

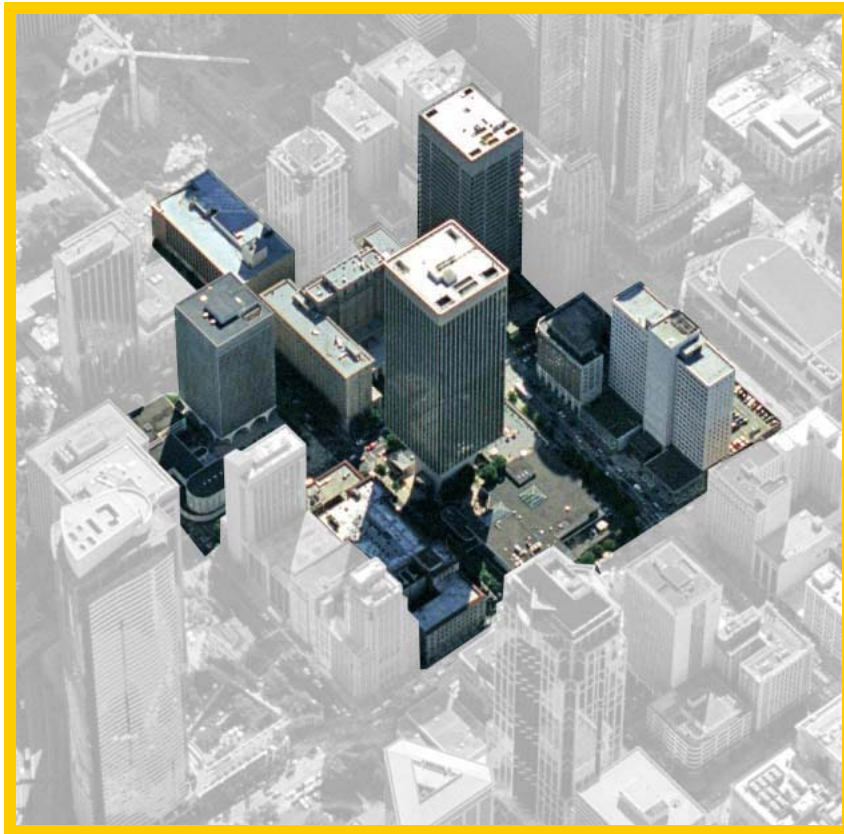
VII. STANDING COMMITTEE

B. Finance, Audit and Facilities Committee

Metropolitan Tract Performance Report for the Quarter Ended
December 31, 2008

(See attached report.)

METROPOLITAN TRACT
PERFORMANCE REPORT
For the Quarter Ended
December 31, 2008

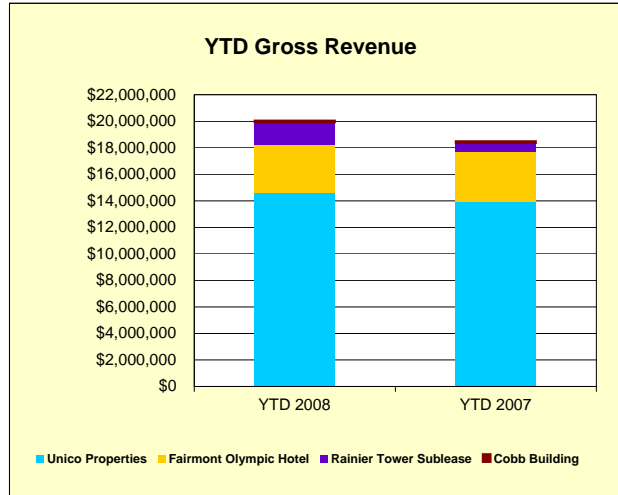
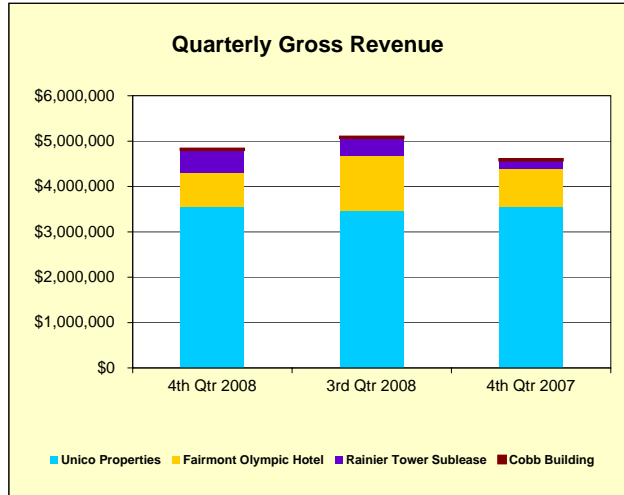


