

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Metropolitan Tract Performance Report

For the quarter ended June 30, 2008

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

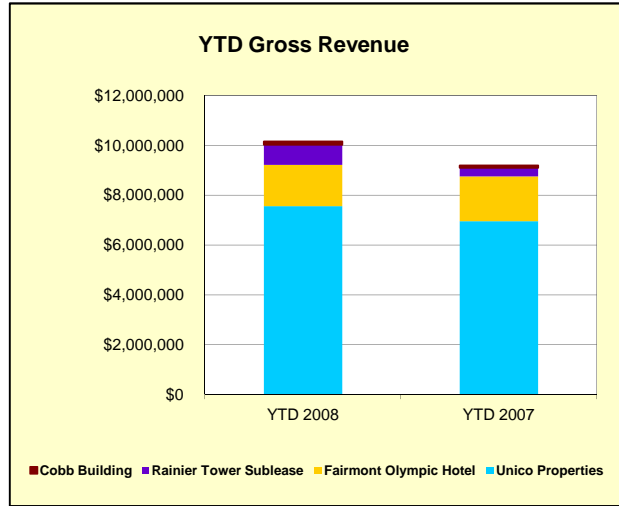
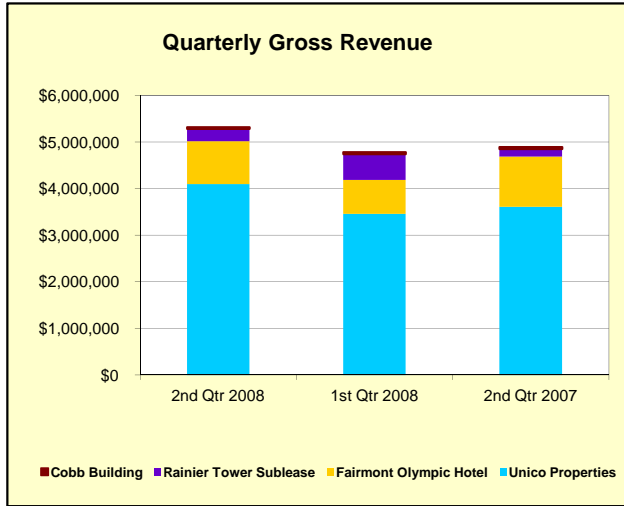


Finance, Audit & Facilities Committee

September 18, 2008

University of Washington Metropolitan Tract

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



CURRENT QUARTER							
Gross Revenue to University	2nd Qtr 2008	Prior Qtr		Change from Prior Qtr		Change from Prior Year	
		1st Qtr 2008	2nd Qtr 2007	\$	%	\$	%
Unico Properties	4,097,190	3,460,788	3,613,108	636,402	18.4%	484,082	13.4%
Rainier Tower Sublease	266,874	554,882	162,197	(288,009)	(51.9%)	104,677	64.5%
Fairmont Olympic Hotel	921,853	730,590	1,079,398	191,263	26.2%	(157,545)	(14.6%)
Cobb Building	38,500	38,500	38,500	0	0.0%	0	0.0%
TOTAL GROSS REVENUE	\$5,324,417	\$4,784,760	\$4,893,203	\$539,657	11.3%	\$431,214	8.8%

Gross Revenue to University	CALENDAR YEAR TO DATE				ANNUAL	
	YTD 2008	YTD 2007	Change from Prior YTD		Projected 2008	Actual 2007
			\$	%		
Unico Properties	7,559,313	6,951,891	607,422	8.7%	15,481,600	13,950,835
Rainier Tower Sublease	821,756	355,107	466,650	131.4%	NA ³	294,432
Fairmont Olympic Hotel	1,652,443	1,801,624	(149,182)	(8.3%)	3,730,825	3,723,059
Cobb Building	115,500	77,000	38,500	50.0%	154,000	154,000
TOTAL GROSS REVENUE	\$10,149,012	\$9,185,622	\$963,390	10.5%	\$19,366,425	\$18,122,326

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 June 30, 2008

CONSOLIDATED METROPOLITAN TRACT SUMMARY

The Metropolitan Tract generated \$5.6M of revenue during the second quarter of 2008. This is up 18.2% from the first quarter of 2008 and a 15.6% increase from a year ago. The increase in revenue is due to an early termination fee paid by Depuy Orthopedics in April, the 2008 real estate taxes being billed to tenants in June, and billing for the UW Rainier Tower Sublease rent increase in June. On a quarter-to-quarter basis, all contributors showed an increase. From a year-ago perspective, the Fairmont Olympic Hotel is the only entity showing a loss, consistent with the fall off of the hotel industry in general.

