Vacant Sq. Feet	Occupied Sq. Feet	Existing Occupancy	Pending* Occupancy
Cordova	2600 Cordova Street	Anchorage, AK	1985	28,217	-	28,217	100%	100%
Commercial Drive	2618 Commercial Drive	Anchorage, AK	1972	15,120	-	15,120	100%	100%
Washington Parks	1111 Israel Road	Tumwater, WA	2008	53,484	-	53,484	100%	100%
Rulon White	1973 N. Rulon White Blvd.	Ogden, UT	1996	100,000	-	100,000	100%	100%
Promontory Point	2420 & 2500 Ridgepoint Dr.	Austin, TX	1983	97,102	-	97,102	100%	100%
Amber Oaks	9601 Amberglen Blvd.	Austin, TX	2001	102,939	3,703	99,236	96%	96%
North Park	17319 San Pedro Avenue	San Antonio, TX	2006	86,402	27,000	59,402	69%	91%
Portfolio Total				483,264	30,703	452,561	94%	97%

* Includes a deal in lease negotiation; this lease has not been signed and is only provided for informational purposes at this time.

Portfolio Cash Flow Summary - YTD (June FY23)

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
Income	\$558,066	\$243,743	\$1,616,852	\$2,093,104	\$2,145,239	\$2,819,781	\$1,188,468	\$10,665,253
Operating Expenses	\$263,285	<i>Paid Directly</i>	\$528,048	\$783,475	\$879,148	\$1,378,845	\$557,810	\$4,390,612
Net Operating Income	\$294,781	\$243,743	\$1,088,804	\$1,309,629	\$1,266,091	\$1,440,936	\$630,659	\$6,274,642
Owner Expenses	\$15,607	\$8,259	\$13,429	\$2,028	\$10,989	\$1,337	\$16,102	\$67,751
Lease-Up Costs	\$0	\$0	\$0	\$0	\$0	\$2,376,338	\$753,488	\$3,129,826
Capital Expenditures	\$239,379	\$0	\$42,718	\$255,013	\$0	\$215,140	\$167,389	\$919,639
Debt Service	\$0	\$63,905	\$908,819	\$447,574	\$635,942	\$941,171	\$404,533	\$3,401,944
Net Cash Flow	\$39,794	\$171,579	\$123,837	\$605,014	\$619,159	-\$2,093,050	-\$710,853	-\$1,244,519
Cash Flow ex. Lease-Up & Capex	\$279,174	\$171,579	\$166,555	\$860,027	\$619,159	\$498,428	\$210,023	\$2,804,946
Variance to Budget*	\$39,299	\$6,649	-\$11	\$62,955	-\$53,308	-\$130,487	\$11,795	-\$63,109

* Excluding asset appreciation/depreciation.

Note: New leases typically run 5-7 years; this leads to “lumpy” expenditures rather than consistent annual figures. The same concept also applies to capital expenditures.



Delta of Current vs. Prior Year Portfolio Cash Flow Summary

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
Income	\$10,249	\$6,976	\$0	\$40,336	\$338,670	\$597,171	\$94,334	\$1,087,738
Operating Expenses	\$3,332	<i>Paid Directly</i>	\$43,096	\$36,393	\$80,231	\$125,724	-\$70,170	\$218,607
Net Operating Income	\$6,917	\$6,976	-\$43,096	\$3,943	\$258,439	\$471,448	\$164,505	\$869,131
Owner Expenses	\$2,233	-\$2,843	\$9,978	-\$925	\$3,742	-\$89,154	-\$23,192	-\$100,161
Lease-Up Costs	-\$7,458	\$0	\$0	\$0	-\$234,938	\$1,641,018	\$743,529	\$2,142,151
Capital Expenditures	\$149,490	\$0	\$42,718	\$80,843	-\$48,929	\$215,140	\$167,389	\$606,651
Debt Service	\$0	-\$14,612	\$0	-\$29,802	\$0	\$0	-\$49,135	-\$93,549
Net Cash Flow	-\$137,348	\$24,432	-\$95,792	-\$46,173	\$538,564	-\$1,295,557	-\$674,086	-\$1,685,961
Cash Flow ex. Lease-Up & Capex	\$4,684	\$24,432	-\$53,075	\$34,670	\$254,697	\$560,601	\$236,832	\$1,062,841



Distributions

FY 23 Distributions	
July	\$173,316
August	\$131,000
September	\$130,300
October	\$181,500
November	\$210,000
December	\$154,000
January	\$190,000
February	\$165,000
March	\$87,000
April	\$186,387
May	\$94,500
June	\$165,976
Total Distributions	\$1,868,979

Note: The figures above reflect the amounts distributed within the current month (cash basis).