Finance, Audit & Facilities Committee

March 19, 2009

University of Washington Metropolitan Tract

CONSOLIDATED METROPOLITAN TRACT PROPERTIES
Quarterly Summary
Quarter Ending December 31, 2008



CURRENT QUARTER							
Gross Revenue to University	4th Qtr 2008	Prior Qtr 3rd Qtr 2008	Prior Year 4th Qtr 2007	Change from Prior Qtr		Change from Prior Year	
				\$	%	\$	%
Unico Properties	3,558,357	3,479,187	3,546,703	79,170	2.3%	11,654	0.3%
Rainier Tower Sublease	495,518	389,006	167,522	106,512	27.4%	327,996	195.8%
Fairmont Olympic Hotel	742,108	1,192,744	853,399	(450,637)	(37.8%)	(111,291)	(13.0%)
Cobb Building	38,500	38,500	38,500	0	0.0%	0	0.0%
TOTAL GROSS REVENUE	\$4,834,483	\$5,099,437	\$4,606,124	(\$264,955)	(5.2%)	\$228,359	5.0%

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2008	YTD 2007	Change from Prior YTD		Projected 2008	Actual 2007
			\$	%		
Unico Properties	14,612,982	13,950,839	662,143	4.7%	15,481,600	13,950,835
Rainier Tower Sublease	1,706,280	669,976	1,036,305	154.7%	1,301,877	669,976
Fairmont Olympic Hotel	3,587,295	3,723,059	(135,764)	(3.6%)	3,730,825	3,723,059
Cobb Building	154,000	154,000	0	0.0%	154,000	154,000
TOTAL GROSS REVENUE	\$20,060,557	\$18,497,874	\$1,562,683	8.4%	\$20,668,302	\$18,497,870

12/31/07 INTERNAL VALUATION		
	2007 Gross Market Value	2006 Gross Market Value
Unico Managed Properties ¹	\$501,700,000	\$488,197,000
Fairmont Olympic Hotel	\$168,300,000	\$192,700,000
Cobb Building ²	\$2,200,000	\$2,200,000
TOTAL	\$672,200,000	\$683,097,000

¹ Includes the Rainier Tower Sublease

² Represents UW's land value; not improvements

CONSOLIDATED METROPOLITAN TRACT PROPERTIES

Quarterly Summary

Quarter Ending December 31, 2008

CONSOLIDATED METROPOLITAN TRACT SUMMARY

The Metropolitan Tract generated \$20.6M of revenue for the University in 2008. This is an 8.4% increase over 2007 and is within 2.9% of the total revenue projected for 2008.

UNICO PROPERTIES

The fourth quarter's gross revenue from the Unico Properties was up 2.33% from the third quarter of 2008, generating just over \$3.5M. Office saw an increase in revenue of 3.7% while Retail showed a 1.9% decline for fourth quarter. This quarter to quarter increase is due to rent commencing in October for the United States Postal Service having taken a floor and a half in the Financial Center. Compared to the year-ago quarter, we see growth of 0.3%, with all contributors except Retail increasing revenue. Year-end rent results from Unico are 4.7% ahead of 2007.

RAINIER TOWER SUBLEASE

The Rainier Tower Sublease generated \$405,518 in operating cash flow during the fourth quarter and \$1.7M for the year. The overall upswing is due to the commencement of the Marsh and Mercer leases, placing the Sublease at 89.1% occupied. This amount is net of a significant increase in the underlying master Sublease rent pursuant to a sublease provision which calls for a rent increase every ten years commensurate with the increase in land value under Rainier Tower. This increase was determined during arbitration in accordance with the Sublease. A significant portion of this rent increase has been offset by reimbursements from the subtenants pursuant to their subleases.