UNICO PROPERTIES

The 2nd quarter's gross revenue from the Unico Properties was up 18.4% from the first quarter of 2008, generating just over \$4M. Office and Retail were both up, but Parking income fell 1.5%. Compared to the year-ago quarter, we see growth of 15.6%, with all contributors increasing revenue.

RAINIER TOWER SUBLEASE

The Rainier Tower Sublease generated \$597,221 in operating cash flow during the second quarter. Due to Marsh's occupancy of approximately 100,000 sf this is a notable increase from the previous quarter and previous year -to-date. The upswing is thanks to successful leasing, placing the Sublease at 89% occupied. On the other hand, while the operating cash flow is trending more positive, the University has invested approximately \$4 million in tenant improvements. In addition, the 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 by a third party in accordance with the Sublease. A significant portion of this rent increase will be offset by reimbursements from the subtenants pursuant to their subleases.

FAIRMONT OLYMPIC HOTEL

The second quarter of 2008 saw an increase over first quarter but still fell short of the revenue seen in 2007. The second quarter yield of \$921,853 is an increase of 26.2% from first quarter due to the start of the hotel industry's busy season. Compared to a year ago, the hotel's revenues were low, posting a 14.6% decrease. Several factors contributed to the decrease, most notably the use of 40+ rooms by the Saudi Family in the spring of 2007. Food & Beverage revenue also saw a decrease in revenue stemming from two major catering events not materializing in 2008 as they have done in previous years.

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 CBD market continues to hold its breath. With a vacancy rate hovering at just under 10%, very slight negative absorption and rental rates that are changing by pennies, the CBD has seen little growth but also little decline. And while Seattle hovers in all areas, the Eastside is seeing positive results across the board. Almost 90% of new space coming available in Bellevue and the surrounding area is pre-leased, this in comparison to Seattle's market only seeing 5% of its under-construction office space pre-leased. Rental rates for the Eastside continue to sit higher on the charts than Seattle. CBD Class A office rents are fluctuating around \$35.00 per square foot with the market sustaining rates of over \$45.00 per square foot for Class A premium projects. With approximately 3 million square feet of new buildings currently under construction downtown, it is likely that the market will continue to stagnate for the next 24 months as these projects come on line and the space is absorbed.

