

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Metropolitan Tract Performance Report for the Quarter Ended
September 30, 2008

METROPOLITAN TRACT
PERFORMANCE REPORT
For the Quarter Ended
September 30, 2008

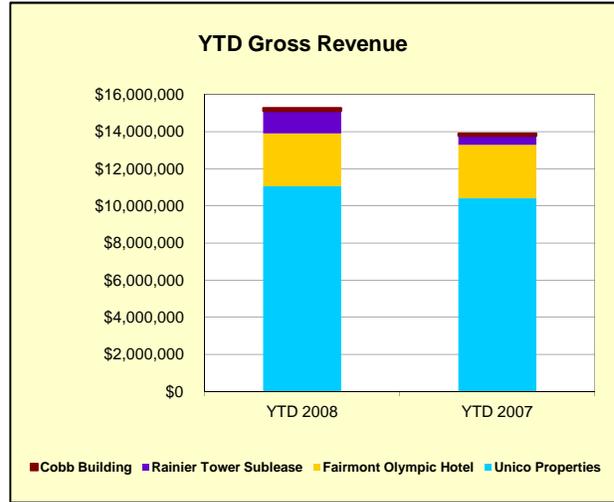
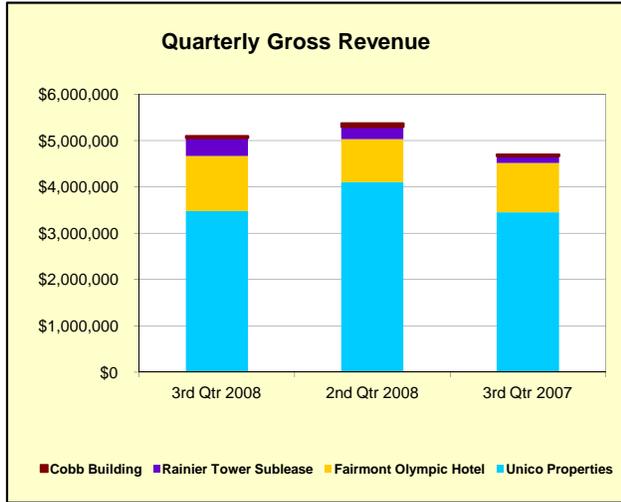


Finance, Audit & Facilities Committee

November 20, 2008

University of Washington Metropolitan Tract

CONSOLIDATED METROPOLITAN TRACT PROPERTIES
Quarterly Summary
Quarter Ending September 30, 2008



CURRENT QUARTER							
Gross Revenue to University	3rd Qtr 2008	Prior Qtr	Prior Year	Change from Prior Qtr		Change from Prior Year	
		2nd Qtr 2008	3rd Qtr 2007	\$	%	\$	%
Unico Properties	3,479,187	4,108,655	3,452,245	(629,468)	(15.3%)	26,942	0.8%
Rainier Tower Sublease	389,006	266,874	147,347	122,132	45.8%	241,659	164.0%
Fairmont Olympic Hotel	1,192,744	921,853	1,068,036	270,892	29.4%	124,708	11.7%
Cobb Building	38,500	77,000	38,500	(38,500)	(50.0%)	0	0.0%
TOTAL GROSS REVENUE	\$5,099,437	\$5,374,382	\$4,706,128	(\$274,944)	(5.1%)	\$393,310	8.4%

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2008	YTD 2007	Change from Prior YTD		Projected 2008	Actual 2007
			\$	%		
Unico Properties	11,054,629	10,404,136	650,493	6.3%	15,481,600	13,950,835
Rainier Tower Sublease	1,210,762	502,454	708,309	141.0%	1,301,877	669,976
Fairmont Olympic Hotel	2,845,187	2,869,660	(24,473)	(0.9%)	3,730,825	3,723,059
Cobb Building	154,000	115,500	38,500	33.3%	154,000	154,000
TOTAL GROSS REVENUE	\$15,264,579	\$13,891,750	\$1,372,829	9.9%	\$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 September 30, 2008

CONSOLIDATED METROPOLITAN TRACT SUMMARY

The Metropolitan Tract generated \$5M of rent revenue for the University during the third quarter of 2008. When compared to the previously quarter, this is a decline of 5.1% caused by some one time adjustments in a couple of Unico's tenant leases in the second quarter and two new vacancies resulting from lease expirations during the third quarter.