FAIRMONT OLYMPIC HOTEL

The fourth quarter of 2008 saw a decrease over both the third quarter and the revenue seen in 2007. The fourth quarter yield of \$742,108 is a decrease of 37.8% from third quarter due to a lack in holiday travel, the December weather and the declining economy. Compared to a year ago, the hotel's revenues for the fourth quarter also showed the decline in patronage, posting a 13% decrease. The Olympic Hotel is the only component of the Metropolitan Tract which saw a decline in its year over year results with its rent to the University down about 3.6%. Due to the hotel industry and the overall economic conditions, we anticipate that the hotel revenues will continue to decline through at least 2009.

Westmont has approached the University to consider a lease extension. The loan on the hotel matures in October of 2009 and absent an extension, Westmont is concerned that they may not be able to replace the financing. When coupled with the extremely tight lending markets, the remaining 30 year term is seen as a significant impediment to re-financing.

INTERNAL VALUATION

The numbers presented represent the overall value of the real estate as estimated by Heitman and Urbis Partners as of 12/31/07, but do not account for the leasehold encumbrances. The annual valuation is currently underway.

MARKET UPDATE

OFFICE MARKET

The Seattle CBD office market is quickly catching up to the rest of the country with regard to vacancy numbers, lack of absorption and overall market uncertainty. The fourth quarter of 2008 saw vacancy at 13.71% for downtown, equating to just over 4,000,000 SF of vacant space. The Eastside isn't fairing much better, with a vacancy rate of 15.21% for year end. Most of the major real estate firms are projecting numbers to get worse, expecting to see vacancy rates hit 18% or higher sometime in 2009. Part of the concern is tied to the 3 million square feet of new office space planning to be released into the market throughout 2009, much of it not preleased currently. With JP Morgan Chase laying off 80% of Washington Mutual's former staff, Microsoft letting portions of their research and development teams go and the announcement that Starbucks will be closing more stores in the coming months, Seattle is feeling the recession in a big way.

The occupancy status for the Metropolitan Tract is currently 89.5% for Class A space and 89.1% for Class B. There is almost 43,000 square feet of space expected to roll over in 2009, the USPS vacating 17,918 SF in the Financial Center being one of the biggest spaces. While leasing will remain a continual focus, the Tract buildings are in good shape to weather 2009. Retaining current tenants and keeping expenses down will help keep the Met Tract doing well.

