

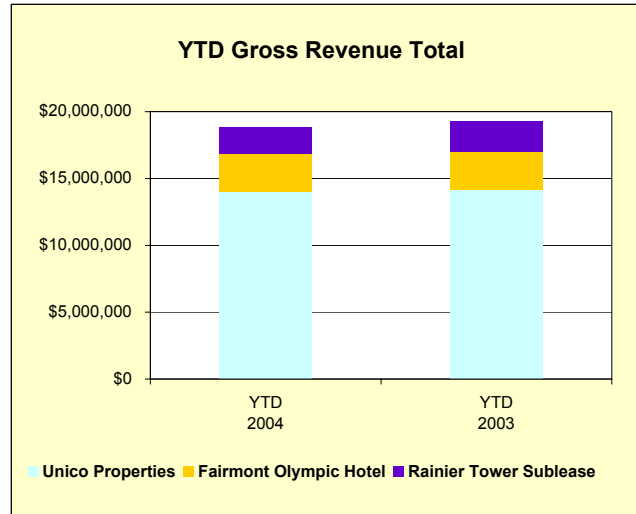
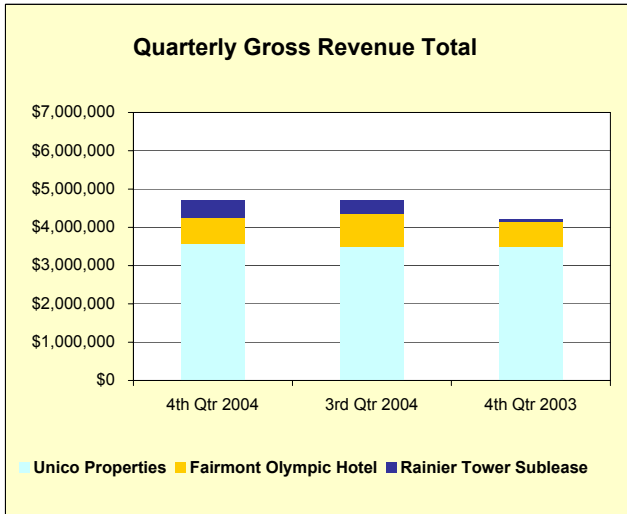
**METROPOLITAN TRACT**  
**PERFORMANCE REPORT**  
**For the Quarter Ended**  
**December 31, 2004**



**Capital Assets Committee**

February 17, 2005

University of Washington Metropolitan Tract  
**CONSOLIDATED METROPOLITAN TRACT PROPERTIES**  
**Quarterly Summary**  
**Quarter Ending December 31, 2004**



CURRENT QUARTER							
Gross Revenue to University	4th Qtr 2004	Prior Qtr	Prior Year	Change from Prior Qtr		Change from Prior Year	
		3rd Qtr 2004	4th Qtr 2003	\$	%	\$	%
Unico Properties	3,566,019	3,497,657	3,485,827	68,361	2.0%	80,191	2.3%
Rainier Tower Sublease	454,551	365,058	53,800	89,494	24.5%	400,751	744.9%
Fairmont Olympic Hotel	695,495	848,561	659,274	(153,066)	(18.0%)	36,222	5.5%
<b>TOTAL GROSS REVENUE</b>	<b>\$4,716,065</b>	<b>\$4,711,276</b>	<b>\$4,198,901</b>	<b>\$4,789</b>	<b>0.1%</b>	<b>\$517,164</b>	<b>12.3%</b>

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2004	YTD 2003	Change from Prior YTD		Projected 2004	Actual 2003
			\$	%		
Unico Properties	14,026,751	14,122,297	(95,546)	(0.7%)	14,628,589	14,122,293
Rainier Tower Sublease	1,954,708	2,267,710	(313,002)	(13.8%)	1,510,081	2,267,710
Fairmont Olympic Hotel	2,852,489	2,896,955	(44,466)	(1.5%)	3,077,644	2,896,955
<b>TOTAL GROSS REVENUE</b>	<b>\$18,833,948</b>	<b>\$19,286,962</b>	<b>(\$453,014)</b>	<b>(2.3%)</b>	<b>\$19,216,314</b>	<b>\$19,286,958</b>

**CONSOLIDATED METROPOLITAN TRACT PROPERTIES**

**Quarterly Summary**

**Quarter Ending December 31, 2004**

**CONSOLIDATED METROPOLITAN TRACT SUMMARY**

Revenue from the Metropolitan Tract totaled \$4.7 million in the fourth quarter of 2004, an increase of less than \$5,000 from 3rd quarter 2004, though it is an increase of 12.3% over 4th quarter of 2003. The discrepancy in year-to-date performance between 2003 and 2004 can be primarily attributed to leasing costs related to the Rainier Tower Sublease. It had been expected that as new tenants moved in and free rent concessions burned off, we would see revenue levels rise by year end. In fact, revenue from Rainier Tower Sublease increased nearly \$90,000 (24.5%) over the previous quarter. The 4th quarter's revenue brought the annual revenue almost to 2003 levels.

