



August 31, 2022



Unico Northwest Fund VI

Second Quarter 2022 Report to Investors



Table of Contents

I. Letter to Investors	3
II. Investment Summary	5
• 250 Tower & Data Center – Salt Lake City, UT	5
III. Unaudited Financial Statements for the Period Ended June 30, 2022	6
• Consolidated Balance Sheets	6
• Consolidated Statements of Operations	7
• Consolidated Statements of Owners' Equity	8
• Consolidated Statements of Cash Flows	9
Disclaimer	10
Exhibit A. Contact Information	11

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I. Letter to Investors

August 31, 2022

Dear Investor:

We are pleased to enclose this financial report for Unico Northwest Fund VI (the “Fund”) for the quarter ended June 30, 2022, and to update you on the activities of the Fund.

Leasing Update

Leasing activity continued to gain momentum in the second quarter, with new leases signed on the 12th floor (5,319 sf) and third-floor spec suite (6,257 sf) and current negotiations are ongoing for another third-floor spec suite (7,928 sf). Additionally, an existing tenant is seeking to expand within the building by 10,834 sf. Combined, this accounts for 30,338 sf of leasing activity for previously vacant space within the building.

The recent leasing activity has resulted in the leasing of most third-floor spec suites and we are currently planning to buildout additional spec units on the 5th floor so we can continue the current strategy of delivering move-in ready spaces for tenants with smaller space requirements.

We are also continuing discussions with Century Link to take back space on the 11th floor under favorable terms. The terms of the agreement would provide funding to improve the space and complete space build outs for new tenants. Critically, the space is also needed to accommodate the expansion request from an existing tenant by enabling us to relocate tenants to a suitable high floor.

Leased occupancy in the second quarter is up by two percent to 84%. Physical occupancy also increased, rising one percent to 81% after a tenant took possession of 2,695 sf of space on the third-floor. Despite strong leasing momentum, the takeback from Century Link (“CL”) of the 11th floor, should it occur, will push occupancy down in the third quarter. However, a take back of the 11th floor would be with a termination penalty of \$2.38M which is \$2.05M above their pre-negotiated termination penalty and represents 80% of the remaining lease obligation. Along, with the termination of the 11th floor, CL would grant the property a very favorable termination option on their remaining space and Unico would already have a tenant in tow to backfill a portion of the vacated 11th floor. We anticipate the declines in occupancy from the takeback will be largely offset by gains from new leasing activity, and overall, the terms of the takeback would be accretive for the property.

Data Center

We continue to explore the opportunity to develop the Data Center site through a potential recapitalization of the Fund. In June we sought and received approval from Fund investors to allow an amendment to the limited partnership agreement providing for Unico to make a subordinate capital contribution to the Fund to facilitate a portion of the funding for the initial predevelopment work. We have selected a lender and are in the process of documenting the loan. The loan will be structured as a



cashout refinancing which will provide 250 Tower with immediate access to capital to further support leasing activity. We expect to share the Schematic Design Phase of the work in late September. Two preliminary renderings are shown below.



Data Center multifamily development with 250 Tower in the background on the right.



Street level view of the proposed development with retail on the ground floor.

Distributions

The Fund does not anticipate making distributions in 2022 as WeWork’s TI credit will offset rental payments through April 2023. We will evaluate beginning distribution in the third quarter of 2023.

Salt Lake City Market Update

The Salt Lake City office market experienced a slowdown in overall leasing volume which led to 738,000 sf of negative net absorption in the second quarter. Sublease vacancy is at its highest level on record at 2.5 million sf, with 600,000 sf added in the quarter. Tenants are expected to capitalize on the value of lower sublease rental rates in primarily Class A properties as a ‘flight to quality’ continues. Amid rising vacancy and sluggish rental rate growth, leasing volume is down 25.3% year-over-year. New construction deliveries in 2022 are on track to match 2021 volumes, with a total of 2.6 million sf or 3.5% of existing inventory delivered year-to-date or under construction.

Thank you again for your commitment to Unico Northwest Fund VI. If you have any questions, please contact me at your convenience.