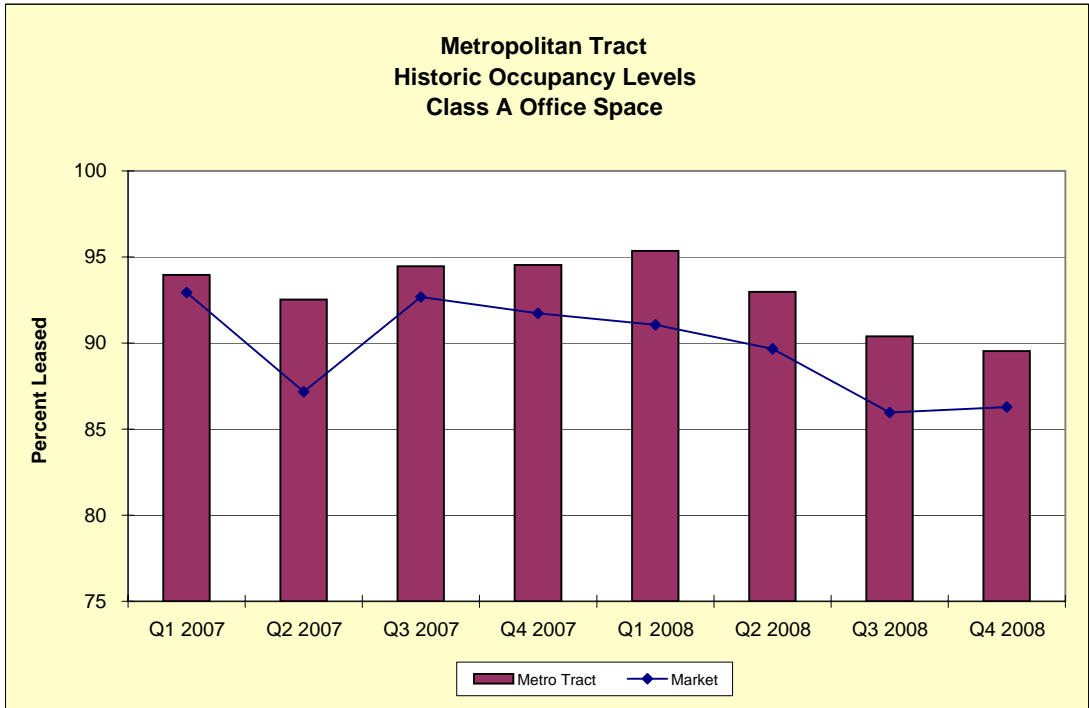
HOTEL MARKET

Tourism as a whole is being hit hard due to the economy, the hotel market being one of the major areas to feel the pain. With fewer people travelling, companies scaling back on retreats and conferences and the financial market making it harder to refinance existing