**UNICO PROPERTIES**

Revenue from the Unico properties totaled \$3.57 million in the 4th quarter, for an increase of 2%. Compared to 4th quarter of last year, revenue from the Unico properties was up 2.3%. While office revenues saw only slight improvement over 3rd quarter, retail was up 7%. Retail produced \$754,161 which is also a 14.7% increase over 2003's 4th quarter. There was a slight decline in occupancy finishing the quarter at 87.4% with the majority of the vacancy is spread evenly across Puget Sound Plaza, Skinner Building and Financial Center. Currently, Unico has a fair amount of interest in Puget Sound Plaza and the remaining vacancies at the IBM Building. Financial Center is likely to cause the greatest leasing challenge due to view blockages and the configuration of the windows. We are currently working with Unico to develop some strategies to overcome these challenges. Additionally, the early relocation of some Cobb Building tenants in anticipation of the residential redevelopment accounts for some of the occupancy decline.

**RAINIER TOWER SUBLEASE**

Revenue from the Rainier Tower Sublease totaled \$454,551 in the 4th quarter 2004, up 24.5%, attributable in large part to Key Bank's rent commencement in October. Rainier Tower is expected to perform well in 2005 with only one lease expiration. However, 2006 will create a need for significant capital investment as Washington Mutual relocates to its new headquarters building. Since 1995, the Rainier Tower Sublease has generated more than \$12 million dollars of net revenue.

**FAIRMONT OLYMPIC HOTEL**

Despite some positive room rate movement in October and December, declining occupancy caused RevPar to continue to decline in the 4th quarter of 2004. The Hotel's gross revenue for the quarter fell 18% from the 3rd quarter's total to just under \$700,000. That result is, however, a 5.5% uptick over 4th quarter 2003.

During the fourth quarter, the Hotel's occupancy decreased 18.5%. While this is never a strong quarter for the hotel, this is a more severe drop than in 2003 when occupancy fell 14%. By comparison, the competitive set declined 27% reinforcing the Olympic's position in the market.

The Hotel's employee and guest satisfaction ratings were outstanding in 2004, with the employee satisfaction rating for the Olympic leading Fairmont's company-wide results. In addition, Fairmont was successful in retaining its AAA 5 Diamond status (the 21st consecutive year for the Hotel).

**MARKET UPDATE**

**OFFICE MARKET**

The Puget Sound office market ended 2004 with a vacancy rate of 85.06%. While this is down slightly both for the quarter and for the full year, the declines are quite small and it is evident that the market is rebounding. Though the Puget Sound economy has only regained a third of the jobs from the peak employment of early 2001, the professional services sector have seen the greatest share of that rebound, with indicators pointing to a continuation of this trend. General estimates are that employment growth for the region will be in the 2%-3% range in 2005. Looking a little further into the future reveals that the new Washington Mutual Center, which is scheduled for completion in 2006, will certainly offset some of the impact of this growth in the market. While the addition of nearly one million square feet will likely slow the positive absorption and upward pressure on rents in the market, it shouldn't interfere with the longer term recovery and growth of the central business district.

**HOTEL MARKET**

For the first time since 2000, a steady increase in rates and occupancy levels is expected nationwide in 2005. Increases in business travel and leisure travel are both expected to improve in 2005. Locally, Seattle hosted 8.5 million visitors, including 350,000 cruise ship passengers. These sailings are expected to be up by 50% in 2005, bringing with it a higher demand for overnight accommodations.