UNICO PROPERTIES

The third quarter's gross revenue from the Unico Properties was down 15.3% from the second quarter of 2008, generating just under \$3.5M. Office and Retail both saw a decline in revenue. Parking showed no change from second quarter due to it being a fixed revenue amount. This quarter to quarter decline is caused by the payment of rent due retroactive from November of 2007 for the Rainier Tower land valuation increase related to the Commerce House lease (Rainier Tower Sublease) in the second quarter. Compared to the year-ago quarter, we see growth of 0.8%, with all contributors except Retail increasing revenue. This combined with the UW School of Medicine vacating its space in Puget Sound Plaza and several other lease adjustments contributed to the decline of the quarter-to-quarter results. However, year-to-date rent results from Unico are 6.3% ahead of 2007.

RAINIER TOWER SUBLEASE

The Rainier Tower Sublease generated \$389,006 in operating cash flow during the third quarter. The overall upswing is due to the commencement of the Marsh and Mercer leases, placing the Sublease at 89.1% occupied. On the other hand, while the operating cash flow is trending more positive, the University has invested approximately \$4 million in tenant improvements for the same deal. In addition, the underlying Sublease rent was also adjusted 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 third quarter of 2008 saw an increase over both second quarter and the revenue seen in 2007. The third quarter yield of \$1,192,744 is an increase of 29.4% from second quarter due to a successful summer vacation season. Compared to a year ago, the hotel's revenues for the third quarter showed healthy growth, posting an 11.7% increase. Several general factors contributed to the increase, notably a rise in bookings, increased rental rates and several local conventions bringing in more participants with longer stays. Food & Beverage revenue also saw considerable growth thanks to a one-time national conference booking which brought in \$203,000 of hotel revenue.

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.

MARKET UPDATE

OFFICE MARKET

The Seattle market is finally showing the effects of the weakening national economy. The vacancy rate has climbed to 14% as of the end of the third quarter of 2008. With companies such as WaMu, Starbucks and Safeco, once pillars of the downtown office market, downsizing and over 2 million sf of new projects currently under construction, we can expect the vacancy rate in the CBD to continue to grow over the next 12 to 18 months. As of third quarter, the rental rates have held fairly steady although concessions such as free rent and increased tenant improvement allowances are on the rise. However, Microsoft continues to expand in Seattle with an announcement expected shortly that they have leased the entire 2201 Westlake project of about 300,000 sf from Vulcan and Sharebuilder is rumored to be negotiating to lease 140,000 sf from Starbucks at 83 King Street. Until the economy rights itself and the capital markets become active again, we can expect 2009 to be an uneventful leasing year downtown. Fortunately, the Metropolitan Tract properties are relatively well leased and are without significant lease rollover in 2009. The focus will be on tenant retention.