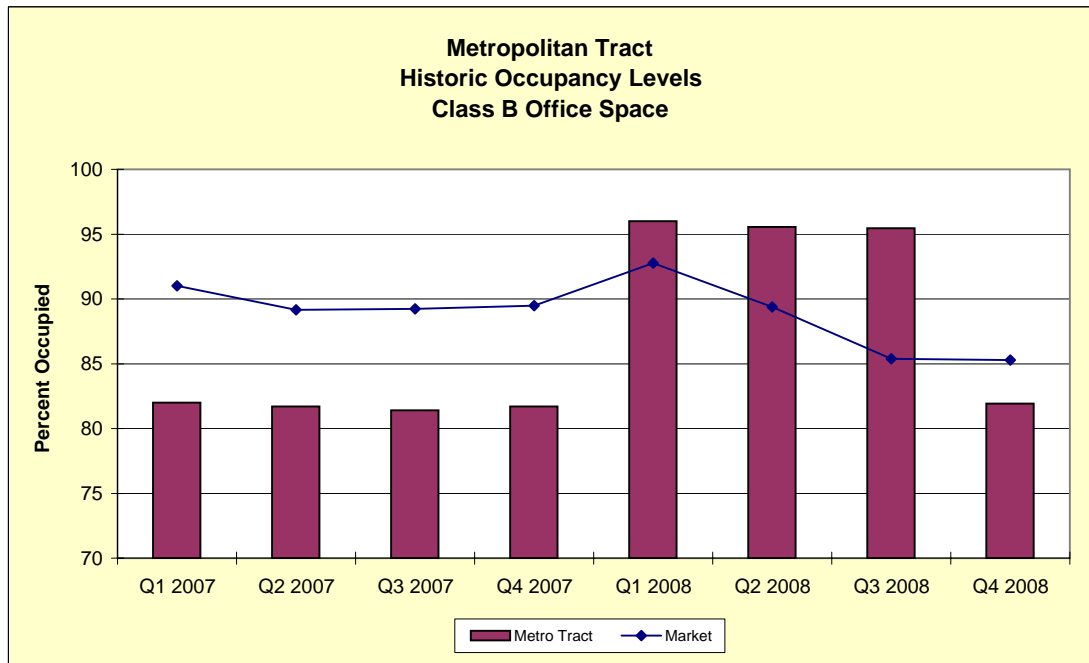
OFFICE BUILDING OCCUPANCY COMPARISON CHARTS

Last Eight Quarters

Quarter Ending December 31, 2008

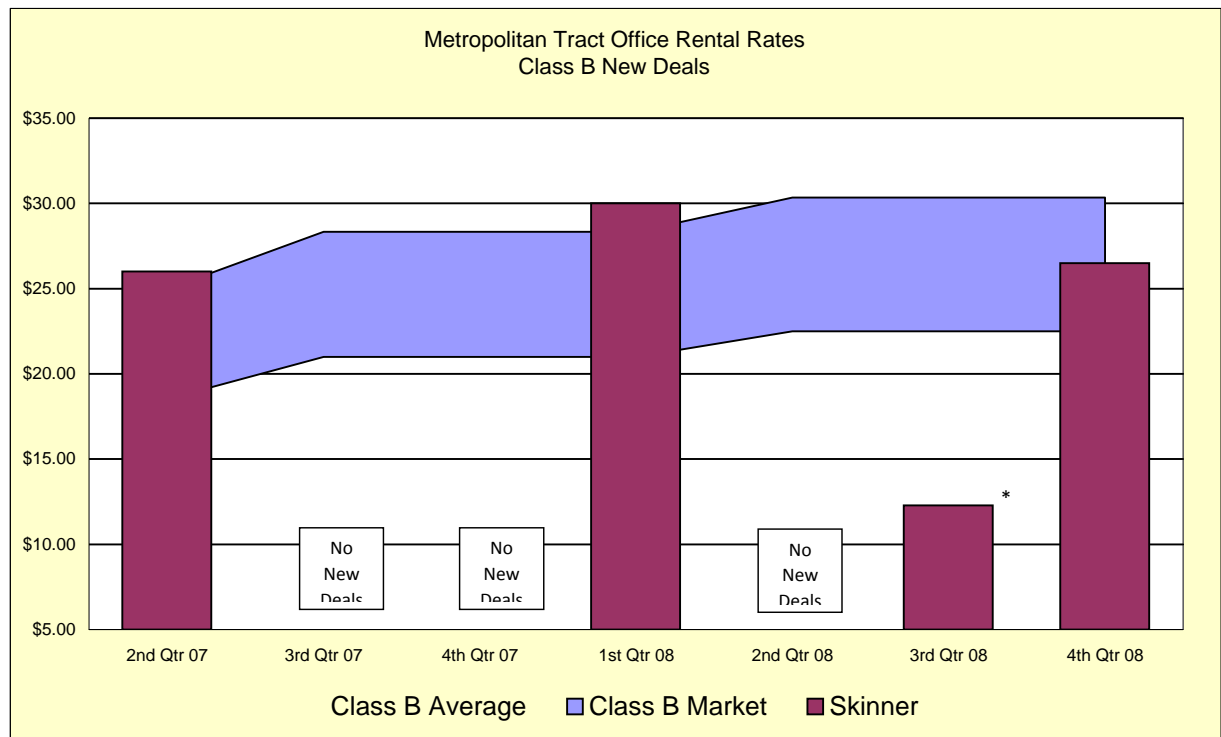
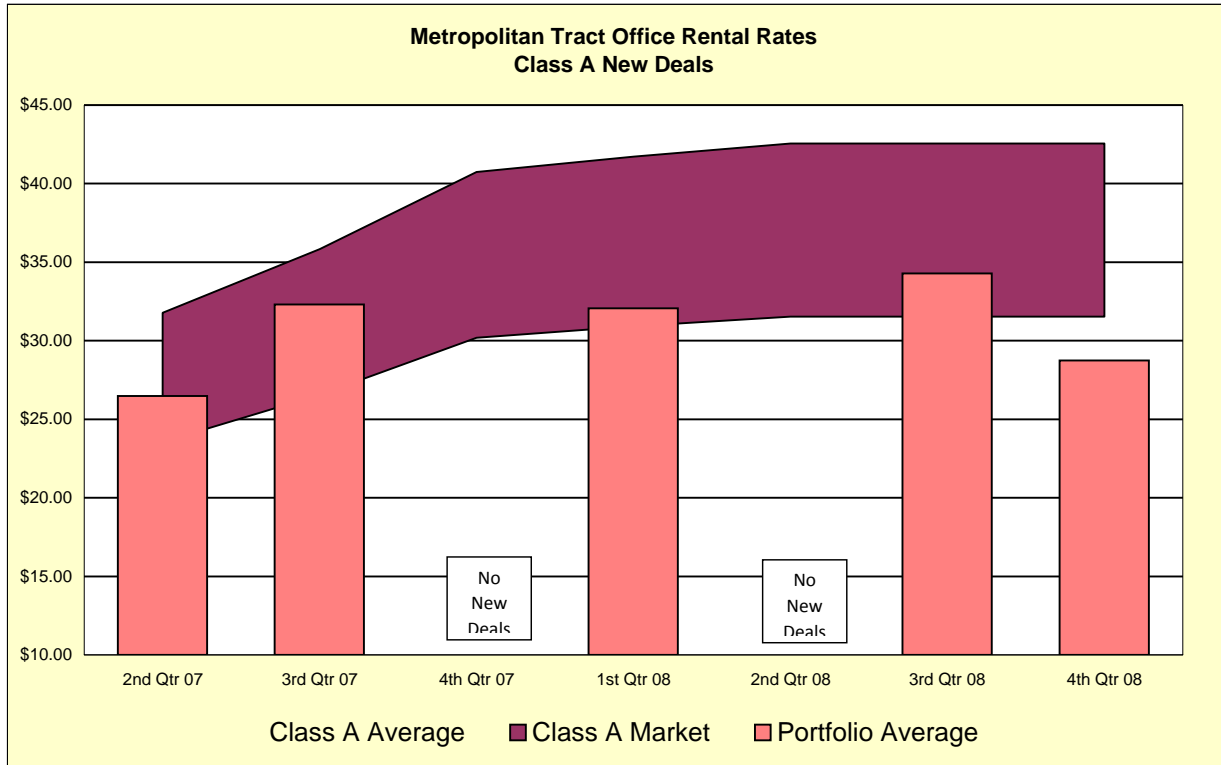