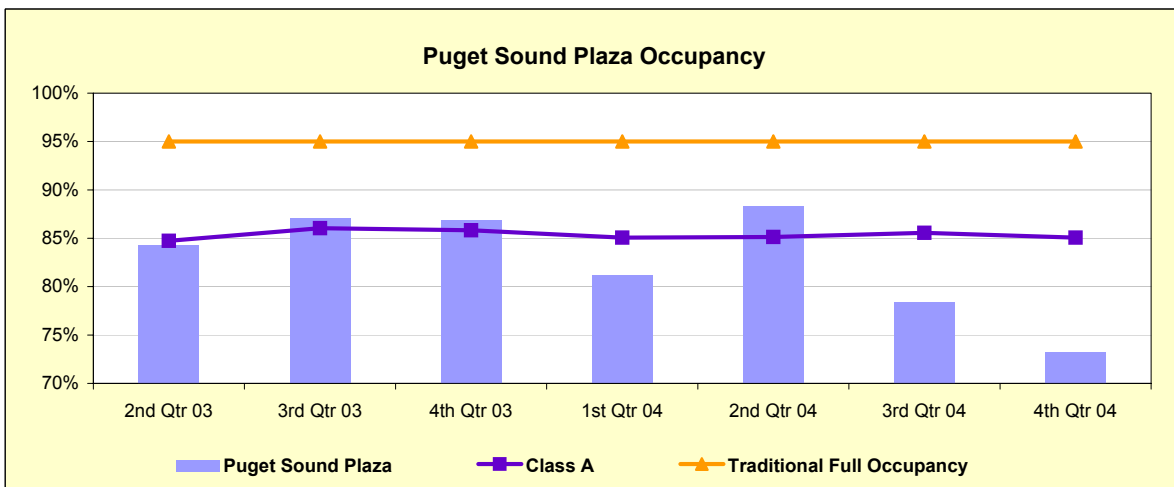
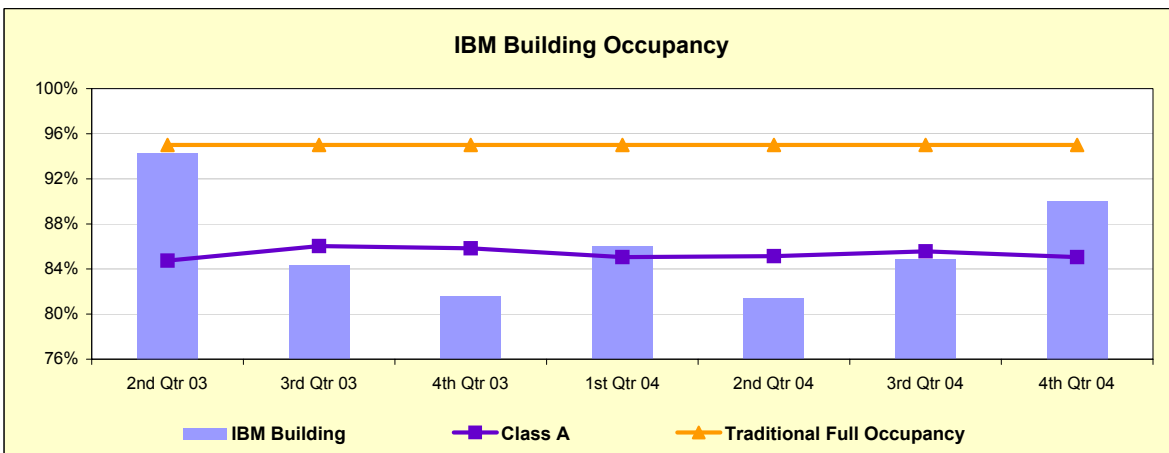
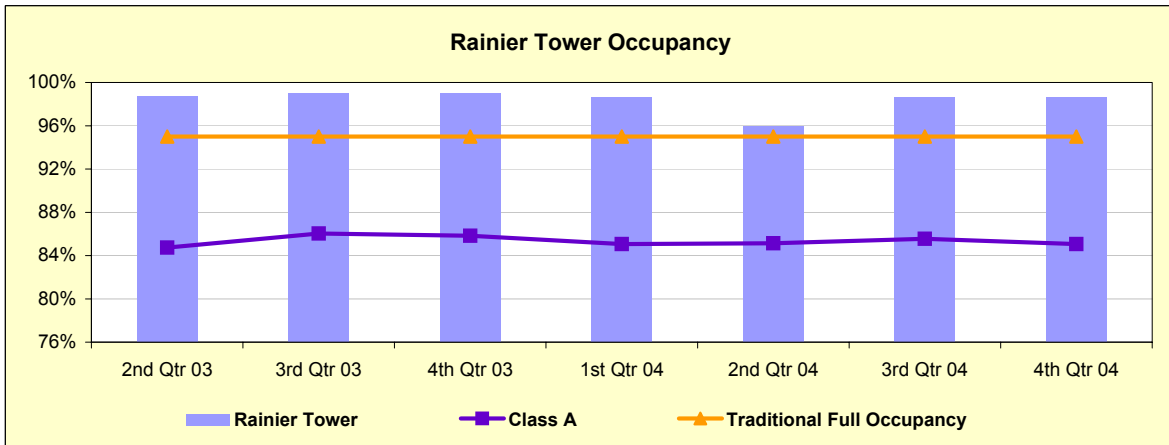
Proposed hotel projects are plentiful in downtown Seattle with five projects currently in the planning stages. This supply will impact the ultimate recovery of the local hotel market when the new hotels are delivered in 2007 and 2008.

**DOWNTOWN RESIDENTIAL**

A strong theme as we begin 2005 and for the foreseeable future will be the creation of more residential options in the downtown area. While Belltown, the waterfront and more outlying areas have seen a lot of focus in recent years, attention is shifting. All of the new luxury hotels to be built in the next couple of years have condominium components. Additionally, the city is planning on making some code changes, facilitating the development of more downtown residential options. This trend speaks well of the prospects for the conversion of the Cobb Building. Additionally, as more people gravitate toward living in the downtown core, that should further stimulate retail operations downtown.

