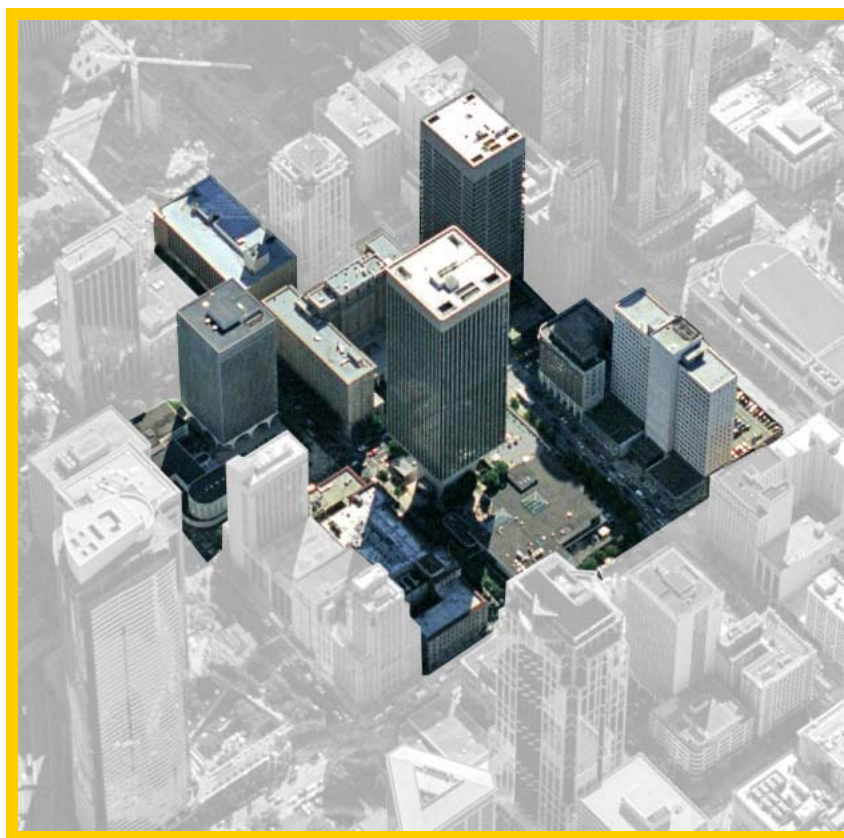


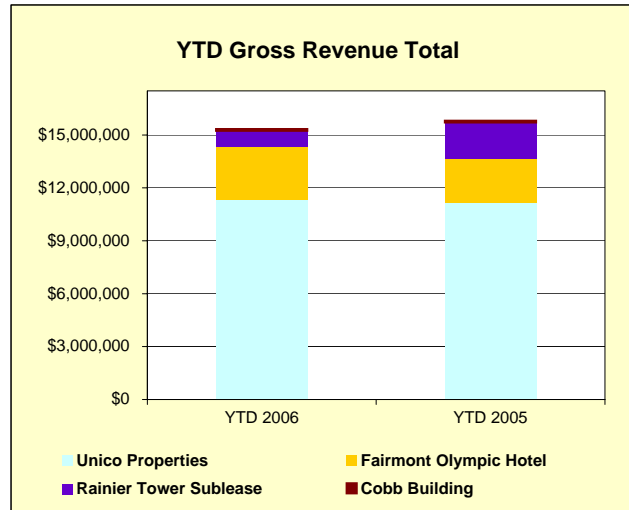
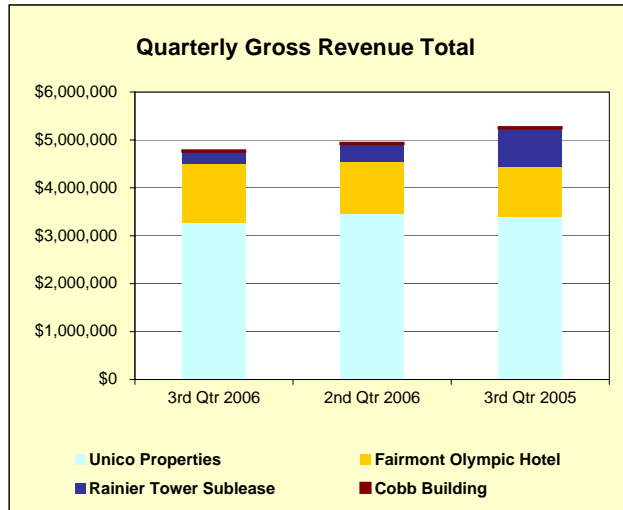
**METROPOLITAN TRACT**  
**PERFORMANCE REPORT**  
**For the Quarter Ended**  
**September 30, 2006**



