

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Metropolitan Tract Performance Report for the Quarter Ended September 30, 2009

*Attachment*

Metropolitan Tract performance Report for the Quarter Ended September 30, 2009

**METROPOLITAN TRACT**  
**PERFORMANCE REPORT**  
**For the Quarter Ended**  
**September 30, 2009**



**Finance, Audit & Facilities Committee**

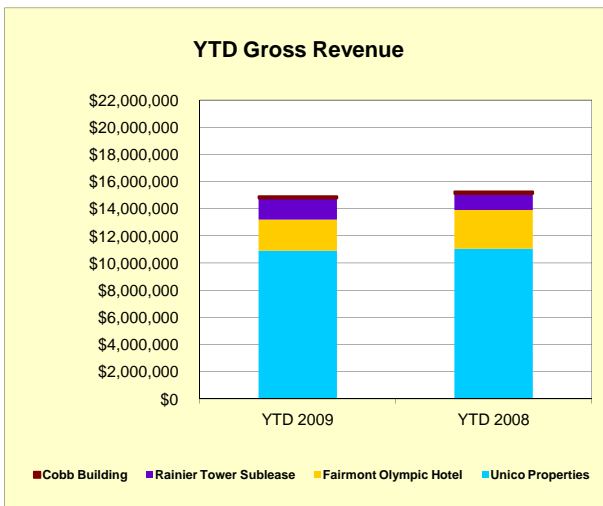
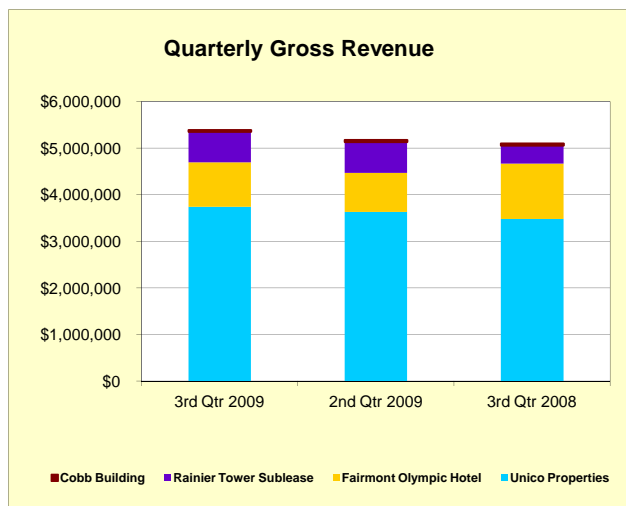
January 21, 2010

University of Washington Metropolitan Tract

**CONSOLIDATED METROPOLITAN TRACT PROPERTIES**

**Quarterly Summary**

**Quarter Ending September 30, 2009**



CURRENT QUARTER							
Gross Revenue to University	3rd Qtr 2009	Prior Qtr		Change from Prior Qtr		Change from Prior Year	
		2nd Qtr 2009	3rd Qtr 2008	\$	%	\$	%
Unico Properties	3,744,738	3,630,836	3,479,187	113,902	3.1%	265,551	7.6%
Rainier Tower Sublease	653,135	665,664	389,006	(12,529)	(1.9%)	264,129	67.9%
Fairmont Olympic Hotel	954,517	841,680	1,192,744	112,837	13.4%	(238,227)	(20.0%)
Cobb Building	38,500	38,500	38,500	0	0.0%	0	0.0%
<b>TOTAL GROSS REVENUE</b>	<b>\$5,390,890</b>	<b>\$5,176,680</b>	<b>\$5,099,437</b>	<b>\$214,210</b>	<b>4.1%</b>	<b>\$291,453</b>	<b>5.7%</b>

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2009	YTD 2008	Change from Prior YTD		Projected 2009	Actual 2008
			\$	%		
Unico Properties	10,912,820	11,054,626	(141,807)	(1.3%)	16,261,201	14,554,378
Rainier Tower Sublease	1,576,339	1,210,762	365,577	30.2%	1,543,482	1,706,280
Fairmont Olympic Hotel	2,274,541	2,845,187	(570,646)	(20.1%)	3,197,140	3,587,295
Cobb Building	154,000	154,000	0	0.0%	154,000	154,000
<b>TOTAL GROSS REVENUE</b>	<b>\$14,917,699</b>	<b>\$15,264,576</b>	<b>(\$346,876)</b>	<b>(2.3%)</b>	<b>\$21,155,822</b>	<b>\$20,001,953</b>