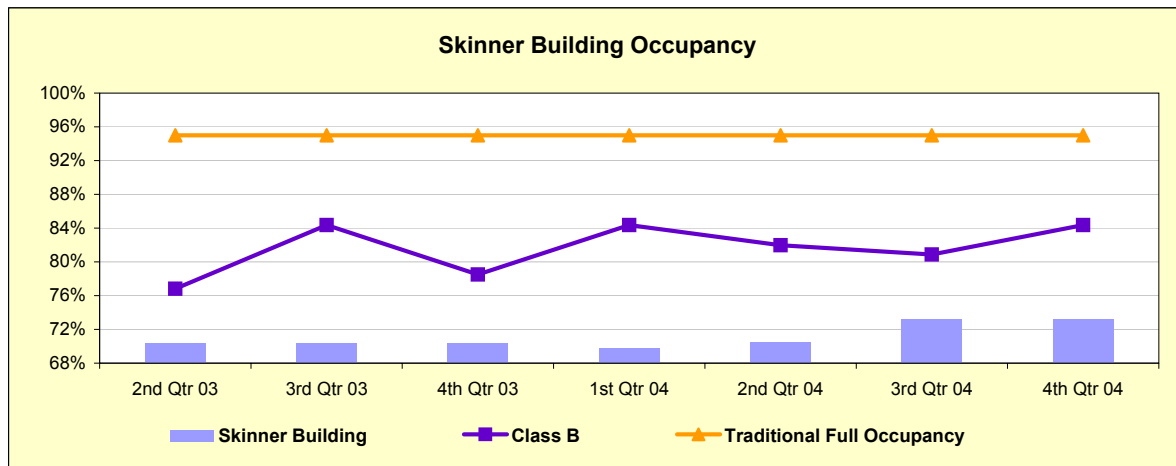
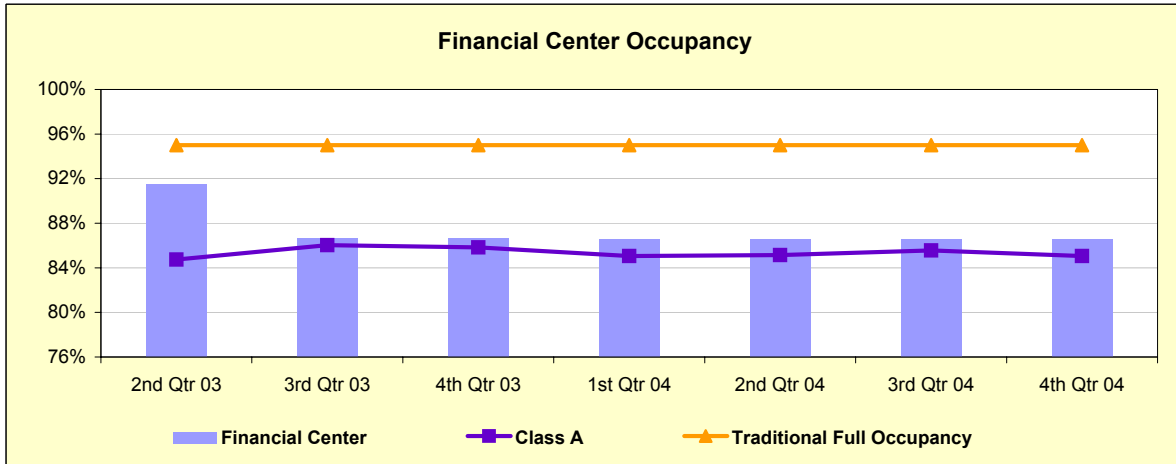
University of Washington Metropolitan Tract  
**OFFICE BUILDING OCCUPANCY COMPARISON CHARTS**  
 Last Six Quarters  
 Quarter Ending December 31, 2004