Peer Group Comparison/Benchmarking

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
NCREIF Return On Income*	4.40%	3.20%	4.40%	4.40%	4.40%	4.40%	4.40%	4.23%
Trust Return on Income*	6.70%	7.88%	6.58%	7.40%	7.32%	5.96%	4.04%	6.35%
Performance vs. Benchmark	2.30%	4.68%	2.18%	3.00%	2.92%	1.56%	-0.36%	2.12%

* Rates reflect returns over the year and are stated in annual terms.

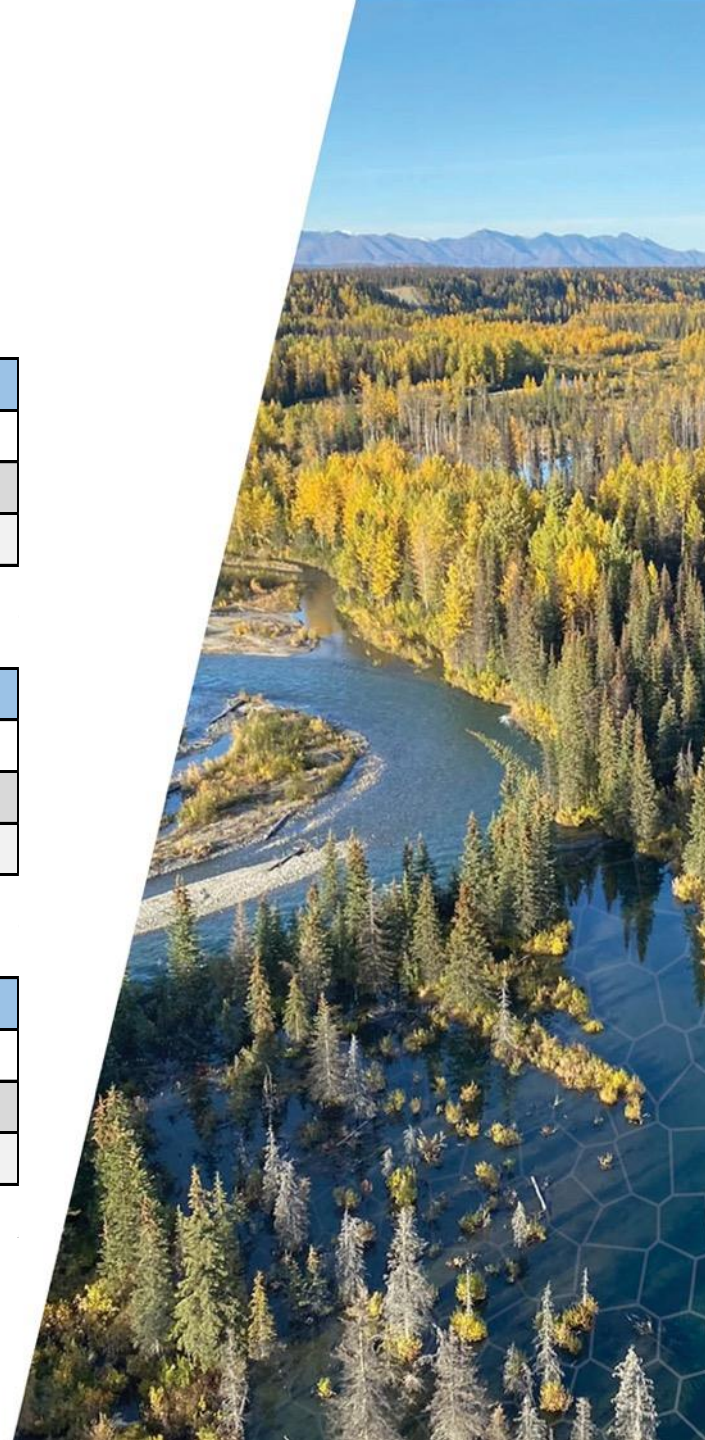
	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
NCREIF Appreciation*	-12.70%	-0.80%	-12.70%	-12.70%	-12.70%	-12.70%	-12.70%	-11.00%
Trust Appreciation*	-3.02%	12.87%	5.48%	-23.07%	0.96%	-21.97%	19.60%	-7.76%
Performance vs. Benchmark	9.68%	13.67%	18.18%	-10.37%	13.66%	-9.27%	32.30%	3.24%

* Rates reflect returns over the year and are stated in annual terms.

