

November 17, 2009

Mark Olinger  
Executive Director  
Community Development Authority  
Madison Municipal Building, Suite 318  
215 Martin Luther King, Jr. Boulevard  
Madison, WI 53703

Dear Mark:

Below are comments related to the proposed 2010 operating budget for The Villager.

#### Income

The proposed budget includes a total reduction of leasable area of 19,185 s.f. This primarily comes from the anticipated demolition of the building south of the Cricket space. The two tenants currently located in this part of the Villager, Dane County (SMOE 1) and Yue Wah, will be vacating. Dane County at 15,000 s.f. will move to second floor of the Atrium. Options are being explored for re-locating Yue Wah to another portion of the Villager.

Total income is budgeted to decrease by \$58,700 due to the loss of this space. However, the remaining space is expected to be more productive for the property than in previous years. The newly renovated Atrium interior and exterior façade, it is expected that leasing efforts will be fruitful. Occupancy by the end of 2010 is projected to reach 88% vs the current 71%. While the property is losing leasable area, the budget reflects total income for 2010 of \$1,441,691 vs \$1,500,400 (projected) for 2009.

#### Expenses

Total expenses of \$857,702 are slightly below the 2009 projected year end expenses of 862,535. However, due to the loss of leasable space, the operating expenses per square foot will increase from \$6.04 for 2009 to \$6.94 for 2010. Significant expenses incurred for 2009 include roof replacement at the north end of the building at \$50,000. The demolition of the south portion of the building is the only capital expense planned for 2010.

#### NOI

Net operating income for 2010 is budgeted to total \$583,989 or \$4.73 p.s.f. The 2009 NOI is projected to end the year totaling \$637,885 or \$4.46 p.s.f.

#### Cash Flow

The 2010 budget includes leasing 10 spaces totaling 18,055s.f. Along with these new deals are tenant improvements and leasing commissions that total \$648,486 resulting in a projected cash flow for The Villager of a negative \$608,765.



Mark, please contact me with any questions regarding this budget or comments. Thank you.

Sincerely

A handwritten signature in black ink, appearing to read "John Matheson", is centered within a light gray rectangular box.

John Matheson  
Executive Vice President

Feel free to contact me with any questions at 414-349-0442 ([jmatheson@sg-re.com](mailto:jmatheson@sg-re.com)).

Sincerely,

A handwritten signature in black ink, appearing to read "John Matheson", is centered within a light gray rectangular box.

John Matheson  
Executive Vice President