**Finance, Audit & Facilities Committee**

November 16, 2006

University of Washington Metropolitan Tract  
**CONSOLIDATED METROPOLITAN TRACT PROPERTIES**  
**Quarterly Summary**  
**Quarter Ending September 30, 2006**



CURRENT QUARTER							
Gross Revenue to University	3rd Qtr 2006	Prior Qtr 2nd Qtr 2006	Prior Year 3rd Qtr 2005	Change from Prior Qtr		Change from Prior Year	
				\$	%	\$	%
Unico Properties	3,283,024	3,465,033	3,388,071	(182,008)	(5.3%)	(105,047)	(3.1%)
Rainier Tower Sublease	232,387	358,495	783,951	(126,108)	(35.2%)	(551,564)	(70.4%)
Fairmont Olympic Hotel	1,231,223	1,079,760	1,059,039	151,464	14.0%	172,184	16.3%
Cobb Building	38,500	38,500	38,500	0	0.0%	0	0.0%
<b>TOTAL GROSS REVENUE</b>	<b>\$4,746,635</b>	<b>\$4,903,288</b>	<b>\$5,231,061</b>	<b>(\$156,653)</b>	<b>(3.2%)</b>	<b>(\$484,427)</b>	<b>(9.3%)</b>

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2006	YTD 2005	Change from Prior YTD		Projected 2006	Actual 2005
			\$	%		
Unico Properties	11,299,378	11,156,709	142,669	1.3%	13,068,881	13,436,458
Rainier Tower Sublease	891,388	2,059,297	(1,167,908)	(56.7%)	(286,288)	2,345,964
Fairmont Olympic Hotel	3,034,409	2,480,754	553,654	22.3%	3,593,016	3,284,468
Cobb Building	115,500	115,500	0	0.0%	154,000	115,500
<b>TOTAL GROSS REVENUE</b>	<b>\$15,225,175</b>	<b>\$15,696,760</b>	<b>(\$471,585)</b>	<b>(3.0%)</b>	<b>\$16,375,609</b>	<b>\$19,182,390</b>

12/31/05 INTERNAL VALUATION	
	Gross Market Value
Unico Managed Properties <sup>1</sup>	396,100,000
Fairmont Olympic Hotel	160,000,000
Cobb Building <sup>2</sup>	6,700,000
<b>TOTAL</b>	<b>\$562,800,000</b>

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

<sup>2</sup> Represents stabilized value less cost to complete the project

## **CONSOLIDATED METROPOLITAN TRACT PROPERTIES**

### **Quarterly Summary**

**Quarter Ending September 30, 2006**

#### **CONSOLIDATED METROPOLITAN TRACT SUMMARY**

The Metropolitan Tract total revenue was \$4.75 million in the third quarter of 2006, down \$156,653 from the second quarter. Decreases at both Rainier Tower and the Unico properties trumped the strong performance of the Fairmont Olympic Hotel. The quarter's results were down more than 9% when compared with the third quarter of 2005, again with decreases in the office properties weighing on the results despite strength at the hotel.

On a year-to-date basis, however, the results are relatively flat compared to 2005, down less than a percent. Rainier Tower's struggles were largely offset in the aggregate results by moderate growth at the Unico properties and robust strength at the hotel.

#### **UNICO PROPERTIES**

In the third quarter, revenue from the Unico properties was down 5.3% over the preceding three months, totaling \$3.28 million for the quarter. This stemmed from both a nearly 5% decrease in Office revenue and a more than 6% decline in Retail. Against the prior year's second quarter, the Unico properties were down just over 3%. Year-to-date, they are actually up 1.3%. While office is relatively flat compared to the first three quarters of 2005, Retail has grown by 9%. There are several large blocks of space that are currently in transition, stemming in large part from the relocation of Washington Mutual Bank to its newly opened headquarters at 2nd and Union. Much of this space has been backfilled, most notably by the Washington State Bar Association which has leased nearly 55,000 square feet in Puget Sound Plaza. Leasing activity has been strong and, while we expect another flat quarter to finish out 2006, the new tenant rents in 2007 will positively impact the University's rent.

#### **RAINIER TOWER SUBLEASE**

As with the Unico properties, the Rainier Tower's income to the University was down 35% from the preceding quarter and is down 70% from the previous year's third quarter. Washington Mutual vacated two more floors (20 & 21), though a few new tenancies will help offset some of the declines. While the current results are depressed, the space is completely leased save one floor. A combination of Marsh, Mercer and several other tenants will completely backfill the space vacated by Washington Mutual. However, with the corresponding leasing costs and lack of rent until the tenants occupy, we can expect this trend to continue through 2007. Since 1995, the Rainier Tower Sublease has generated almost \$15 million of net revenue.