	Cordova	Commercial	WA Parks	Rulon White	Prom. Point	Amber Oaks	North Park	Total
NCREIF Total Return*	-8.80%	2.40%	-8.80%	-8.80%	-8.80%	-8.80%	-8.80%	-7.20%
Trust Total Return*	3.67%	20.74%	12.07%	-15.67%	8.27%	-16.01%	23.64%	-1.41%
Performance vs. Benchmark	12.47%	18.34%	20.87%	-6.87%	17.07%	-7.21%	32.44%	5.79%

* Rates reflect returns over the year and are stated in annual terms.

Note: Reflects NCREIF Q1 2023 results (Q2 results not yet released).



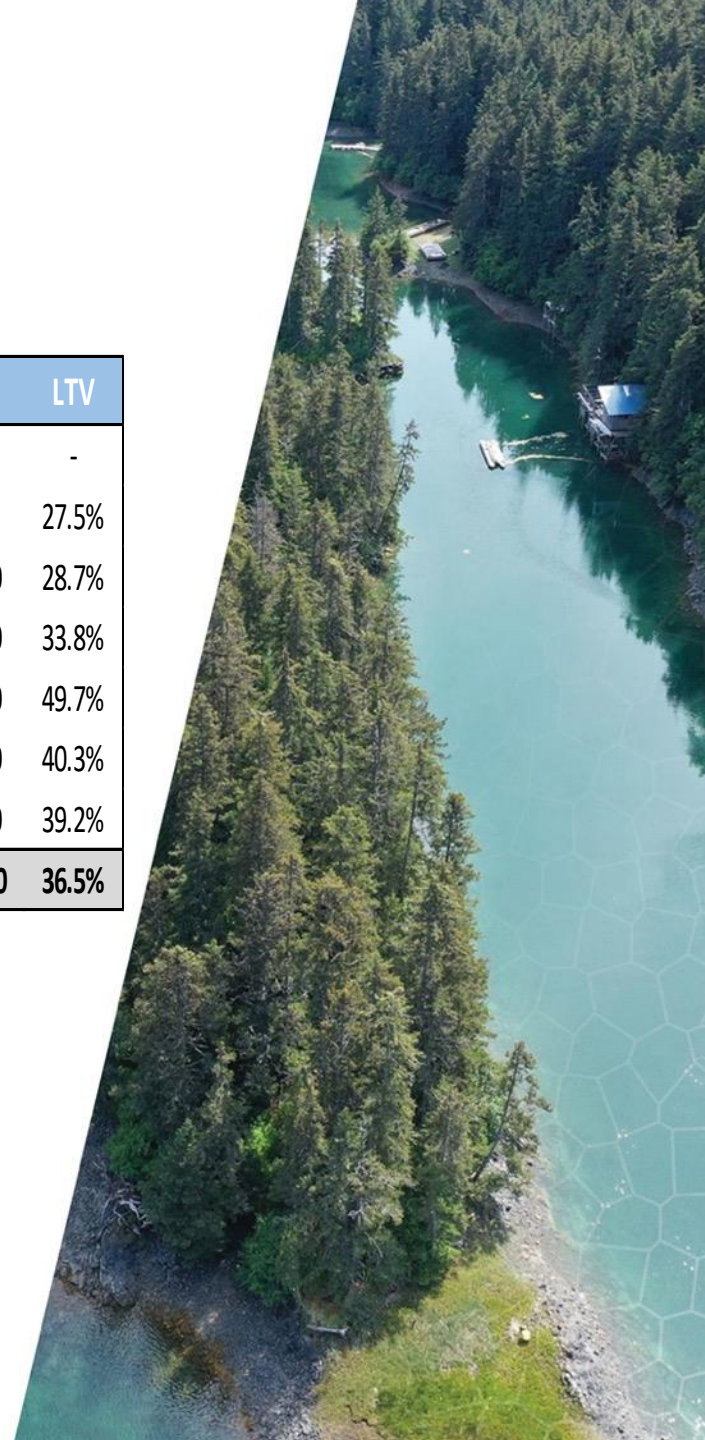
Asset Valuation Summary

	Cordova	Commercial	WA Parks	Rulon	Prom Point	Amber Oaks	North Park	Total
Current Valuation:								
Value Estimate (BOV/Appraisal - June 2023)	\$4,500,000	\$3,175,000	\$16,900,000	\$18,125,000	\$17,725,000	\$24,650,000	\$15,830,000	\$100,905,000
Internal Valuation (Argus)	\$4,425,000	\$2,900,000	\$8,600,000	\$18,600,000	\$16,550,000	\$30,350,000	\$14,200,000	\$95,625,000
Cap Rate (from BOV/Appraisal)	7.6%	7.5%	6.5%	8.5%	7.0%	8.5%	8.5%	
Versus Prior Year:								
Value Estimate (June 2022)	\$4,635,000	\$2,820,000	\$16,054,600	\$23,428,571	\$17,475,000	\$31,300,000	\$13,215,000	\$108,928,171
Appreciation (Depreciation)	-\$135,000	\$355,000	\$845,400	-\$5,303,571	\$250,000	-\$6,650,000	\$2,615,000	-\$8,023,171
Appreciation (Year-Over-Year)	-3.0%	11.2%	5.0%	-29.3%	1.4%	-27.0%	16.5%	-8.0%
Versus Prior Quarter:								
Internal Valuation (Mar 2023)	\$4,400,000	\$2,950,000	\$9,650,000	\$18,650,000	\$16,600,000	\$35,150,000	\$13,100,000	\$100,500,000
Appreciation (Depreciation)	\$25,000	-\$50,000	-\$1,050,000	-\$50,000	-\$50,000	-\$4,800,000	\$1,100,000	-\$4,875,000
Appreciation (Quarter-Over-Quarter)	0.6%	-1.7%	-10.9%	-0.3%	-0.3%	-13.7%	8.4%	-4.9%
Versus Original Acquisition:								
Original Acquisition Price	\$4,900,000	\$2,280,000	\$16,700,000	\$12,625,000	\$15,500,000	\$22,400,000	\$14,375,000	\$88,780,000