12/31/08 INTERNAL VALUATION		
	YE 2008 Gross Market Value	YE 2007 Gross Market Value
Unico Managed Properties <sup>1</sup>	\$366,228,000	\$501,700,000
Fairmont Olympic Hotel	\$110,842,000	\$168,300,000
Cobb Building <sup>2</sup>	\$28,700,000	\$36,100,000
<b>TOTAL</b>	<b>\$505,770,000</b>	<b>\$706,100,000</b>

<sup>1</sup> Includes the Rainier Tower Sublease

<sup>2</sup> Represents UW's land value; not improvements

# CONSOLIDATED METROPOLITAN TRACT PROPERTIES

## Quarterly Summary

Quarter Ending September 30, 2009

### CONSOLIDATED METROPOLITAN TRACT SUMMARY

The Metropolitan Tract generated \$5.3M of rent revenue for the University during the third quarter of 2009. When compared to the previous quarter, this is a 4.1% increase.

### UNICO PROPERTIES

The third quarter's gross revenue from the Unico Properties was up 3.1% from the second quarter of 2009, generating just over \$3.7M. Office saw an increase in revenue while Retail saw a decrease of 5.9%. Parking showed no change from second quarter because it is a fixed rent amount. This quarter to quarter increase is due primarily to the timing of IBM's rent adjustment pursuant to their give-back of the 7th floor at the IBM Building. Compared to the year-ago quarter, there was an increase of 7.6% with all categories except Retail showing a gain in revenue. The slow economy has factored significantly into the sales seen by the retail sector. Year-to-date rent results also show a 1.3% decline over 2008.

### RAINIER TOWER SUBLEASE

The Rainier Tower Sublease generated \$653,135 in operating cash flow during the third quarter. The year to date increase from 2008 to 2009 can be attributed to additional expenses in 2008 related to the land valuation increase in the lease as well as scheduled rent increases in the subleases.

### FAIRMONT OLYMPIC HOTEL

The third quarter of 2009 saw an increase of 13.4% over second quarter with a yield of \$954,517 to the University. Despite the much needed boost in sales, the hotel saw a revenue decrease of 20% when compared to 2008. The significant increase in revenue during the third quarter is due in large part to the seasonal increase expected in the hotel industry.

### INTERNAL VALUATION

The numbers presented represent the overall value of the real estate as estimated by Heitman and Urbis Partners as of 12/31/08, but do not account for the leasehold encumbrances.

### MARKET UPDATE

#### OFFICE MARKET

Seattle's office market continues to remain stronger than most of the major national cities, with the Urban Land Institute ranking it in eighth place on the nation's top real-estate investment locations list. Despite the favorable report, vacancy has continued to rise sharply due to fewer lease deals and more than 2 million square feet of new office space being delivered to the market without tenant occupants. Unemployment has risen to 8.9%, with more small business failing and the larger employers laying off where possible in order to keep their doors open. Investors and developers are predicting similar conditions throughout 2010, almost to the point of writing off the year before it starts. Most are looking ahead to 2011 and beyond, hoping to see the economy begin to recover.