Includes Rainier Tower, Puget Sound Plaza, IBM Building and Financial Center



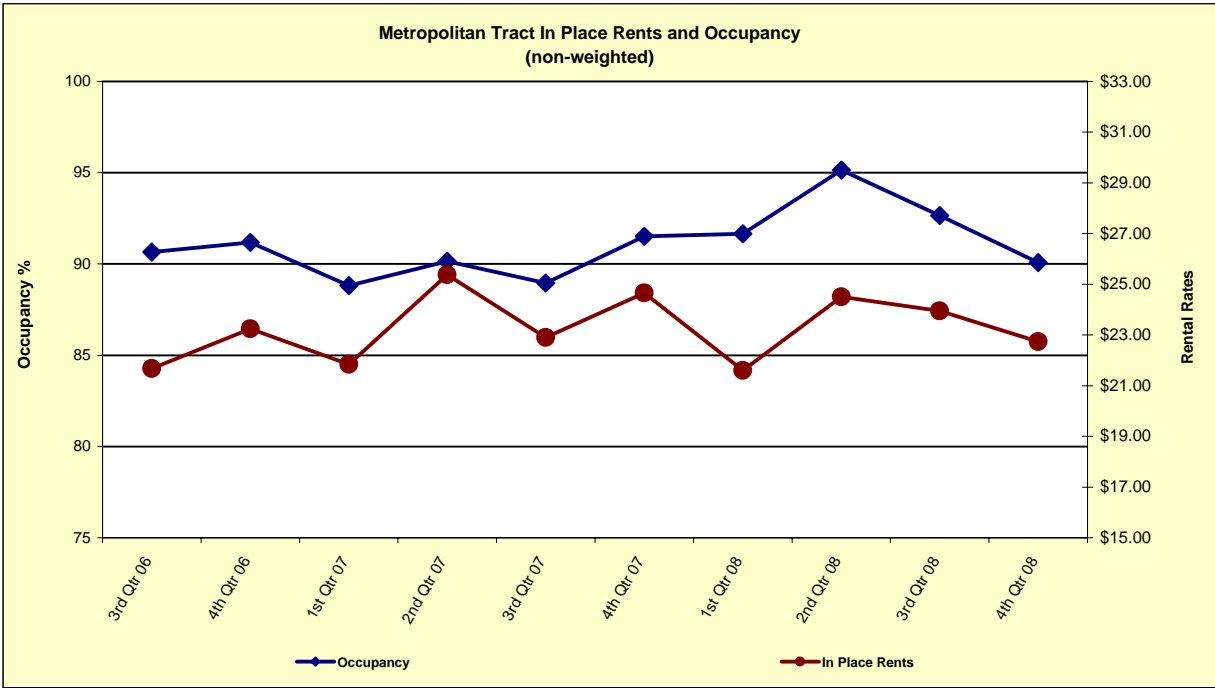
Includes Skinner Building

OFFICE BUILDING RENTAL RATE COMPARISON
 Last Seven Quarters
 Quarter Ending December 31, 2008