Acquisition Year	2012	2013	2014	2013	2015	2016	2015	--
Appreciation (Depreciation)	-\$400,000	\$895,000	\$200,000	\$5,500,000	\$2,225,000	\$2,250,000	\$1,455,000	\$12,125,000
Appreciation (Total Since Acquisition)	-8.2%	39.3%	1.2%	43.6%	14.4%	10.0%	10.1%	13.7%
Appreciation (Avg. Annual)	-0.7%	3.9%	0.1%	4.4%	1.8%	1.4%	1.3%	1.6%
Return On Equity (Excluding Cash Flow and Amortization):								
Initial Equity Investment	\$4,900,000	\$912,000	\$6,700,000	\$4,243,000	\$5,270,000	\$8,960,000	\$5,975,000	\$36,960,000
Appreciation (Depreciation)	-\$400,000	\$895,000	\$200,000	\$5,500,000	\$2,225,000	\$2,250,000	\$1,455,000	\$12,125,000
Return on Equity (Total Since Acquisition)	-8.2%	98.1%	3.0%	129.6%	42.2%	25.1%	24.4%	32.8%
Return on Equity (Avg. Annual)	-0.7%	9.8%	0.3%	13.0%	5.3%	3.6%	3.0%	3.9%
Equity Versus Value:								
Initial Equity (Excluding Closing Costs)	\$4,900,000	\$912,000	\$6,700,000	\$4,243,000	\$5,270,000	\$8,960,000	\$5,975,000	\$36,960,000
Appreciation (Depreciation)	-\$400,000	\$895,000	\$200,000	\$5,500,000	\$2,225,000	\$2,250,000	\$1,455,000	\$12,125,000
Equity Buildup (Amortization)	N/A (All Cash)	\$496,364	\$5,150,060	\$2,252,094	\$1,429,278	\$3,515,585	\$2,188,313	\$15,031,694
Total Equity	\$4,500,000	\$2,303,364	\$12,050,060	\$11,995,094	\$8,924,278	\$14,725,585	\$9,618,313	\$64,116,694
Outstanding Loan Balance (Fiscal Year End)	\$0	\$871,636	\$4,849,940	\$6,129,906	\$8,800,722	\$9,924,415	\$6,211,687	\$36,788,306
Current Value	\$4,500,000	\$3,175,000	\$16,900,000	\$18,125,000	\$17,725,000	\$24,650,000	\$15,830,000	\$100,905,000
Loan-to-Value (LTV)	0.0%	27.5%	28.7%	33.8%	49.7%	40.3%	39.2%	36.5%
Average Annual Equity Build (Amortization)								
Equity Build (Avg. Annual)	N/A (All Cash)	\$49,636	\$572,229	\$225,209	\$178,660	\$502,226	\$273,539	\$1,781,608