Includes Direct and Sublease Vacancy

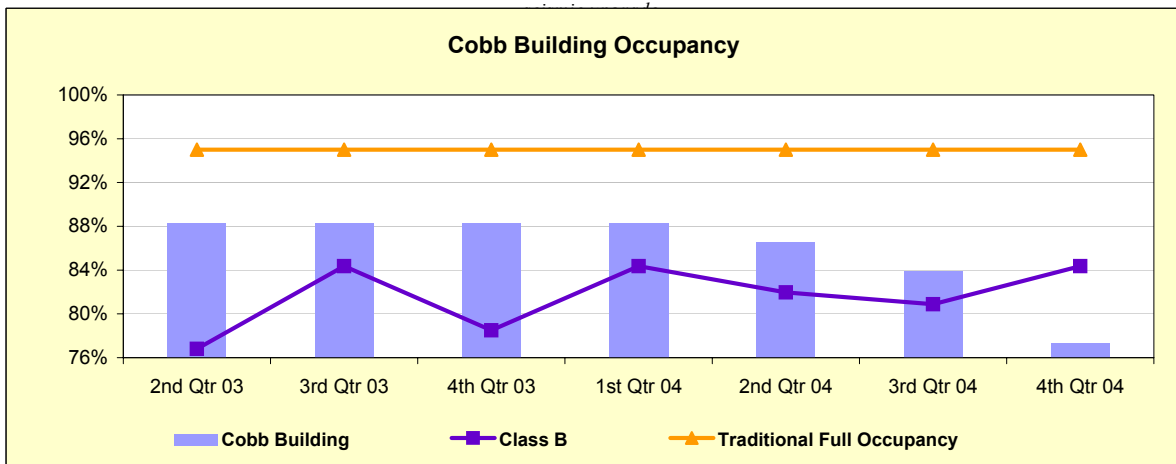


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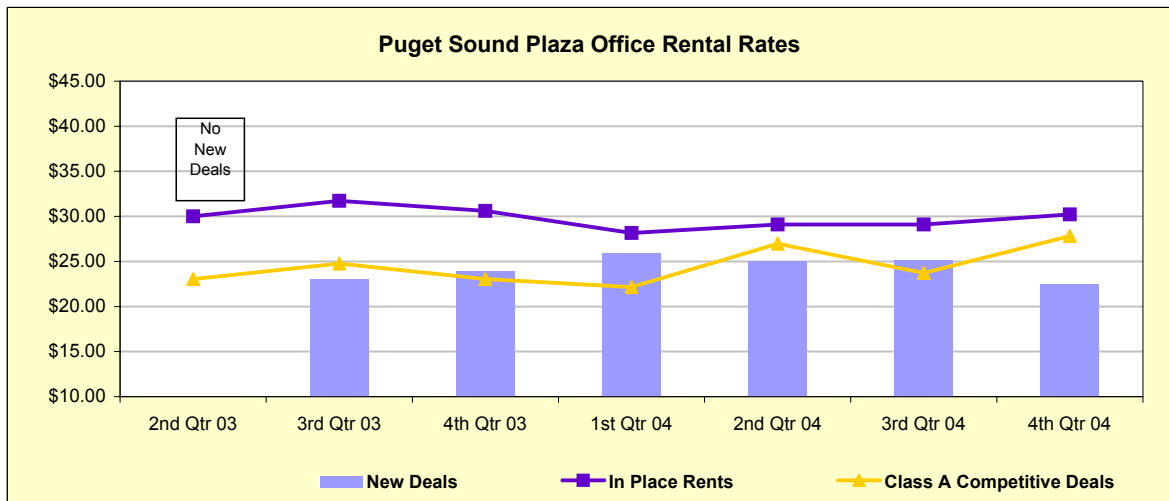
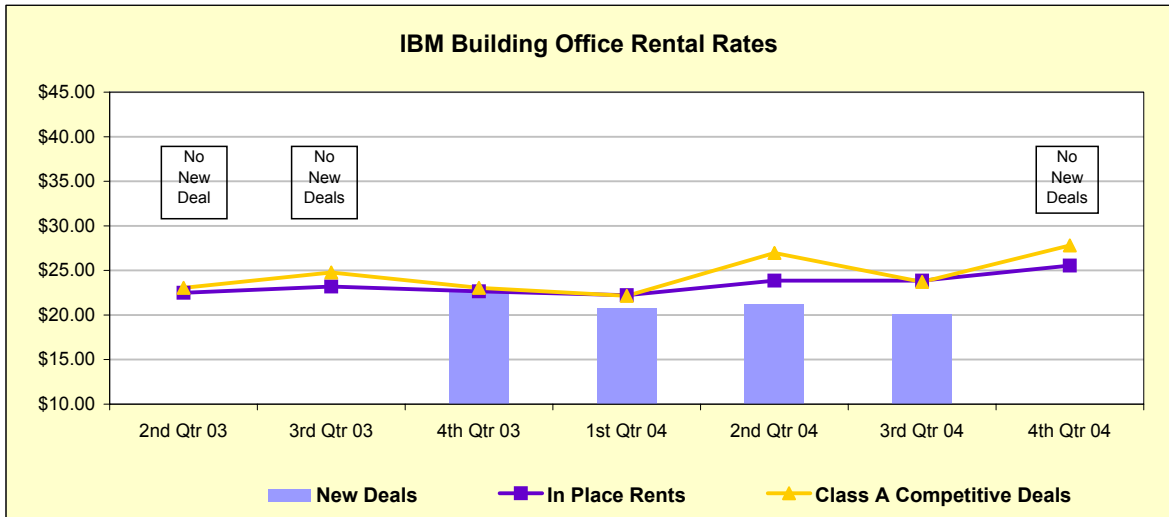