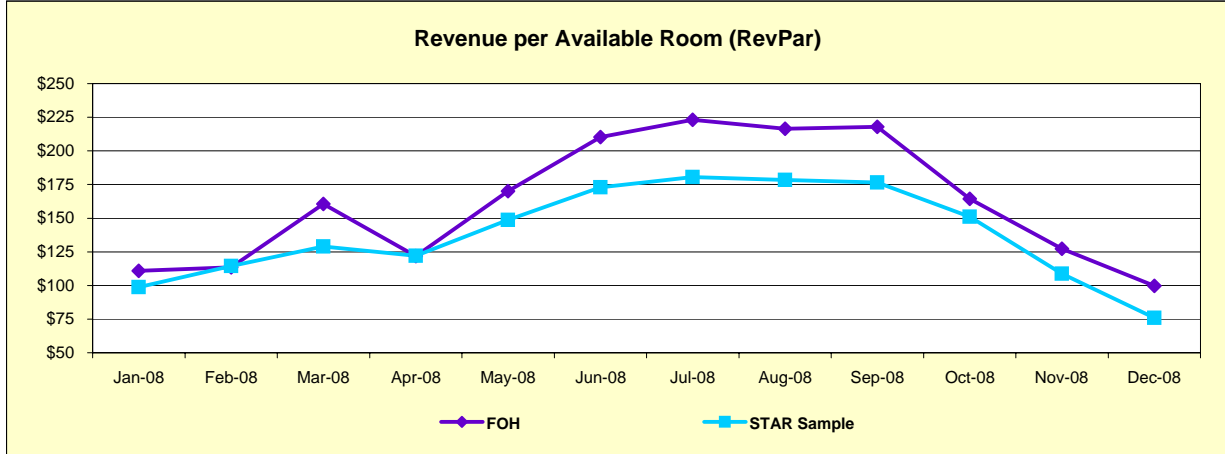


* Completed deal for basement portion of 5th Avenue Theater

University of Washington Metropolitan Tract
OFFICE BUILDING RENTAL RATE COMPARISON
 Last 3 Years
 Quarter Ending December 31, 2008

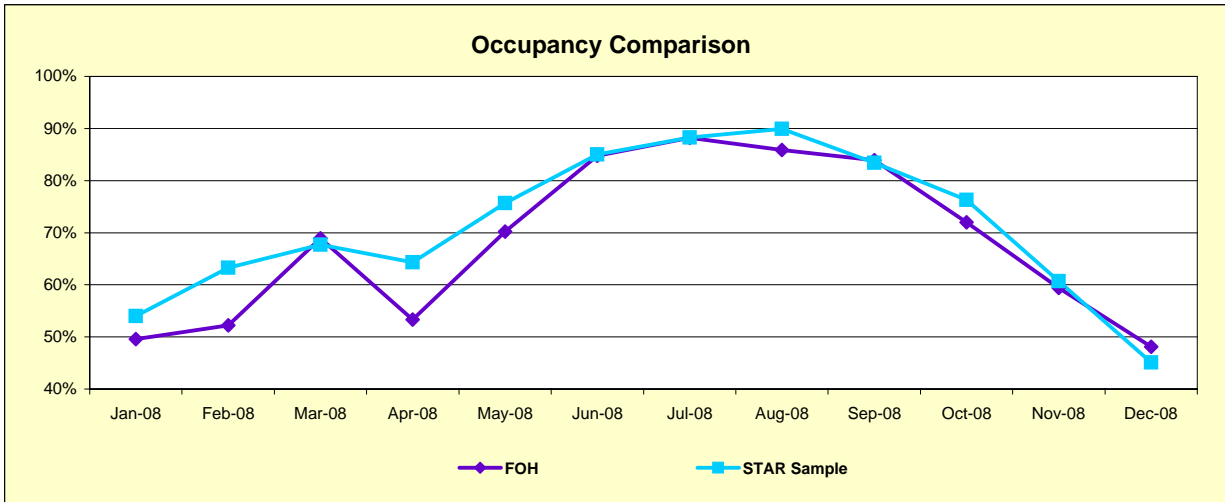


FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS
Twelve Months Ended December 31, 2008