Portfolio Debt Overview

Property	Initial Loan	Outstanding	Lender	Term	Amort.	Rate	Start	Maturity	PPT	Penalty	Notes	Value	LTV
Cordova	-	-	-	-	-	-	-	-	-	-	-	\$4,500,000	-
Commercial Drive	\$924,080	\$871,636	Northrim Bank	20 Yrs	20 Yrs	3.38%	12/21	11/2041	Yes		Adjusts every 5 yrs	\$3,175,000	27.5%
Washington Parks	\$10,000,000	\$4,849,940	CMFG (CUNA)	15 Yrs	15 Yrs	4.35%	8/14	7/2029	Yes		Fully amortizing	\$16,900,000	28.7%
Rulon White	\$6,500,000	\$6,129,906	Ameritas	20 Yrs	20 Yrs	3.38%	12/21	11/2041	Yes		Fully amortizing	\$18,125,000	33.8%
Promontory Point	\$10,230,000	\$8,800,722	Principal Commercial Capital	10 Yrs	30 Yrs	4.69%	8/15	7/2025	Yes		Balloon pmt (2025)	\$17,725,000	49.7%
Amber Oaks	\$13,440,000	\$9,924,415	State Farm Life Ins.	20 Yrs	20 Yrs	3.57%	9/16	8/2036	Yes		Lockout until 9/26	\$24,650,000	40.3%
North Park	\$6,500,000	\$6,211,687	Falcon International Bank	10 Yrs	25 Yrs	3.78%	11/21	10/2031	Yes		Balloon pmt (2031)	\$15,830,000	39.2%
Grand Total	\$47,594,080	\$36,788,306										\$100,905,000	36.5%






Investment Portfolio Hold/Sell Analysis

Property	Debt Constraints	Other Considerations	Recommendation
Rulon White	Prepayment penalty (2041)	Potentially time to lock in gains	Consider Disposal
Washington Parks	Prepayment penalty (2029)	Re-absorption costs could be material	Evaluate Post-Renewal (11/2023)
Promontory Point	Balloon payment (2025)	Tenant has multiple purchase options.	Evaluate Post-Renewal (11/2025)
North Park	Prepayment penalty (2031)	Re-evaluate at stabilization (vs. growth prospects for San Antonio marketplace)	Long-term hold
Amber Oaks	Loan lockout (9/2026)	Re-evaluate at lockout expiration (2026)	Long-term hold
Commercial Drive	Prepayment penalty (2026)	Re-evaluate at renewal/expiration (2026); termination right (6/2024)	Long-term hold
Cordova	None (debt free)	Not a return-oriented asset	Consider Reclassifying as PRRE

Amber Oaks – Listing of Adjacent Property



JLL
Amber Oaks
CORPORATE CENTER
BUILDINGS H, I & J | AUSTIN, TEXAS

3 BLDGS
CONSISTING OF 204,886 SF OF
CLASS A OFFICE SPACE + LAB SPACE
WITH POTENTIAL FURTHER LAB CONVERSION

15%
BELOW MARKET
IN-PLACE RENTS

94%
LEASED
WITH 7.3 YEARS OF WALT
TO CREDIT TENANCY

OFFERING MEMORANDUM





Amber Oaks Aerial



Amber Oaks – The Listed Buildings



Submarket Data

PRIME PARMER INNOVATION CORRIDOR LOCATION

Amber Oaks is located in Austin's burgeoning Parmer Innovation Corridor, home to many of Austin's most innovative companies including Apple (4.3M SF), Google (300K+ SF), 3M (420K+ SF), Flex (950K+ SF), GM (300K+ SF) and eBay (90K SF).

Amber Oaks' location provides exceptional connectivity throughout the Austin MSA via Parmer Ln, SH 45, SH 183, Loop 1 (MoPac), and IH 35, with seamless access to the fast-growing residential communities of Cedar Park, Leander and Liberty Hill.

TIGHT SUBMARKET

95%
LEASED
(2023 YTD)

91%
AVERAGE OCCUPANCY
(2018-2023 YTD)

228K+
SF AVERAGE ANNUAL NET ABSORPTION
(2018-2023 YTD)

244K
SF OF NET ABSORPTION
IN 2022

8%
DECREASE IN SUBLEASE SPACE
(2022-2023 YTD)

PARMER INNOVATION CORRIDOR



PARMER'S INNOVATIVE CLUSTER OF TENANTS



NORTHWEST AUSTIN: POPULATION GROWTH & PLENTIFUL AMENITIES

The surrounding communities of Cedar Park, Round Rock, Georgetown and Leander were 4 of the fastest growing cities (with a population of 50,000+) in the nation over the last decade, and appeal to a broad mixture of employees. Additionally, the Property benefits from over 7 million square feet of retail within a three mile radius, as well as The Domain and Arboretum, mixed use developments located 10 minutes away.