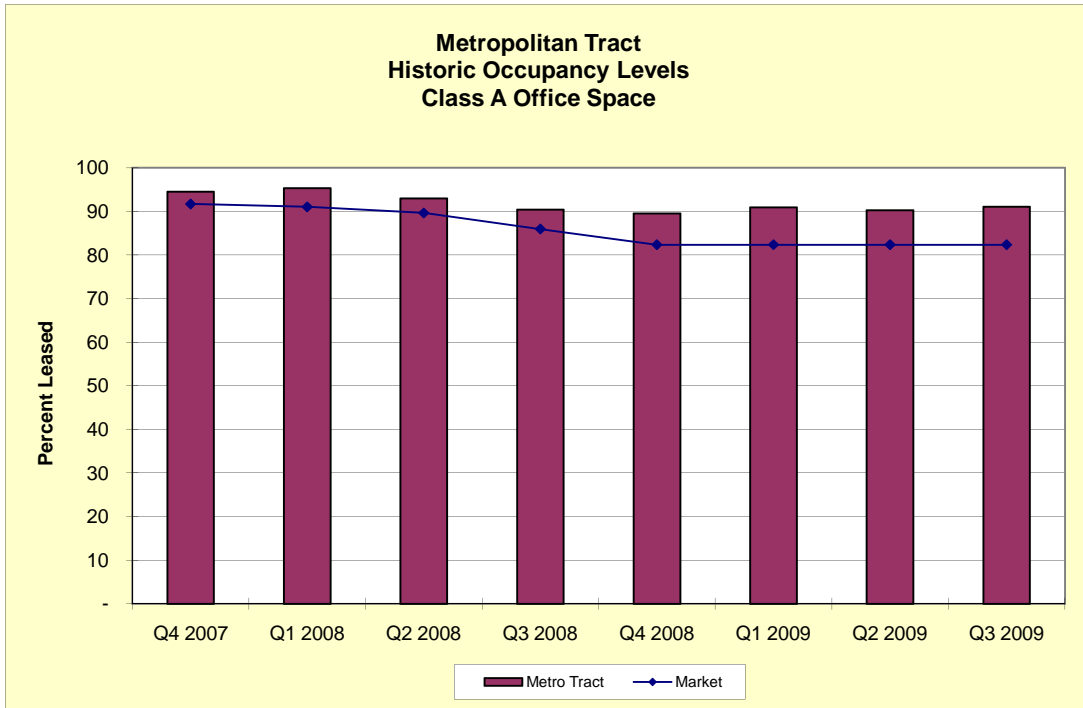
#### HOTEL MARKET

The biggest development in the hotel market during the third quarter of 2009 was Starwood Capital Group's decision to fill in the hole originally dug for the construction of 1 Hotel & Residences. Due to the decline in the economy, the 1 Hotel project came to a grinding halt. The hole at Second Avenue and Pine Street, originally dug in 2007, sat empty for over a year. Starwood then submitted a permit to the city requesting to fill in the hole and return the location to a parking lot. *The Seattle Times* reported that this was the first in-fill of a building request the City has ever received. The Seattle market is still being touted as one of the healthiest in the country, despite predictions that hotel construction will have dropped over 25% in 2009 and will drop another 17% in 2010. The slowing of the hotel market has begun to affect area retailers. Store owners who relied on hotel patrons for their customer base are struggling to stay open in an economy where no one is traveling, for business or pleasure. Some retailers are doing their best to weather the storm, helped by landlords giving incentive deals for them to stay, while others are closing down shop or relocating to less expensive space. The travel industry is predicted to remain slow through 2010, with no significant increase in patronage or revenue until well in to 2011.