HOTEL MARKET

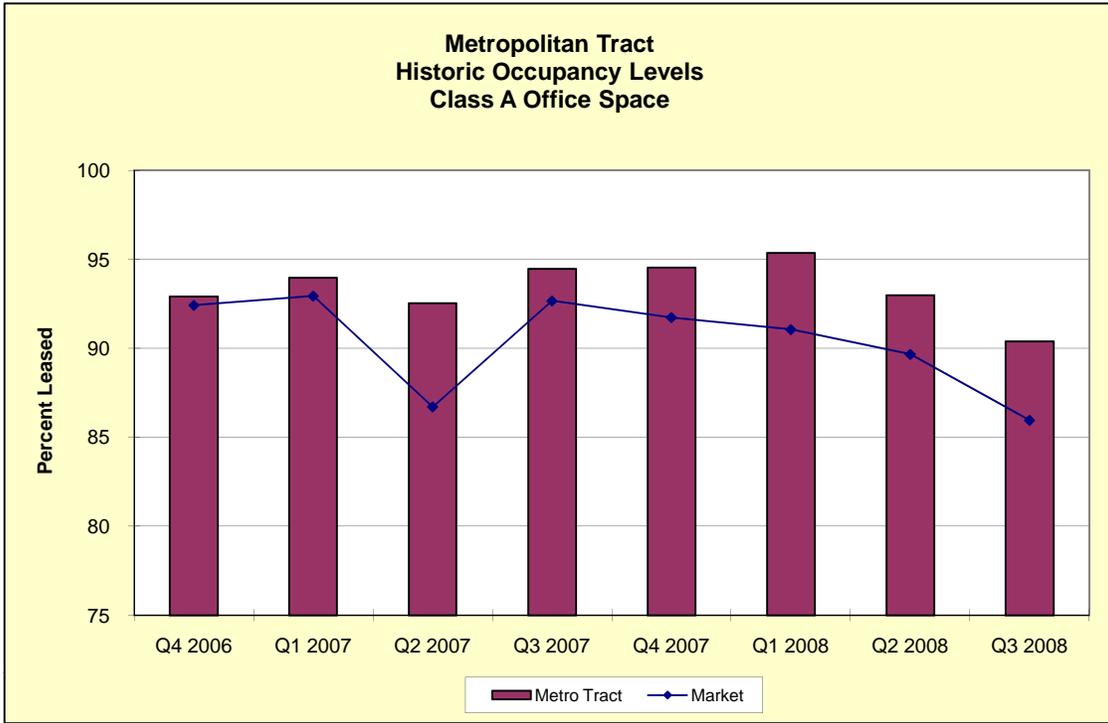
Hotel development is quickly grinding to a halt, with most pre-planned projects on hold for one reason or another. Despite this, The Four Seasons has finished major construction and is accepting reservations beginning November 10th. 1Hotel and Multi Capital Group's multi-use two-tower complex at 5th Avenue and Virginia/Stewart are on hold, and there have been very few announcements of new hotel projects being considered. Along with the decline in patronage, there has also been a scaling back affect on the sales and purchase side of the hotel industry. Most recently, the Seattle firm Columbia Pacific dropped their acquisition offer to buy the remaining shares of the Red Lion hotel chain (they currently hold a 12.7% interest in the company). Sellers are continuing to ask for top dollar in sales prices, but buyers are finding it hard to gain funding. Due to the credit crunch across the financial market many hotel owners are choosing to hold on to their investments and wait out the decline.

With Westmont's debt on the Fairmont Olympic set to expire in 2009, the lack of capital in the market could make the re-finance difficult.