Sincerely,

Ned Carner
Portfolio Manager
Chief Investment Officer



II. Investment Summary

250 Tower & Data Center – Salt Lake City, UT

Property Information

Location:	Salt Lake City, UT
Existing Use:	Office
Opportunity Type:	Lease-Up/Redev.
Square Feet ¹ :	370,734
Description:	Class A-
Investment Date:	3/1/2017
Occupancy at Close ¹ :	44%
Occupancy / Leased ¹ :	81% / 84%

Financing

Lender:	LoanCore Capital
Amortization:	Interest Only
Fixed / Floating:	Floating
Rate / Spread:	LIBOR + 3.0%
Hedge:	3.50% LIBOR Strike Cap
Maturity Date:	1/9/2023
Extensions:	1-1 year ext.

Initial Investment (000s)

Real Estate Value	\$53,900
Closing Costs/Fees	1,750
Cash/Reserves	8,550
Total Assets	\$64,200
Debt	(39,200)
Equity	\$25,000
Investors	24,000
Unico	1,000

Inception to Date Activity (000s)

Committed Equity	\$35,000
Subordinate Equity	1,030
Total Committed Equity	36,030
Invested Equity	35,000
Invested Subordinate Equity	300
Total Invested Equity	35,300
Return of Equity	0
Adjusted Equity	\$35,300
Operating Distributions	\$0
Asset Management Fees	\$1,721

Estimated Market Value (000s)

RE Value - Tower ²	\$90,044
RE Value - Data Center ²	17,596
Total RE Value	\$107,640
Net Balance Sheet	1,212
Total Assets	108,852
Debt	(55,158)
Equity	\$53,694

(1) Tower only, excludes Data Center development

(2) Property valued based on 12/31/2021 internal valuation plus capital expenditures to date.

Investment Summary

The Fund acquired 250 Tower & Data Center in March 2017 for \$53.9 million. At acquisition, the Tower and Data Center were 44% and 6% occupied, respectively, with the prior owner (CenturyLink) as the sole occupant. The investment thesis was to reposition the Tower to further differentiate the property and complete the lease-up within three years. Elevated pricing in the SLC market had precluded demolition of the existing Data Center structure and ground-up development from achieving appropriate returns. However, recent feasibility studies concerning the re-use of the existing structure indicate an attractive return profile for multifamily development.

Recent Activity and Outlook

The Tower's existing loan matures in January 2023. Although the Tower does not meet the minimum required debt yield for an extension as defined in the loan agreements, we are in discussions with the Lender to determine viable alternatives to extend the debt by 12 months. We are optimistic that we can negotiate an agreement with the existing lender; however, we are pursuing new debt options in tandem to protect against unforeseen event risk. Our goal is to either refinance or extend the existing loan by early fourth quarter this year.



III. Unaudited Financial Statements for the Period Ended June 30, 2022

Consolidated Balance Sheets (in thousands)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
ASSETS		
Real estate assets, net	\$ 57,495	\$ 58,817
Cash	1,925	576
Restricted cash	940	220
Accounts receivable, net	-	220
Deferred costs, net	2,631	2,783
Intangible assets, net	3,430	3,773
Deferred rent receivable	7,295	6,558
Other assets	134	143
Total assets	<u>\$ 73,850</u>	<u>\$ 73,090</u>
LIABILITIES AND OWNERS' EQUITY		
Mortgage notes payable, net	\$ 54,925	\$ 53,394
Accounts payable and accrued expenses	620	624
Real estate taxes payable	562	-
Accrued interest payable	207	209
Other liabilities	401	484
Total liabilities	<u>56,715</u>	<u>54,711</u>
Commitments and contingencies		
Owners' equity	17,135	18,379
Total liabilities and owners' equity	<u>\$ 73,850</u>	<u>\$ 73,090</u>



Consolidated Statements of Operations (in thousands)