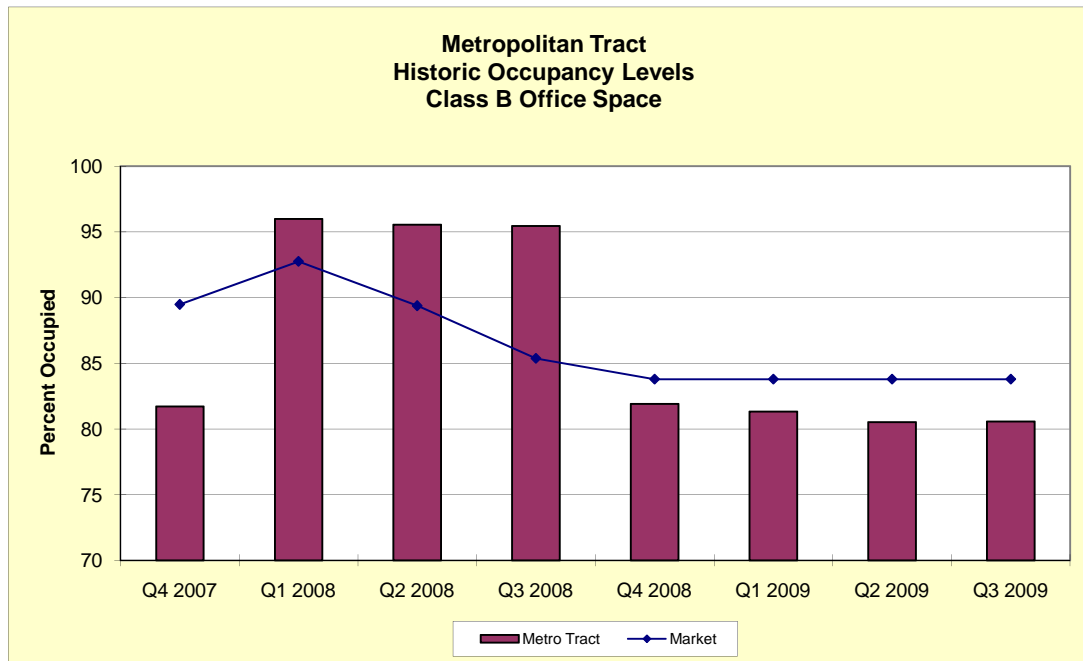
**OFFICE BUILDING OCCUPANCY COMPARISON CHARTS**

Last Eight Quarters