#### **FAIRMONT OLYMPIC HOTEL**

The big bright spot in 2006 continues to be the Fairmont Olympic Hotel. It generated revenue to the University of \$1.23 million in the third quarter. This is a 14% gain, albeit expected with the banner year that the hotel market has experienced, over the preceding quarter. More significantly, it is an increase of more than 16% over last summer quarter. With three months left in 2006, the hotel has generated year-to-date revenue of 22.3% more than the first nine months of 2005. The results are buoyed by both the general market trends that are continuing to increase performance as well as by the ongoing long term tenancy of a guest that has booked 40 rooms and the Presidential Suite.

#### **INTERNAL VALUATION**

The numbers presented represent the overall value of the real estate as estimated by Heitman and Urbis Partners as of 12/31/05, but do not account for the leasehold encumbrances.

## **MARKET UPDATE**

### **OFFICE MARKET**

Washington Mutual Center has been open for a few months now and as Washington Mutual consolidates into the new 890,000 square foot tower it seems to have had an impact on office vacancy downtown. After steadily declining for months, this quarter saw a slight increase in vacancy in the Central Business District. Occupancy dropped under 90% by the end of the third quarter. This should be a temporary dip as the bank finishes its reshuffling. The consensus outlook for the office market, and the area employment, in general is positive and that job growth will continue to result in absorption of office space for the foreseeable future.