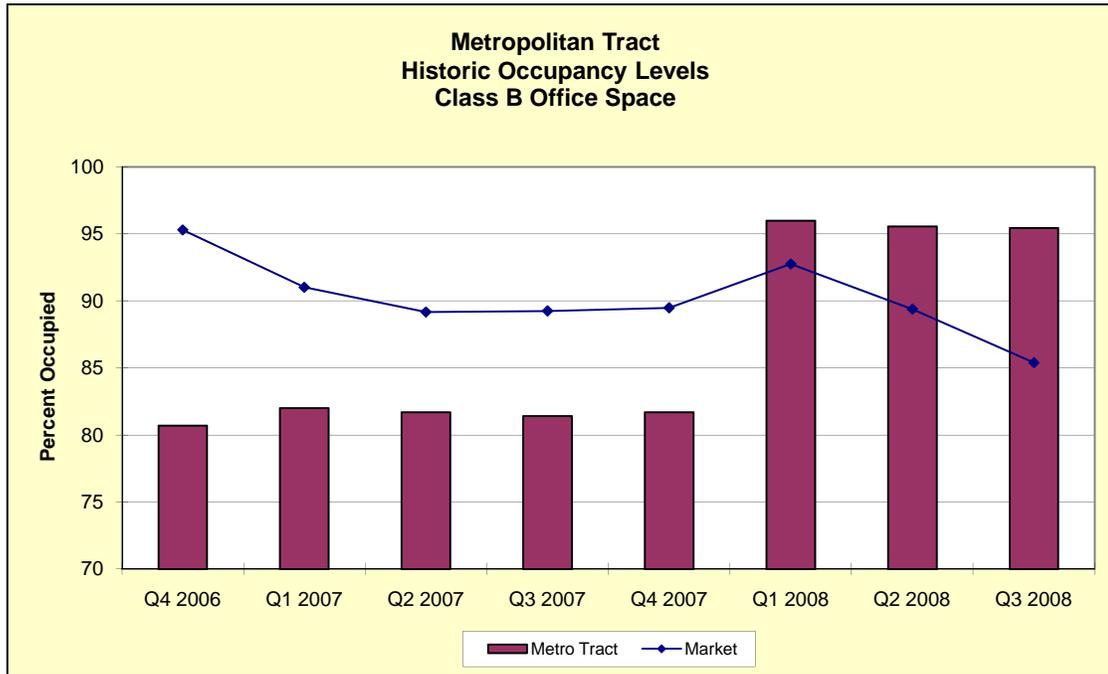
OFFICE BUILDING OCCUPANCY COMPARISON CHARTS

Last Eight Quarters

