Skyline Tower

When Unico acquired this 408,460-square-foot, Class-A building, the asset was suffering from a decade of deferred capital improvements and limited property management expertise.

Many leases in the building had conflicting occupancy options, and, as such, tenant relations were at an all-time low. Significant near-term rollover at below-market rents, amidst a rising market, presented opportunity and risk. Existing prestigious tenants in particular posed a substantial renewal risk, given the poor building image and deferred maintenance. Bellevue commercial real estate was vulnerable to the dot.com crash because of its high-technology occupancy and majority amount of competitive space controlled by one large owner.

Skyline Tower was a Class A office asset suffering from a decade of deferred capital improvements and under-management

PROPERTY MANAGEMENT

Integrative property management and creative repositioning raised occupancy over 90%

A large price reduction for the conflicting tenant occupancy options was negotiated during due diligence, which was accretive to returns because they were resolved without cost. Within the first year, Unico repositioned the asset through rebranding and high-impact, select capital improvements including a lobby remodel, ground floor retail upgrades and reconfiguration, and the addition of a speed ramp to the parking garage. As the dot.com crash began, Unico lowered asking rental rates (surprising the market) and maintained 90%+ occupancy levels through the recession while competitors suffered large occupancy declines. As well, Unico bifurcated its marketing strategy to both larger and smaller tenancy to better diversify its rental stream.

After recapitalizing its initial joint venture partner's equity, Unico sold the building in 2006 and realized $42 million in profit, equating to a 103% gross levered IRR. During the first years of its ownership, Unico was able to increase occupancy levels and NOI as a result of its hands-on management, capital improvement strategy, and building rebranding. With a fresh Class-A presentation, Unico was able to capitalize on exisiting and new tenant demand at higher rental rates from both large and small tenancy.