Quarter Ending September 30, 2009

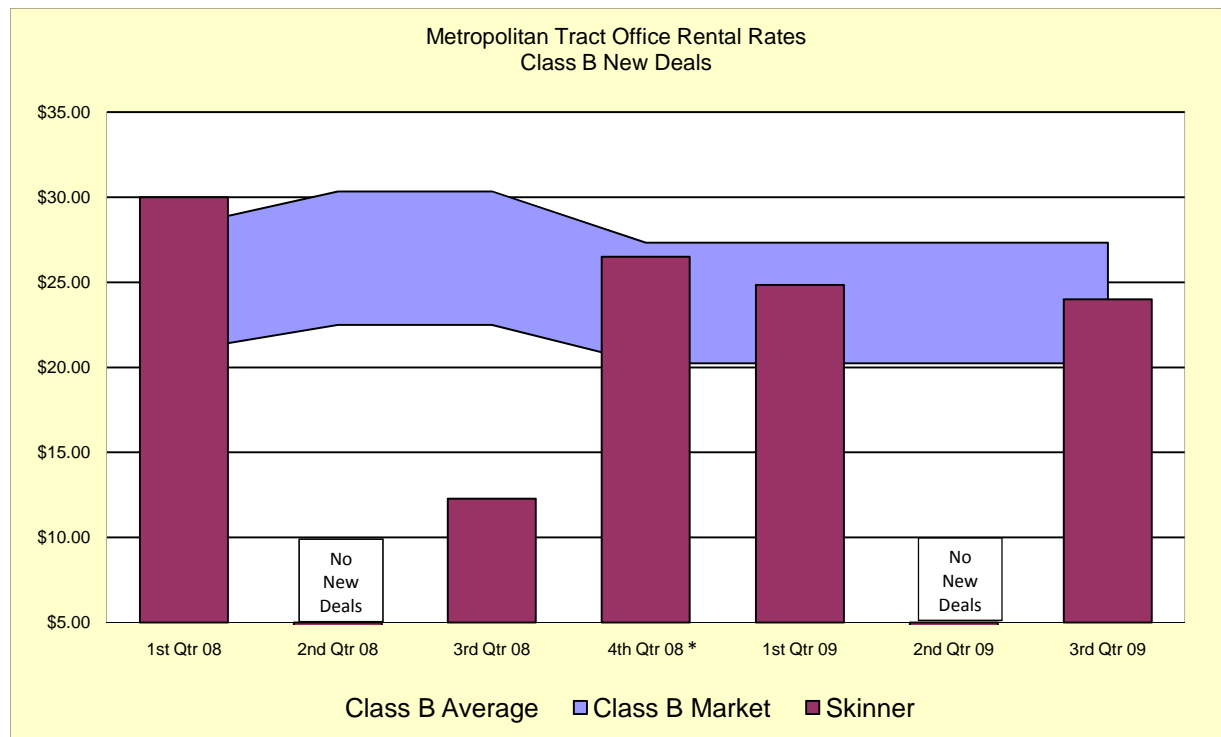
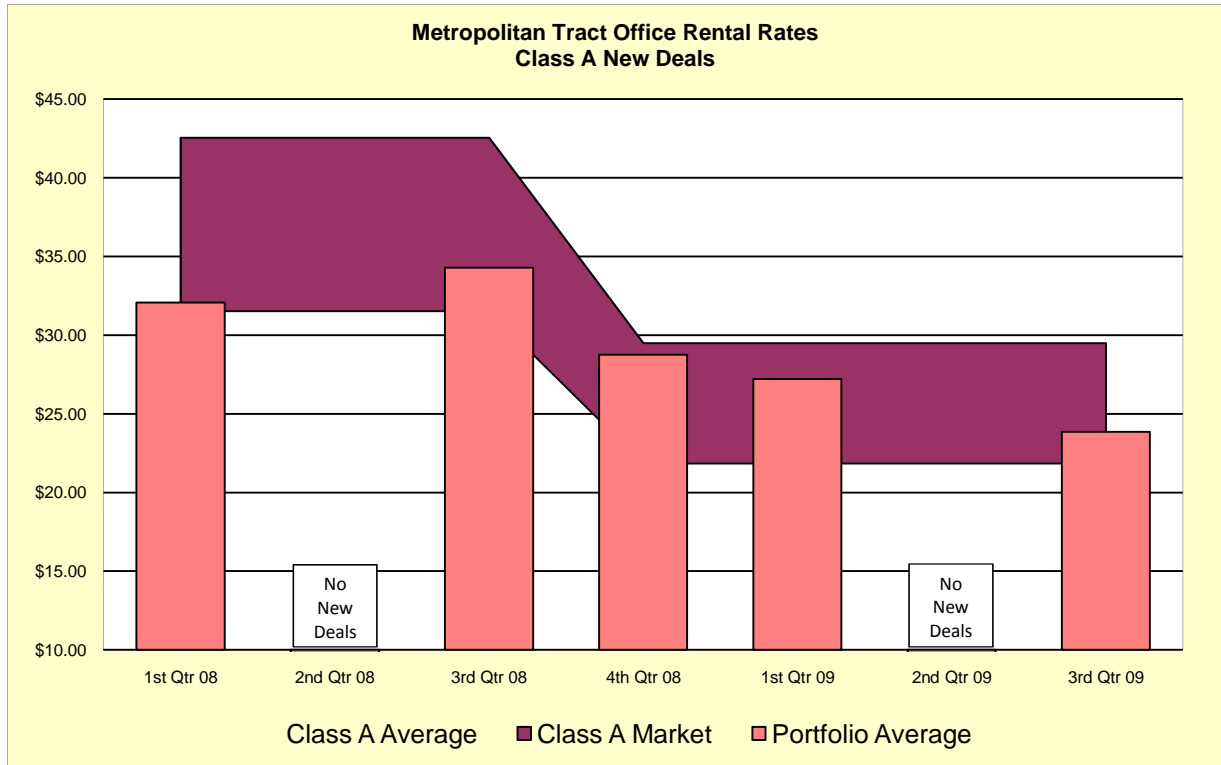