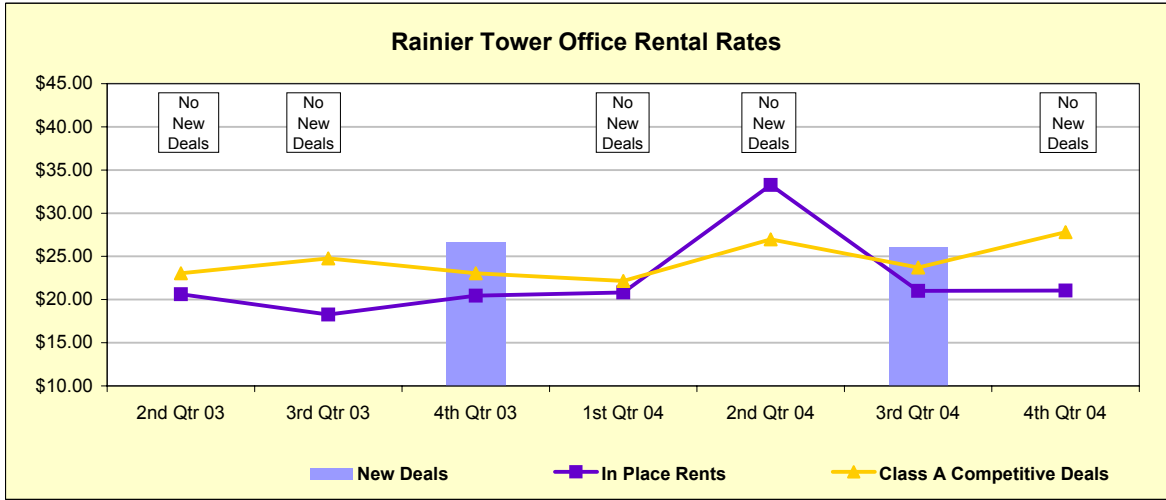
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\* Vacancy in the Skinner Building was created by loss of a single, full floor tenant coupled with a disruption due to current construction to complete the