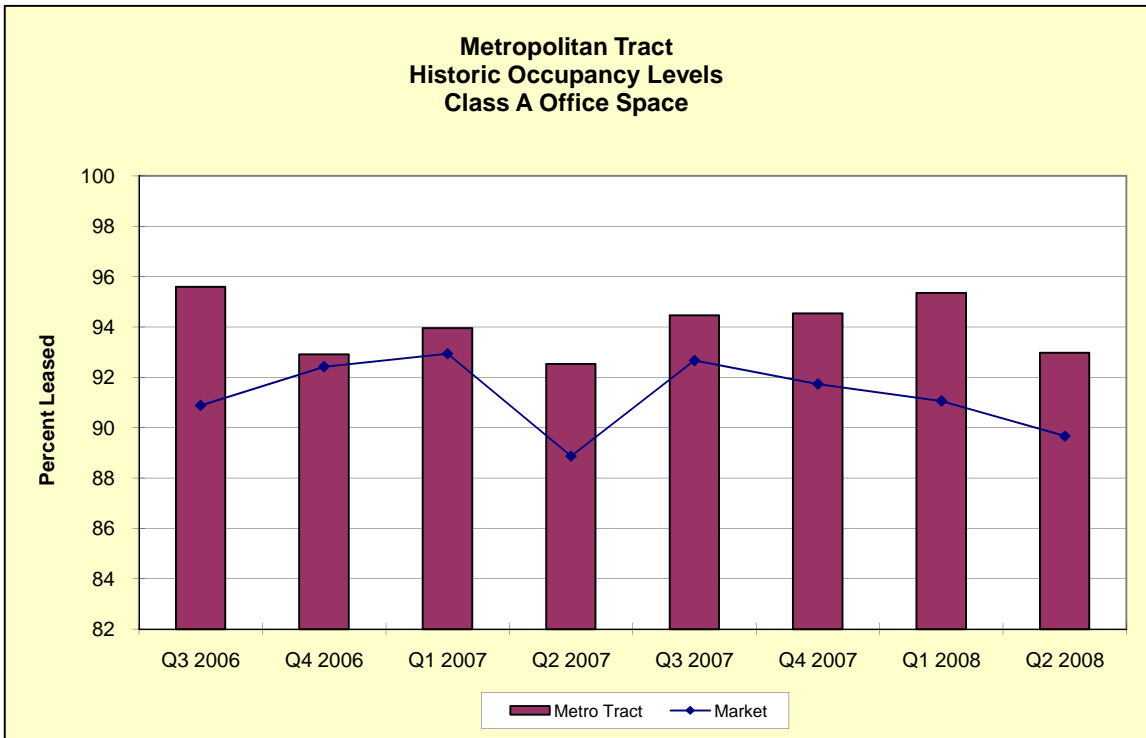
HOTEL MARKET

The hotel development market is seeing moderate growth through 2008 with a number of hotels in the planning phase and only one major project nearing completion. The Four Seasons continues construction with an opening date at the end of the year. 1Hotel remains on hold with the developer, Starwood Capital Group, confirming it is still on track to start construction but with no date set. Multi Capital Group's multi-use two-tower complex at 5th Avenue and Virginia/Stewart is also on hold pending the need for some additional financial investors. Many Seattle area hotels have seen a decline in guests but are combating the trend with careful budgeting and smart staffing decisions. While the market is seeing some unwelcome changes, developers and hotel managers alike remain hopeful that the economy will experience good things through the rest of 2008.