	Three Months Ended June 30,		Year to Date June 30,	
	2022	2021	2022	2021
Revenues:				
Rental and other income	\$ 2,260	\$ 1,713	\$ 3,787	\$ 3,331
Operating expense recoveries	89	22	179	116
Total revenues	<u>2,349</u>	<u>1,735</u>	<u>3,966</u>	<u>3,447</u>
Operating expenses:				
Depreciation and amortization	1,045	903	2,080	1,527
Property operating	563	595	1,189	1,078
Real estate taxes	287	314	576	628
Asset management fees	88	88	174	174
General and administrative	29	7	65	41
Total operating expenses	<u>2,012</u>	<u>1,907</u>	<u>4,084</u>	<u>3,448</u>
Net operating income (loss)	337	(172)	(118)	(1)
Other income (expense):				
Interest expense, net	(743)	(718)	(1,466)	(1,388)
Unrealized gain on interest rate cap	21	(2)	40	1
Net other expense	<u>(722)</u>	<u>(720)</u>	<u>(1,426)</u>	<u>(1,387)</u>
Net loss	<u>\$ (385)</u>	<u>\$ (892)</u>	<u>\$ (1,544)</u>	<u>\$ (1,388)</u>

**Consolidated Statements of Owners' Equity (in thousands)**

	Unico Northwest Fund VI Investment LLC	Investors	Total
Balance January 1, 2021	\$ 846	\$ 20,315	\$ 21,161
Net loss	(111)	(2,671)	(2,782)
Balance, December 31, 2021	\$ 735	\$ 17,644	\$ 18,379
Contributions ¹	300	-	300
Net loss	(62)	(1,482)	(1,544)
Balance, June 30, 2022	\$ 973	\$ 16,162	\$ 17,135

1. The capital contribution is Unico's subordinate equity in accordance with the amended LPA.

**Consolidated Statements of Cash Flows (in thousands)**

	Year to Date June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (1,544)	\$ (1,388)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	2,063	1,509
Amortization of deferred financing costs	234	234
Unrealized gain on interest rate cap	(40)	(1)
Changes in assets and liabilities:		
Accounts receivable, net	220	432
Deferred rent receivable	(737)	(948)
Other assets	49	85
Accounts payable and accrued expenses	(11)	(275)
Real estate taxes payable	562	612
Interest payable and other liabilities	(85)	117
Net cash provided by operating activities	<u>711</u>	<u>377</u>
Cash flows from investing activities:		
Capital expenditures and leasing costs on real estate assets	(239)	(1,352)
Net cash used in investing activities	<u>(239)</u>	<u>(1,352)</u>
Cash flows from financing activities:		
Contributions	300	-
Proceeds from mortgage notes payable	1,297	-
Net cash provided by financing activities	<u>1,597</u>	<u>-</u>
Net increase (decrease) in cash	2,069	(975)
Cash and cash equivalents and restricted cash, beginning of period	<u>796</u>	<u>4,109</u>
Cash and cash equivalents and restricted cash, end of period	<u>\$ 2,865</u>	<u>\$ 3,134</u>
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents at beginning of period	\$ 576	\$ 3,612
Restricted cash at beginning of period	220	497
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 796</u>	<u>\$ 4,109</u>
Cash and cash equivalents at end of period	\$ 1,925	\$ 2,162
Restricted cash at end of period	940	972
Cash and cash equivalents and restricted cash at end of period	<u>\$ 2,865</u>	<u>\$ 3,134</u>
Supplemental schedule of cash flow information:		
Cash paid for interest	\$ 1,234	\$ 1,160
Supplemental disclosure of noncash investing activities:		
Accrued capital expenditures	\$ 73	\$ 57



Disclaimer

Certain economic, financial market and real estate market information contained in the Letter to Investors has been obtained from published sources. While such information is believed to be reliable, none of the Fund, the General Partner or any of their respective affiliates, agents or representatives assumes any responsibility for, or makes any representation or warranty, express or implied, with respect to, the accuracy of such information.

Certain information contained herein represents or is based upon forward-looking statements or information, including descriptions of anticipated market changes, projected returns from unrealized investments and expectations of future activity. Certain forward-looking statements can be identified by the use of forward-looking terminology such as “may,” “can,” “will,” “would,” “seek,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” “target” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. Therefore, undue reliance should not be placed on such forward-looking statements and information.



Exhibit A. Contact Information

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