### **HOTEL MARKET**

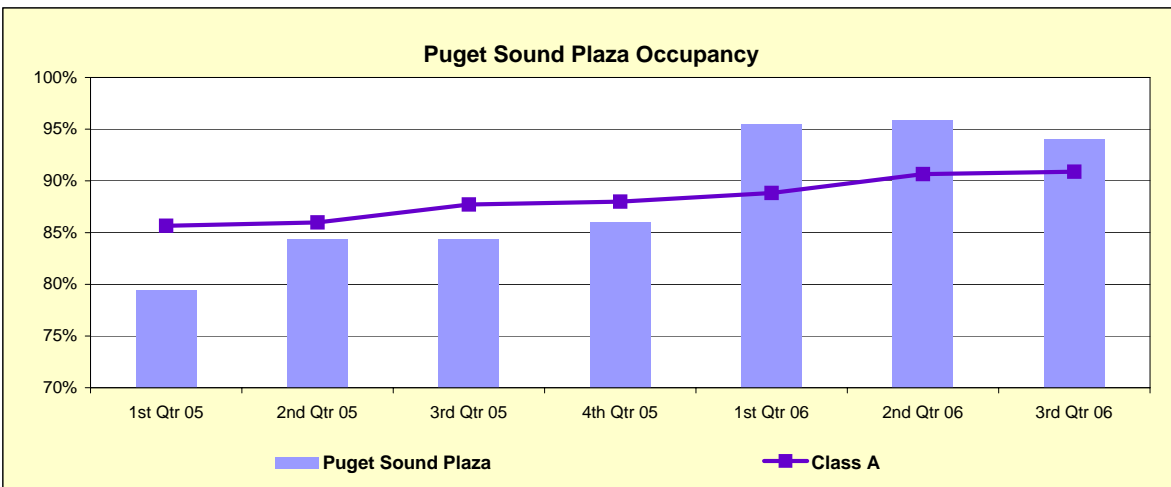
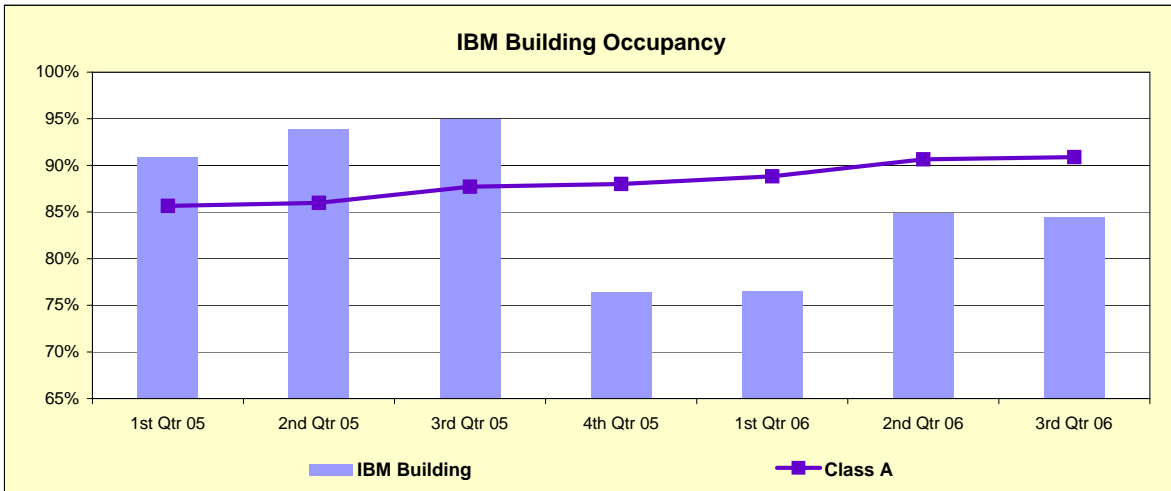
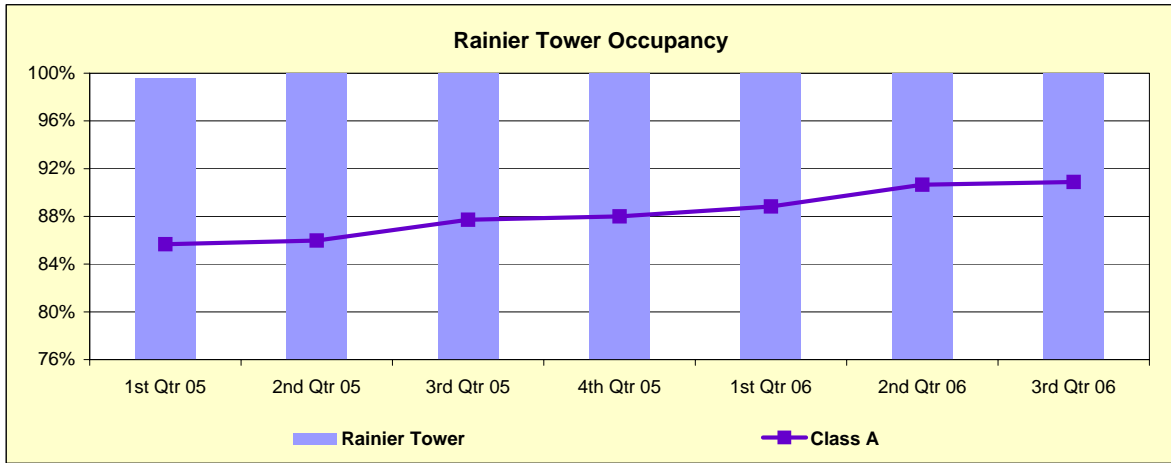
After quite a few quiet months, a number of new hotel projects have been announced. Most of them are also at the high end as that category has been enjoying great success of late. Already Hotel 1000 has opened and the Pan Pacific is scheduled to open in November. Next year the Four Seasons, RC Hedreen's new Hyatt development at 8th and Olive and the new Sheraton Tower should be completed. As mentioned in the September report, four new hotels have been announced in the past month. Hyatt Place will be in the Denny Regrade area, Hilton Garden near the Seattle Center, a new Starwood-branded hotel, simply called "1," will be going into the former surface parking lot at 2nd and Pine and a new Hyatt will be built on Olive. The general consensus is that with current conditions, the market will absorb all the new rooms and it may even strengthen the economics of all the competitive hotels. The expansion of the inventory makes Seattle a more appealing destination for large conferences, a synergy that benefits many.