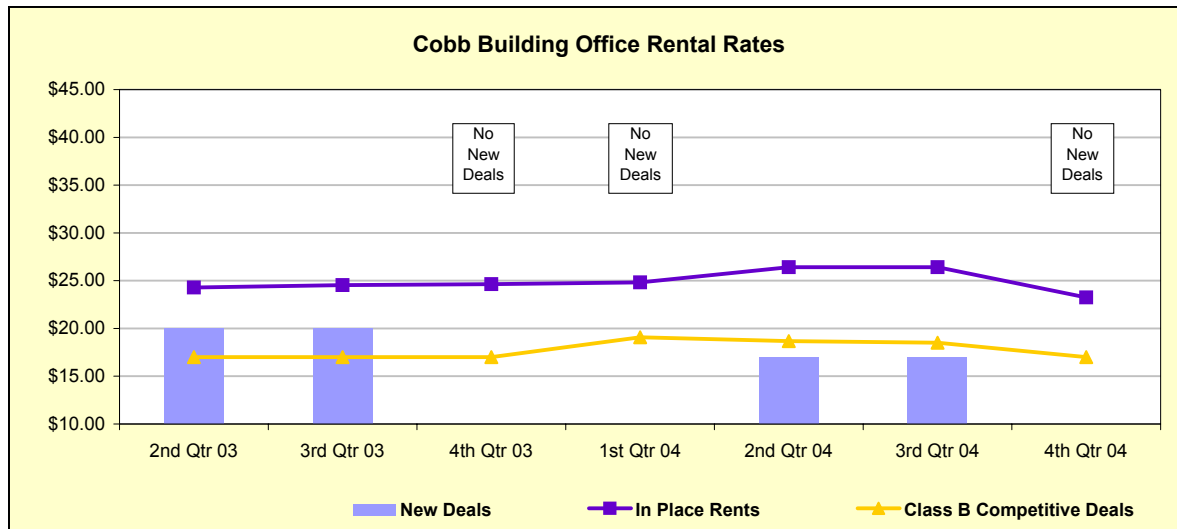
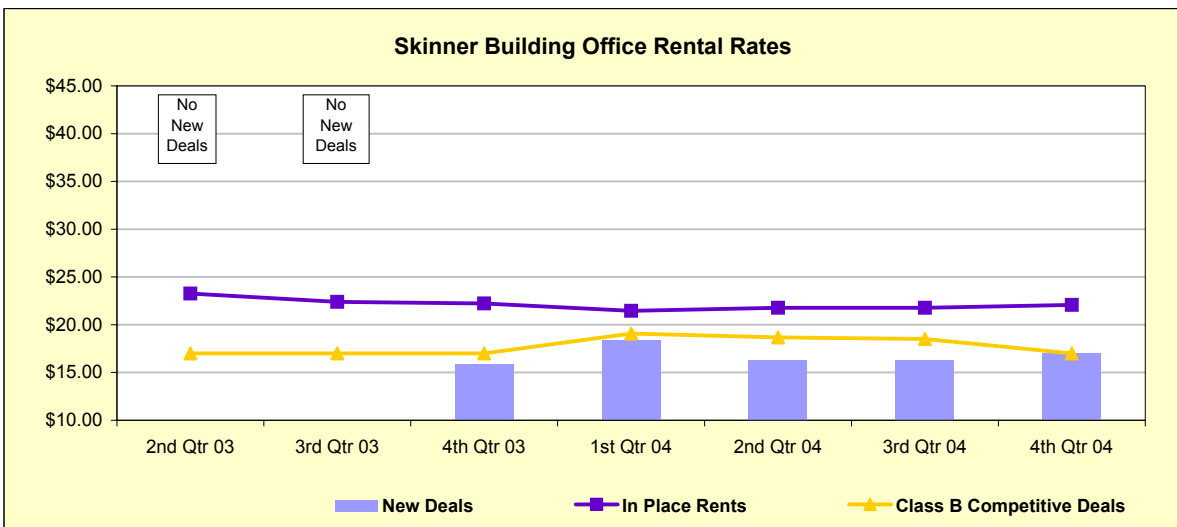
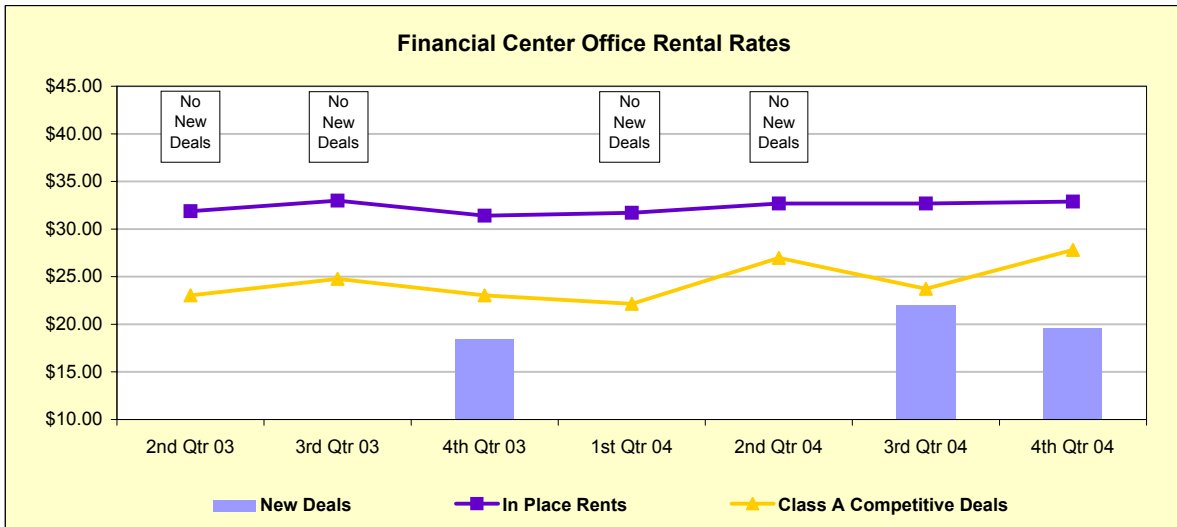