Quarter Ending September 30, 2008

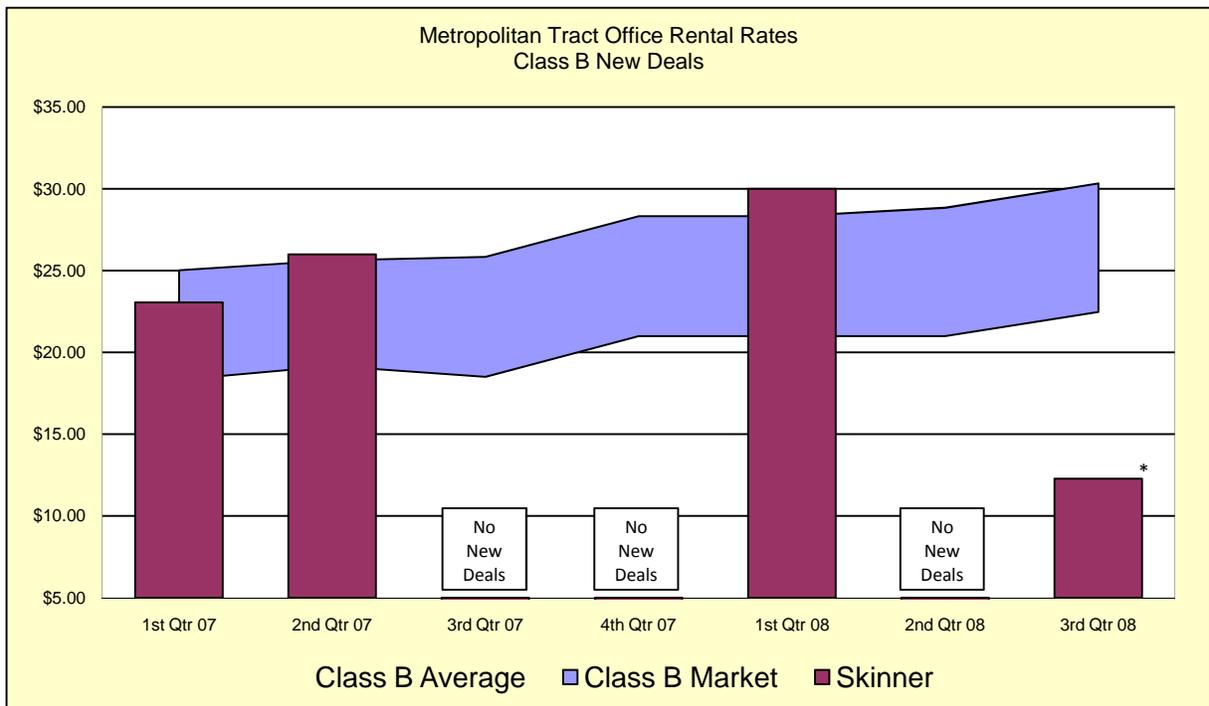
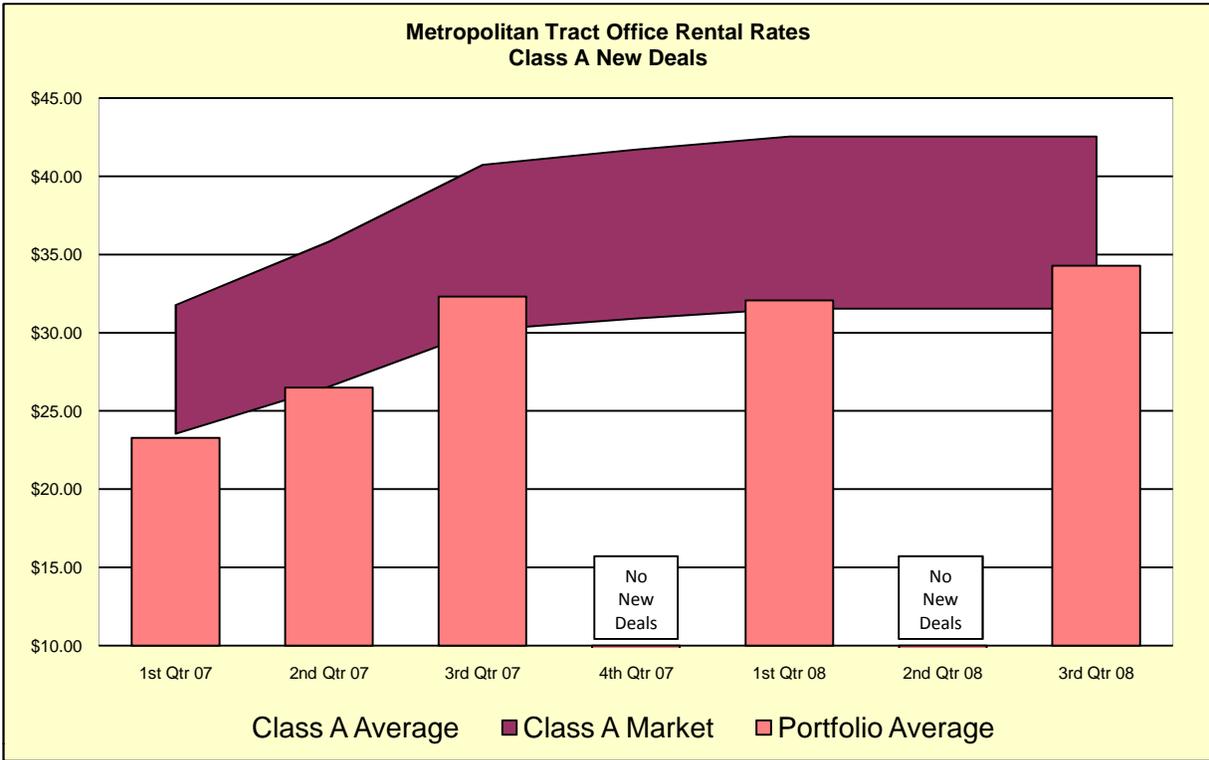