**OFFICE BUILDING OCCUPANCY COMPARISON CHARTS**

Last Seven Quarters

Quarter Ending September 30, 2006

Includes Direct and Sublease Vacancy

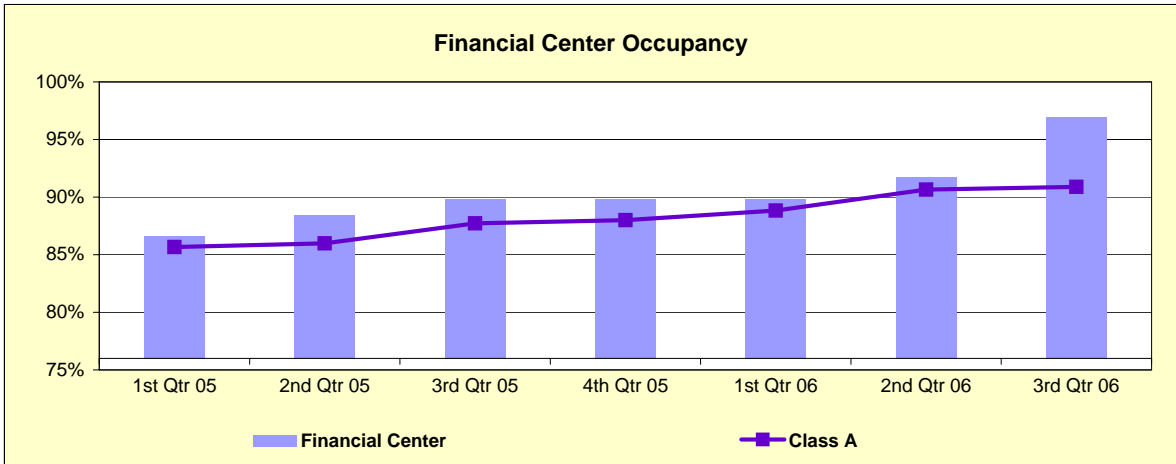


**OFFICE BUILDING OCCUPANCY COMPARISON CHARTS**

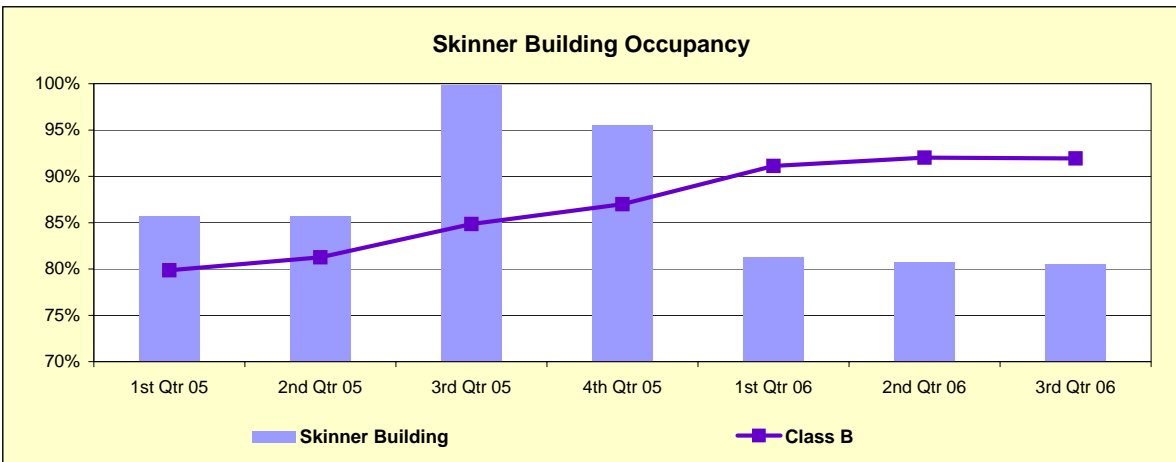
Last Seven Quarters

Quarter Ending September 30, 2006

Includes Direct and Sublease Vacancy



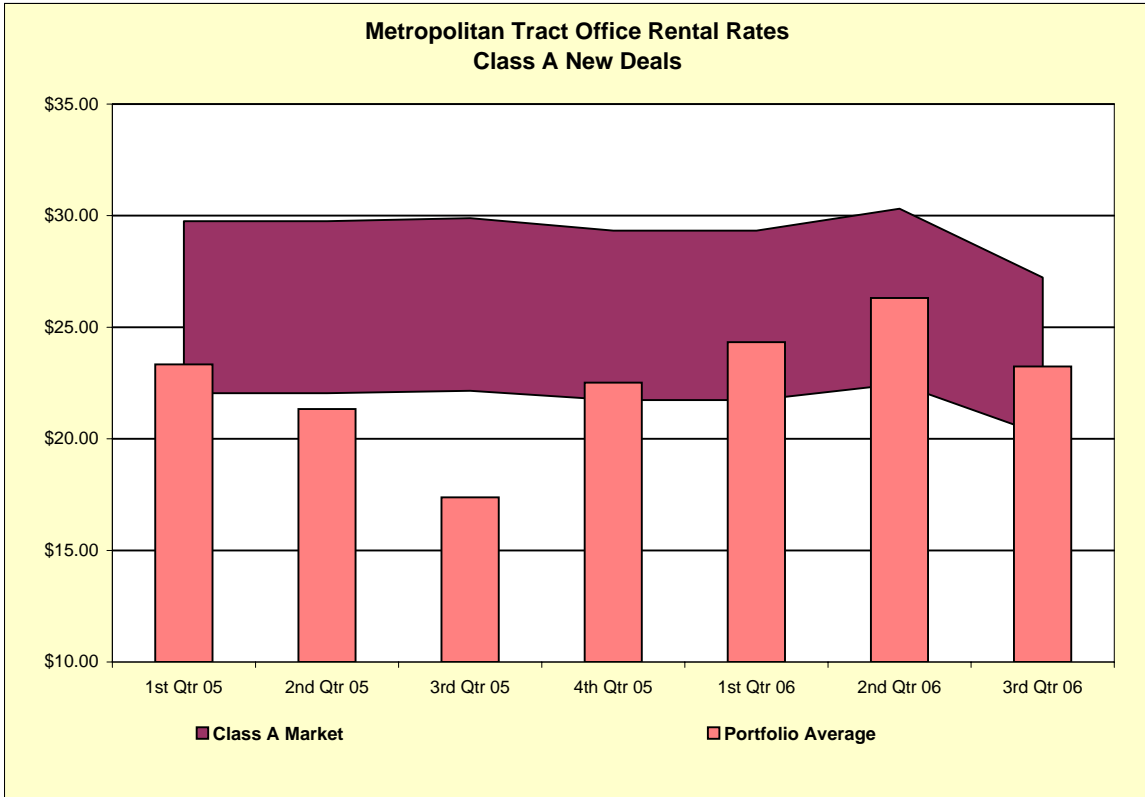
The Financial Center will experience significant vacancy at the end of 2007 with the relocation of Marsh to Rainier Tower.