Includes Rainier Tower, Puget Sound Plaza, IBM Building and Financial Center



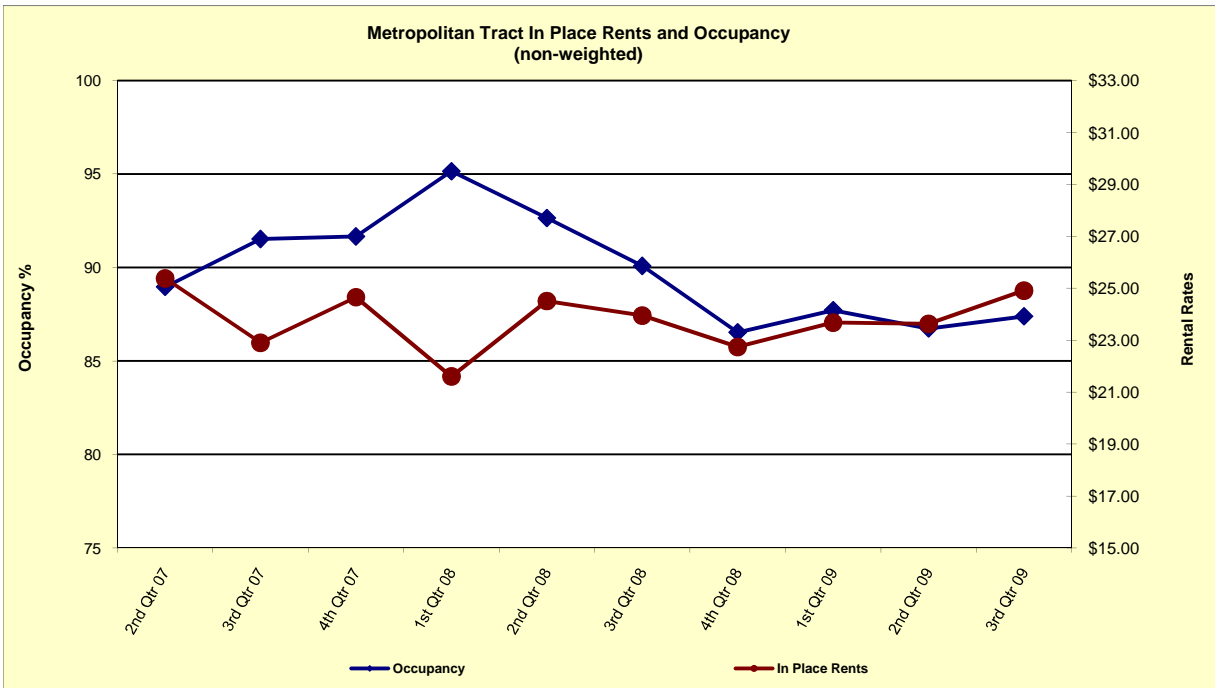
Includes Skinner Building

**OFFICE BUILDING RENTAL RATE COMPARISON**  
 Last Seven Quarters  
 Quarter Ending September 30, 2009

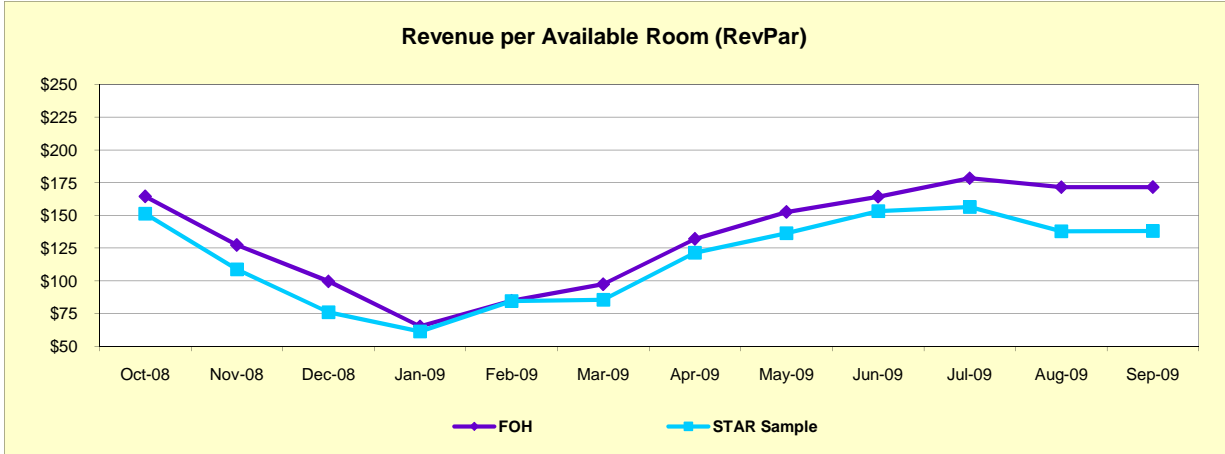


\* Completed deal for basement portion of 5th Avenue Theater

University of Washington Metropolitan Tract  
**OFFICE BUILDING RENTAL RATE COMPARISON**  
 Last 3 Years  
 Quarter Ending September 30, 2009