Includes Rainier Tower, Puget Sound Plaza, IBM Building and Financial Center



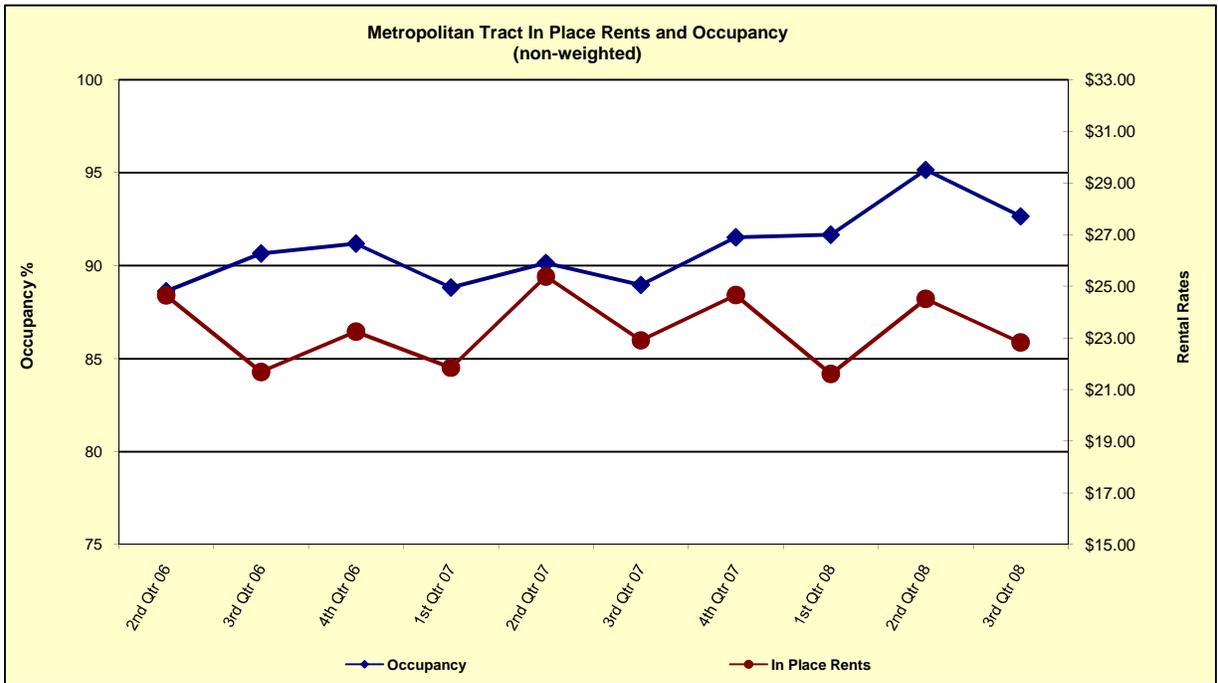
Includes Skinner Building

OFFICE BUILDING RENTAL RATE COMPARISON
 Last Seven Quarters
 Quarter Ending September 30, 2008

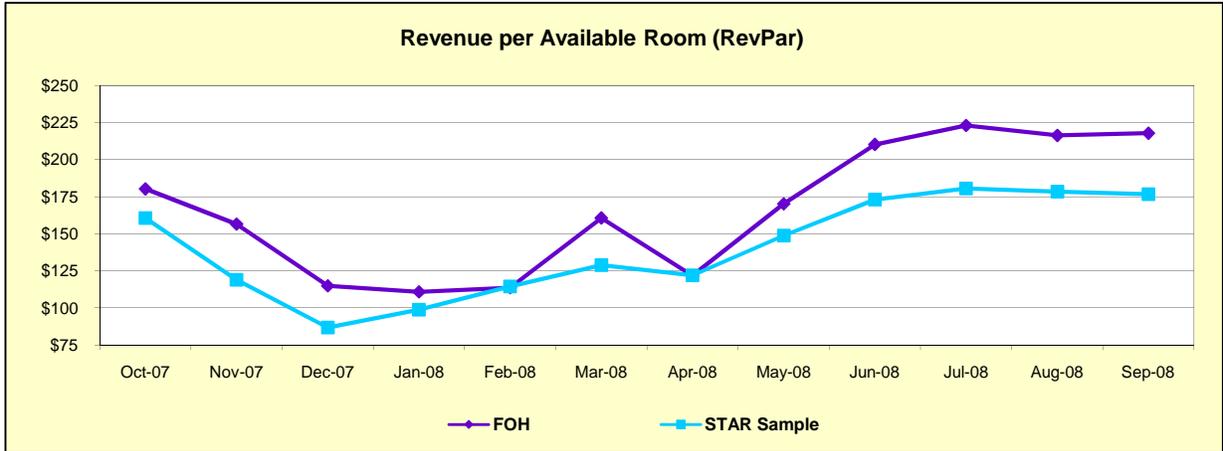


* Completed deal for basement portion of 5th Avenue Theater

University of Washington Metropolitan Tract
OFFICE BUILDING RENTAL RATE COMPARISON
 Last 3 Years
 Quarter Ending September 30, 2008