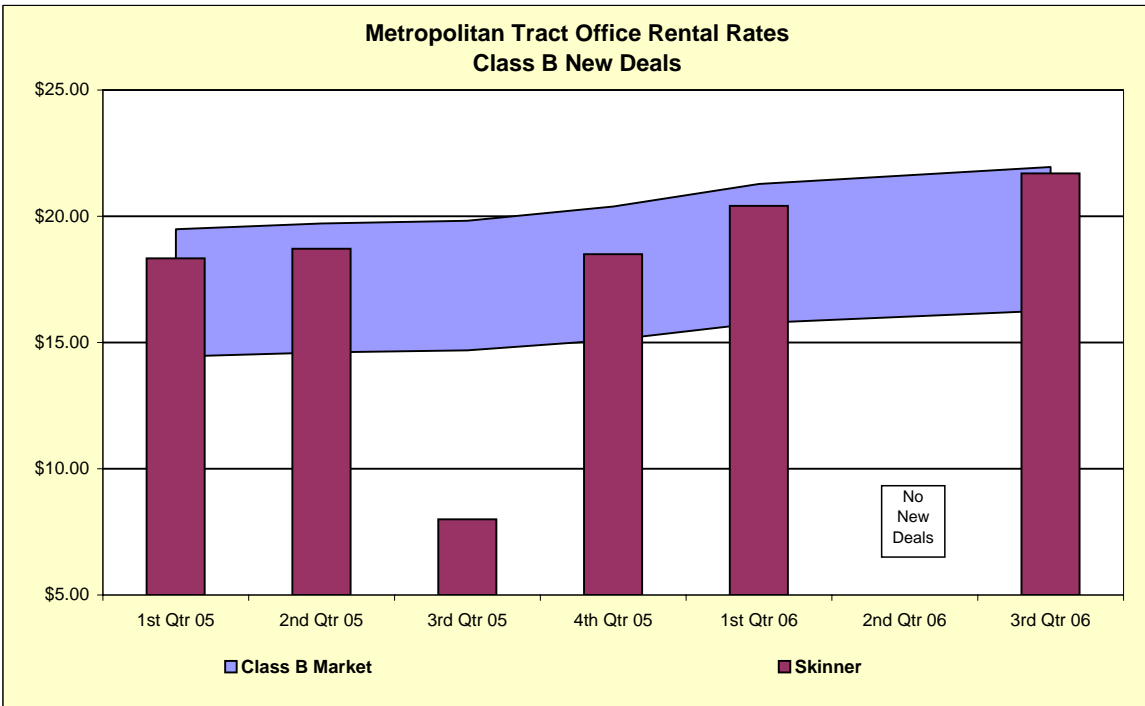
**OFFICE BUILDING RENTAL RATE COMPARISON**