RevPar 12-months Average	Dec-08	Dec-07	Change from Prior Year \$
FOH	\$161.33	\$167.65	(\$6.33)
STAR Sample Avg <1>	\$138.10	\$144.91	(\$6.81)

RevPar Current Month Ended	Dec-08	Dec-07	Change from Prior Year %
FOH	\$99.60	\$114.87	(\$15.27)
STAR Sample Avg <1>	\$75.98	\$86.82	(\$10.84)

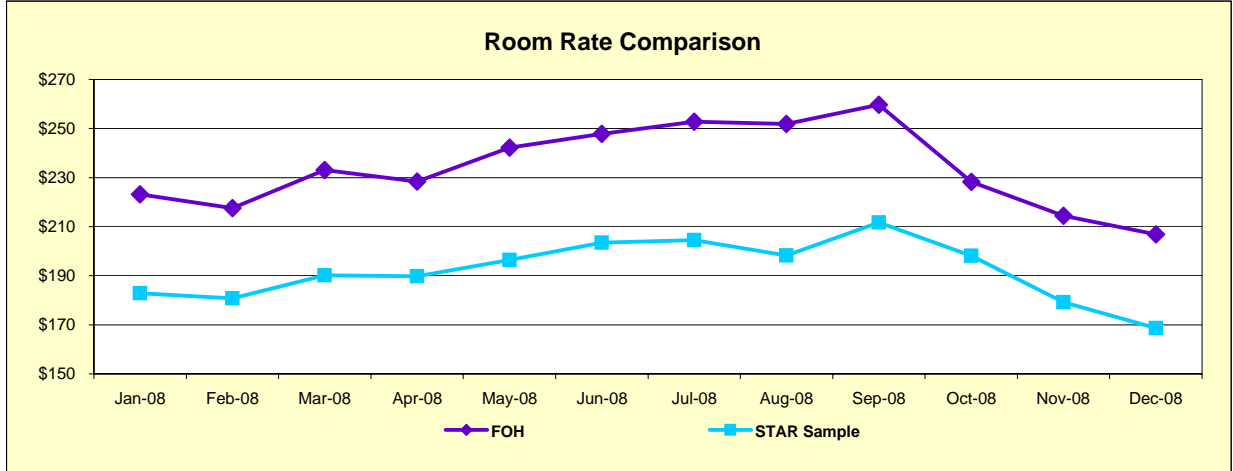


Occupancy 12-months Average	Dec-08	Dec-07	Change from Prior Year %
FOH	68.0%	72.5%	(4.5%)
STAR Sample Avg <1>	71.1%	74.3%	(3.1%)

Occupancy Current Month Ended	Dec-08	Dec-07	Change from Prior Year %
FOH	48.1%	49.0%	(0.9%)
STAR Sample Avg <1>	45.1%	48.6%	(3.5%)

<1> Information is based on Smith Travel Research (STAR) Report for the Sheraton Hotel, Hotel Vintage Park, Hotel Monaco, Seattle Alexis, Sorrento, Westin, W Hotel, Madison and Inn at the Market.

FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS
Twelve Months Ended December 31, 2008



Average Daily Rate 12-months Average	Dec-08	Dec-07	Change from Prior Year \$
FOH	\$233.87	\$229.98	\$3.89
STAR Sample Avg <1>	\$192.00	\$193.86	(\$1.86)

Average Daily Rate Month Ended	Dec-08	Dec-07	Change from Prior Year \$
FOH	\$206.88	\$234.34	(\$27.46)
STAR Sample Avg <1>	\$168.66	\$178.50	(\$9.84)

<1> Information is based on Smith Travel Research (STAR) Report for the Sheraton Hotel, Hotel Vintage Park, Hotel Monaco, Seattle Alexis, Sorrento, Westin, W Hotel, Madison and Inn at the Market.