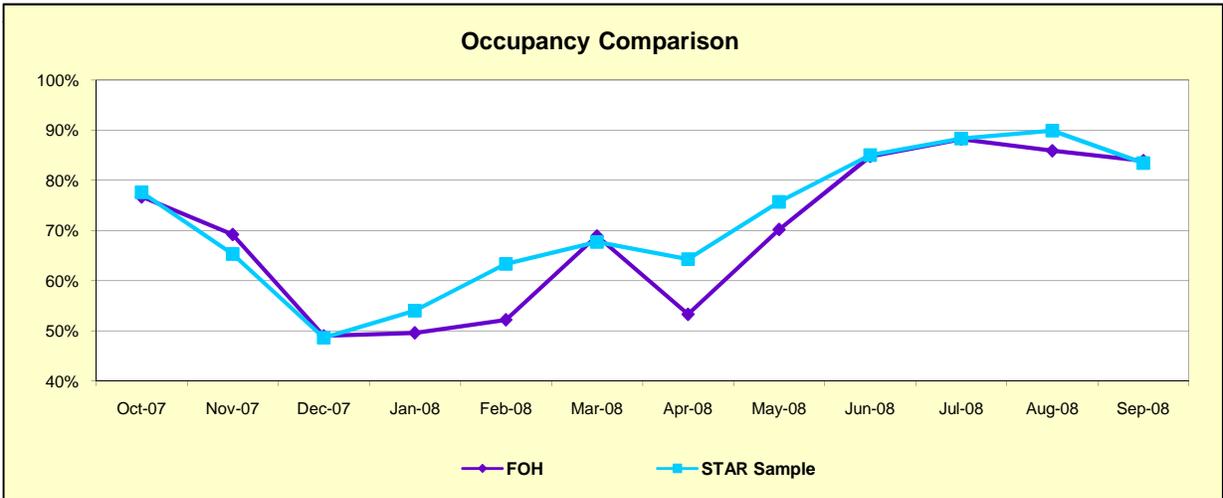


FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS
Twelve Months Ended September 30, 2008



RevPar 12-months Average	Sep-08	Sep-07	Change from Prior Year \$
FOH	\$166.35	\$164.68	\$1.67
STAR Sample Avg <1>	\$140.64	\$146.75	(\$6.11)

RevPar Current Month Ended	Sep-08	Sep-07	Change from Prior Year %
FOH	\$217.89	\$192.75	\$25.14
STAR Sample Avg <1>	\$176.60	\$172.82	\$3.78

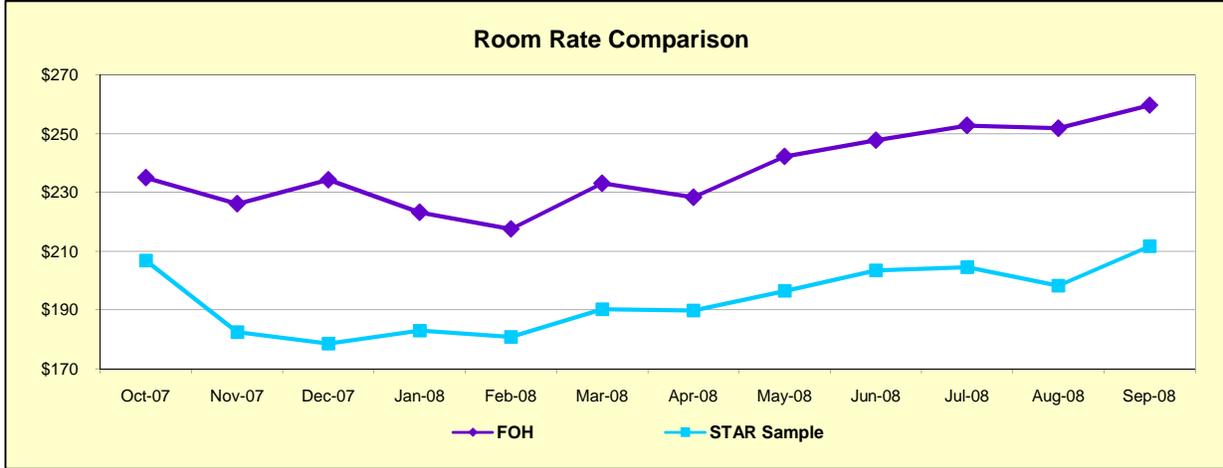


Occupancy 12-months Average	Sep-08	Sep-07	Change from Prior Year %
FOH	69.3%	71.8%	(2.5%)
STAR Sample Avg <1>	71.9%	74.9%	(3.0%)

Occupancy Current Month Ended	Sep-08	Sep-07	Change from Prior Year %
FOH	83.9%	82.7%	1.2%
STAR Sample Avg <1>	83.4%	84.7%	(1.3%)

<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-08	Sep-07	Change from Prior Year \$
FOH	\$237.70	\$227.60	\$10.10
STAR Sample Avg <1>	\$193.81	\$194.82	(\$1.00)

Average Daily Rate Month Ended	Sep-08	Sep-07	Change from Prior Year \$
FOH	\$259.74	\$233.11	\$26.63
STAR Sample Avg <1>	\$211.71	\$204.01	\$7.70

<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.