Last Seven Quarters

Quarter Ending September 30, 2006

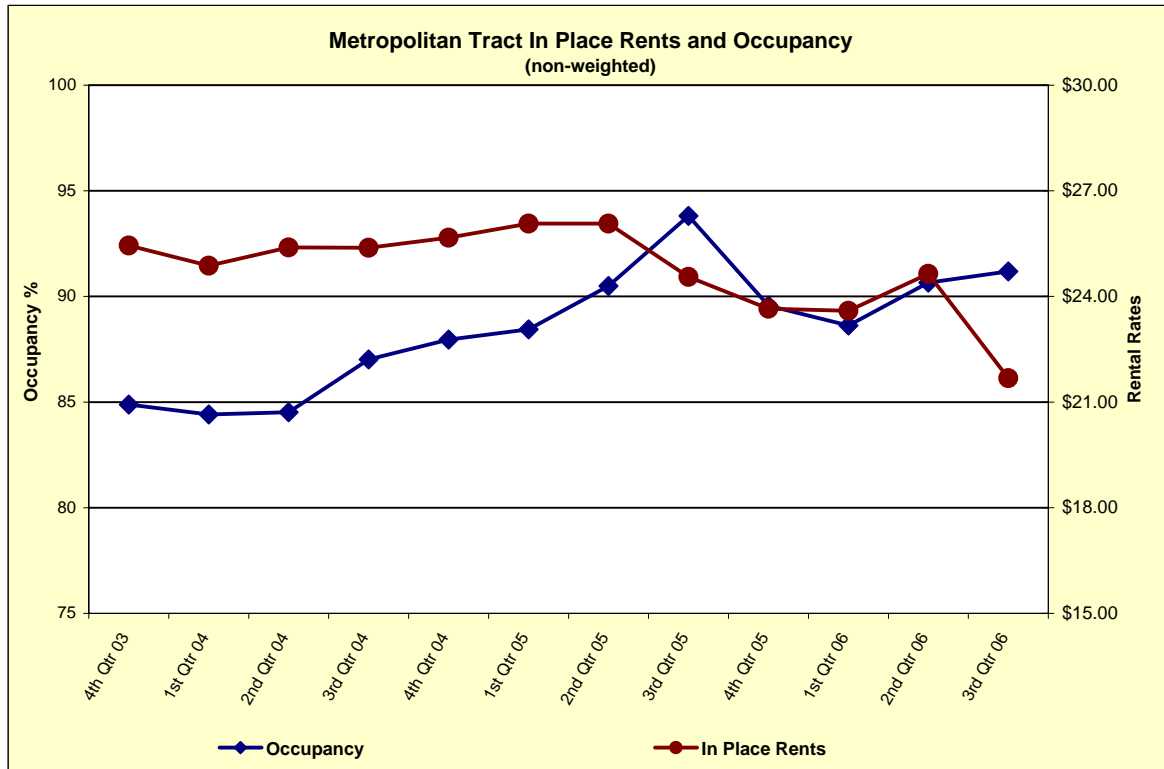


\*In the 3rd Quarter of 2005, a tenant of 5,409 sf for \$12.00/sf leased some undesirable space in the Financial Center on an "as is" basis.



\*In the 3rd Quarter of 2005, 5th Avenue Theatre leased space in the lower level of the Skinner Building.

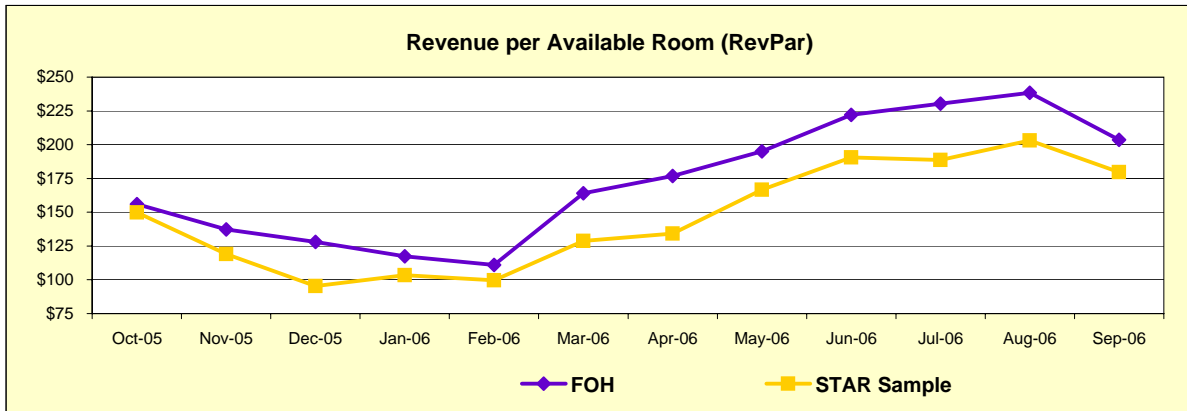
University of Washington Metropolitan Tract  
**OFFICE BUILDING RENTAL RATE COMPARISON**  
 Last 3 Years  
 Quarter Ending September 30, 2006



The in-place rents and occupancy for the 3rd quarter were significantly impacted by the vacation of Washington Mutual and does not reflect leases signed but not yet commenced. These categories will rebound in subsequent quarters.