**OFFICE BUILDING RENTAL RATE COMPARISON**  
 Last Six Quarters  
 Quarter Ending December 31, 2004



**Note:** Due to a decline in leasing velocity in the last several quarters, the competitive deals included in the charts above are based heavily upon asking rents, which are higher compared to where lease deals are actually being done. The result is a gap between New Deals in the Metropolitan Tract and Competitive Deals in the market.

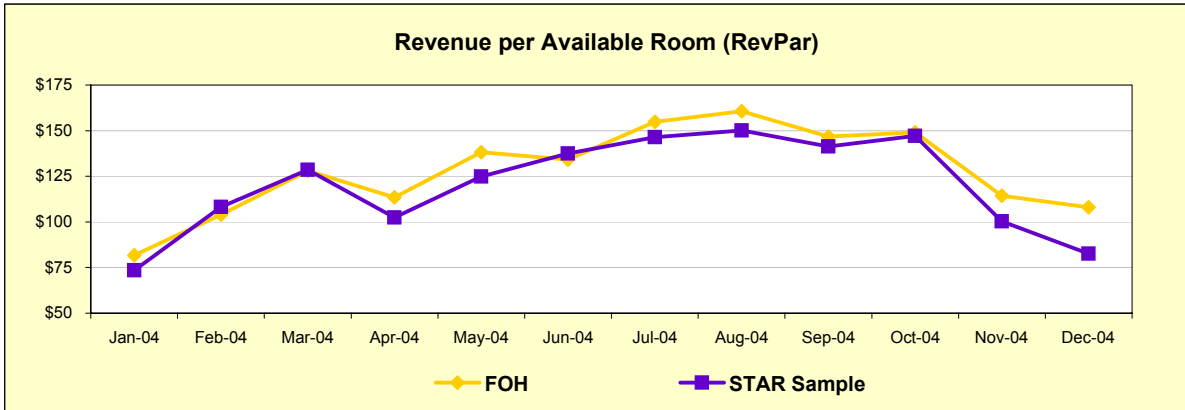
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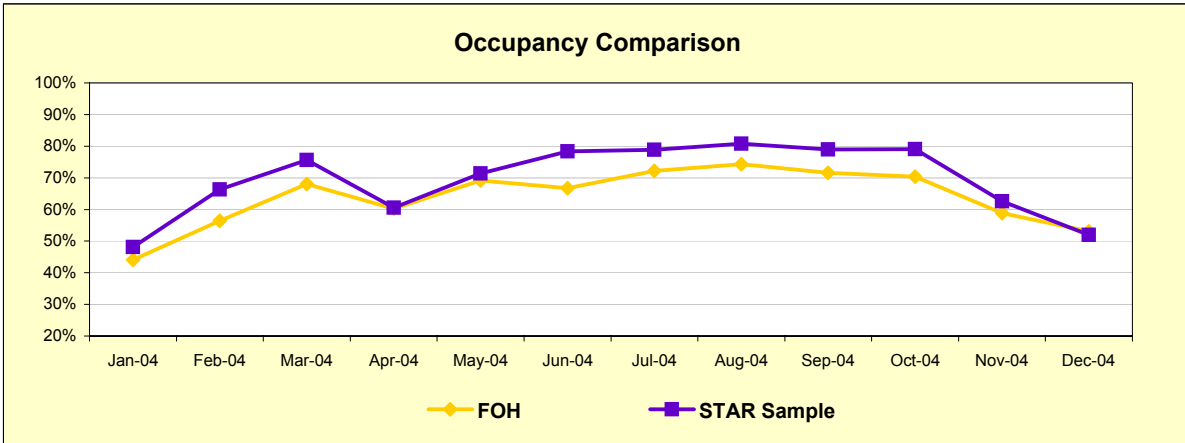


**FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS**  
**Twelve Months Ended December 31, 2004**



RevPar 12-months Average	Dec-04	Dec-03	Change from Prior Year \$
FOH	\$127.77	\$127.72	\$0.05
STAR Sample Avg <1>	\$120.23	\$115.53	\$4.70

RevPar Current Month Ended	Dec-04	Dec-03	Change from Prior Year %
FOH	\$108.08	\$107.06	\$1.02
STAR Sample Avg <1>	\$82.62	\$76.77	\$5.85

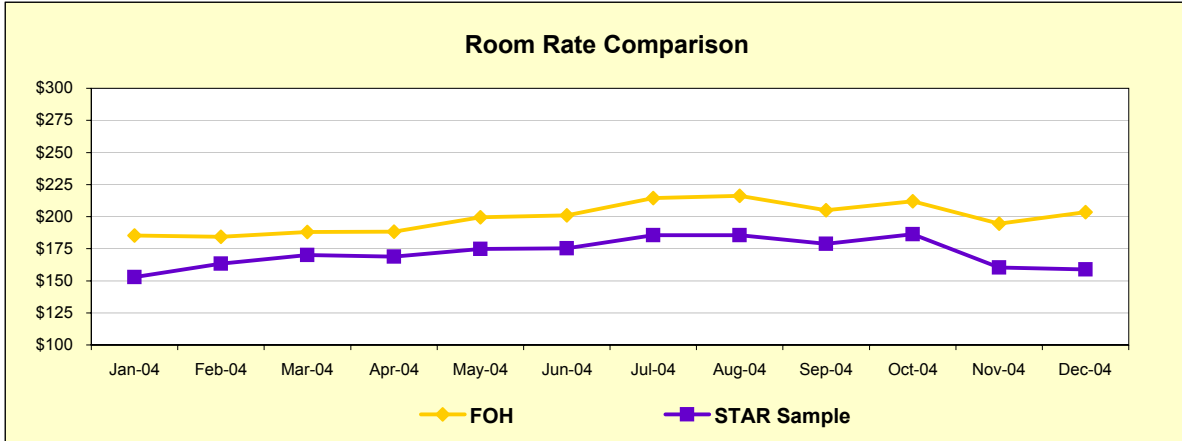


Occupancy 12-months Average	Dec-04	Dec-03	Change from Prior Year %
FOH	63.8%	62.2%	1.6%
STAR Sample Avg <1>	69.4%	68.5%	0.9%

Occupancy Current Month Ended	Dec-04	Dec-03	Change from Prior Year %
FOH	58.8%	54.7%	4.1%
STAR Sample Avg <1>	62.6%	49.8%	12.8%

<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, 2004**



Average Daily Rate 12-months Average	Dec-04	Dec-03	Change from Prior Year \$
FOH	\$199.36	\$204.68	(\$5.32)
STAR Sample Avg <1>	\$171.71	\$157.54	\$14.17

Average Daily Rate Month Ended	Dec-04	Dec-03	Change from Prior Year \$
FOH	\$203.61	\$195.88	\$7.73
STAR Sample Avg <1>	\$158.78	\$154.12	\$4.66

<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.