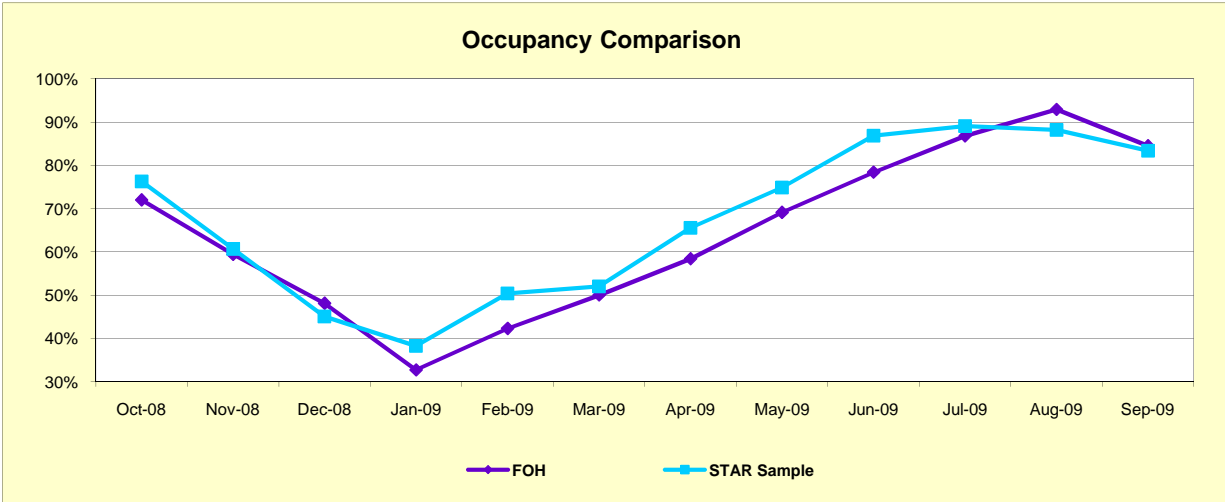


**FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS**  
**Twelve Months Ended September 30, 2008**



RevPar 12-months Average	Sep-09	Sep-08	Change from Prior Year \$
FOH	\$134.09	\$166.35	(\$32.27)
STAR Sample Avg <1>	\$117.55	\$140.64	(\$23.10)

RevPar Current Month Ended	Sep-09	Sep-08	Change from Prior Year %
FOH	\$171.51	\$217.89	(\$46.38)
STAR Sample Avg <1>	\$138.13	\$176.60	(\$38.47)



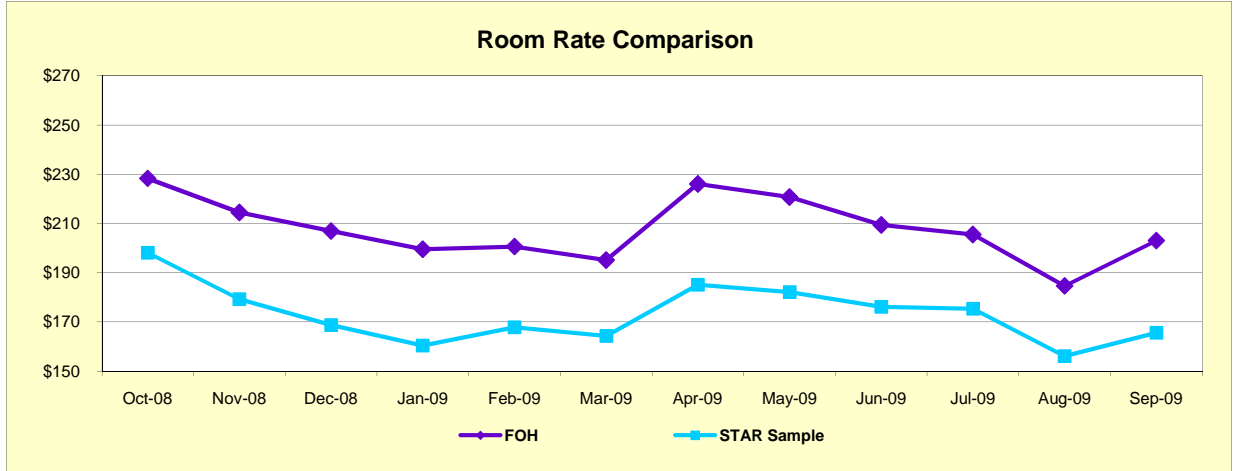
Occupancy 12-months Average	Sep-09	Sep-08	Change from Prior Year %
FOH	64.6%	69.3%	(4.8%)
STAR Sample Avg <1>	67.6%	71.9%	(4.4%)

Occupancy Current Month Ended	Sep-09	Sep-08	Change from Prior Year %
FOH	84.5%	83.9%	0.6%
STAR Sample Avg <1>	83.4%	83.4%	0.0%

<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 September 30, 2008**



Average Daily Rate 12-months Average	Sep-09	Sep-08	Change from Prior Year \$
FOH	\$207.83	\$237.70	(\$29.87)
STAR Sample Avg <1>	\$173.24	\$193.81	(\$20.57)

Average Daily Rate Month Ended	Sep-09	Sep-08	Change from Prior Year \$
FOH	\$203.05	\$259.74	(\$56.69)
STAR Sample Avg <1>	\$165.56	\$211.71	(\$46.15)

<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.