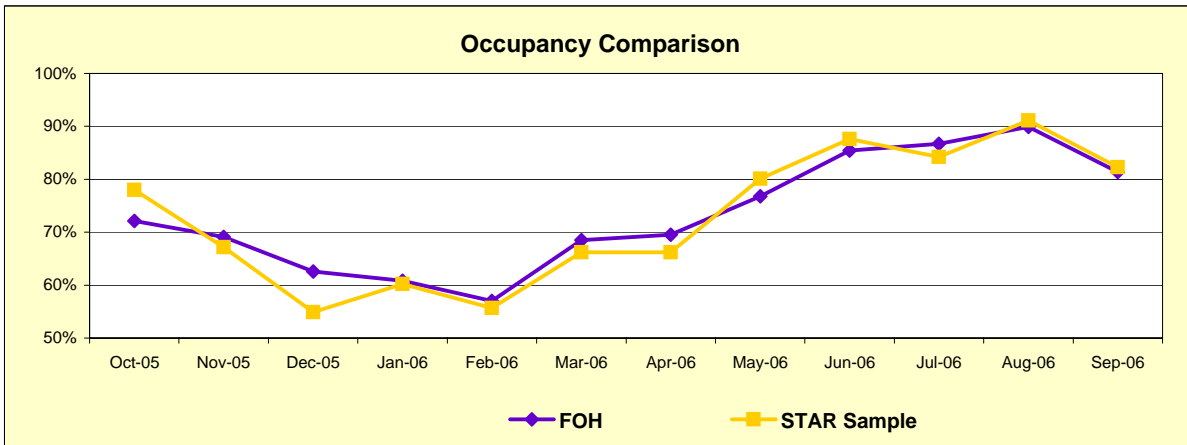


**FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS**  
**Twelve Months Ended March 31, 2006**



RevPar 12-months Average	Sep-06	Sep-05	Change from Prior Year \$
FOH	\$173.35	\$143.49	\$29.86
STAR Sample Avg <1>	\$146.59	\$130.17	\$16.42

RevPar Current Month Ended	Sep-06	Sep-05	Change from Prior Year %
FOH	\$203.52	\$187.30	\$16.22
STAR Sample Avg <1>	\$179.77	\$171.85	\$7.92

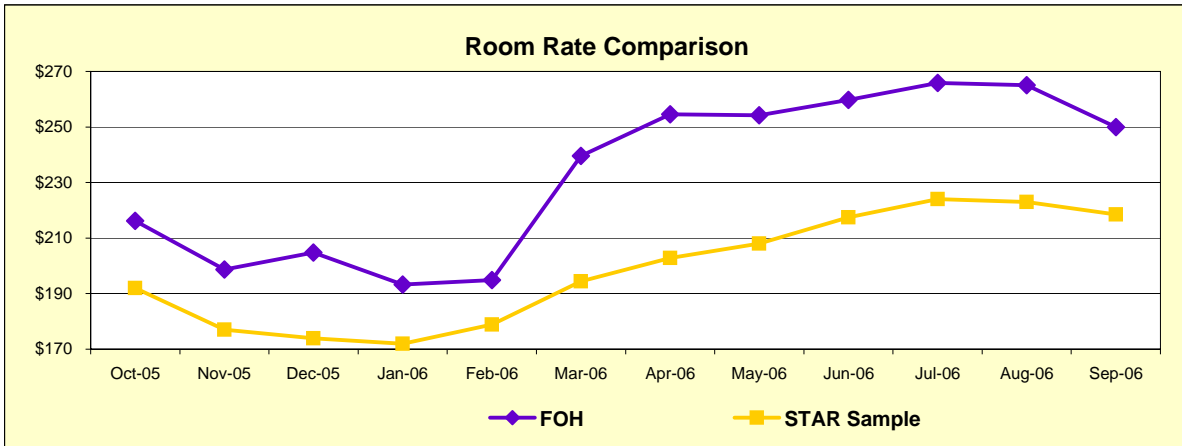


Occupancy 12-months Average	Sep-06	Sep-05	Change from Prior Year %
FOH	73.3%	67.9%	5.4%
STAR Sample Avg <1>	72.8%	72.5%	0.4%

Occupancy Current Month Ended	Sep-06	Sep-05	Change from Prior Year %
FOH	81.4%	83.8%	(2.4%)
STAR Sample Avg <1>	82.3%	87.3%	(5.0%)

<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 March 31, 2006**



Average Daily Rate 12-months Average	Sep-06	Sep-05	Change from Prior Year \$
FOH	\$233.08	\$208.06	\$25.02
STAR Sample Avg <1>	\$198.51	\$176.93	\$21.58

Average Daily Rate Month Ended	Sep-06	Sep-05	Change from Prior Year \$
FOH	\$249.99	\$223.47	\$26.52
STAR Sample Avg <1>	\$218.50	\$196.85	\$21.65

<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.