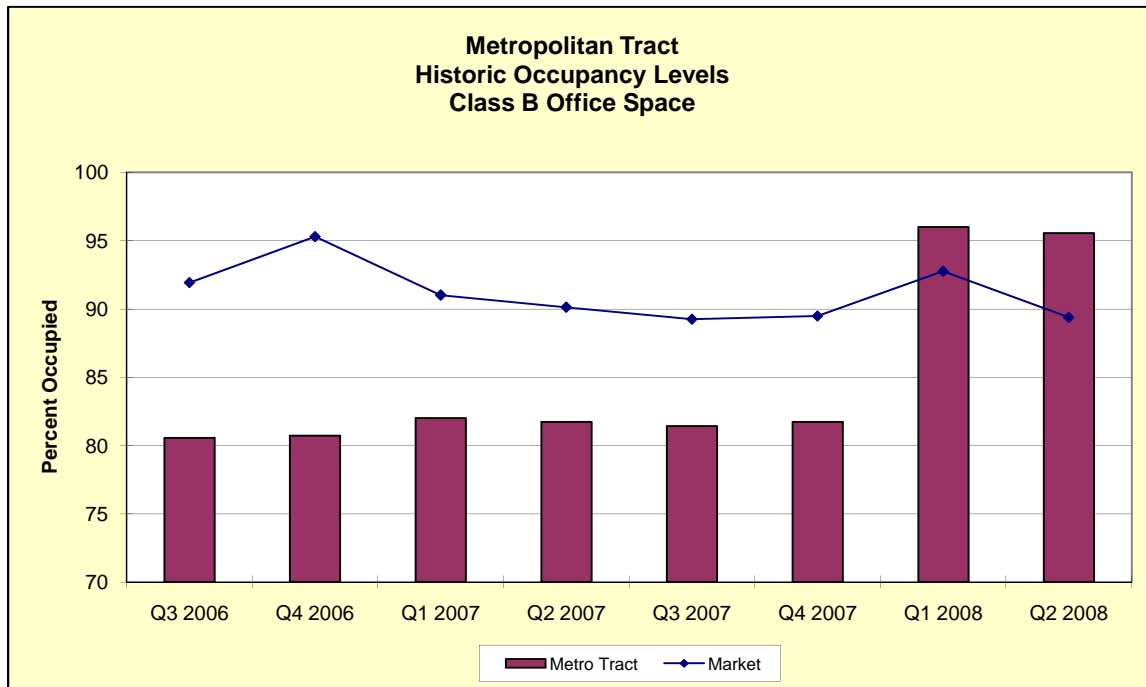
OFFICE BUILDING OCCUPANCY COMPARISON CHARTS

Last Eight Quarters

Quarter Ending June 30, 2008



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

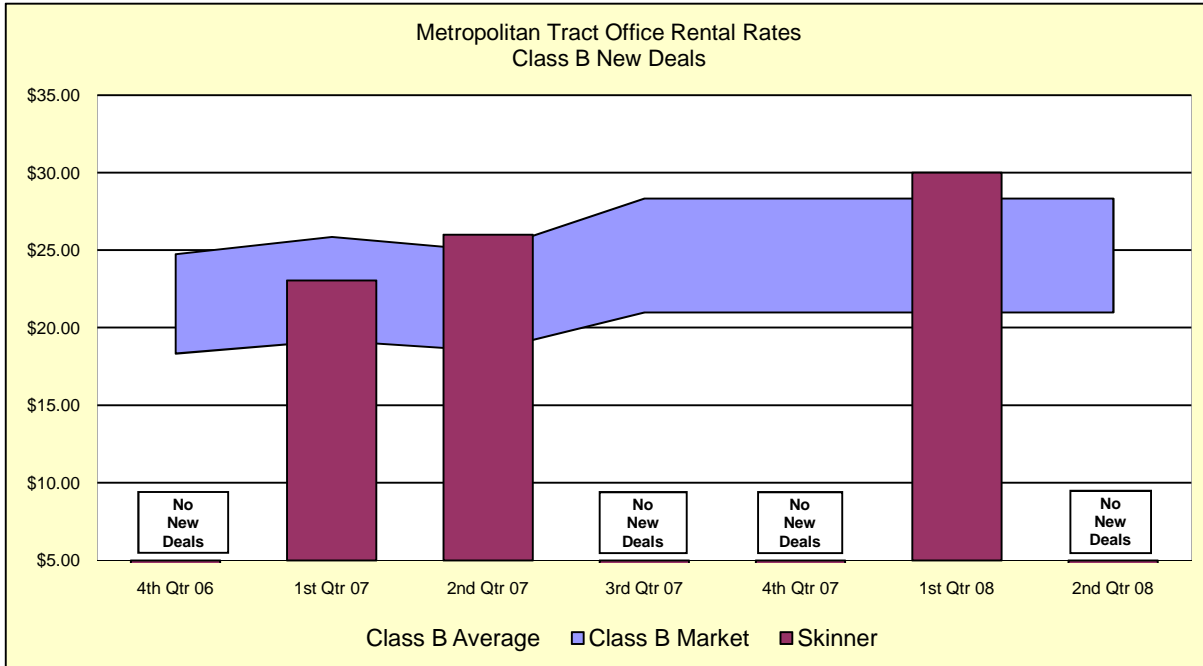
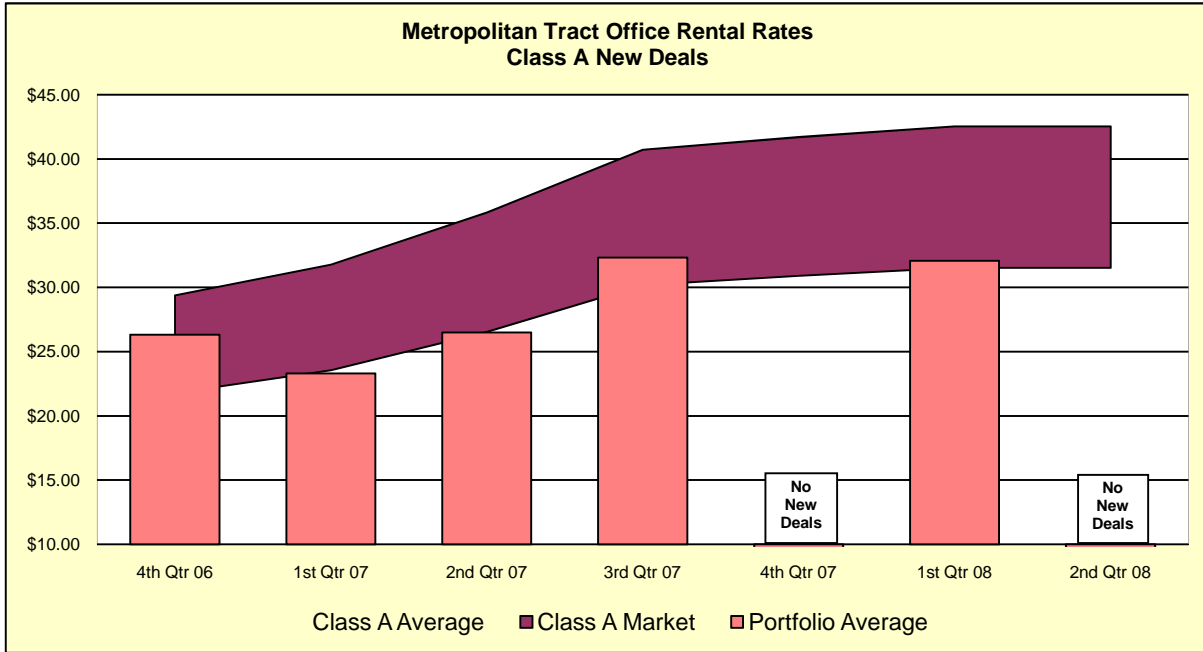


Includes Skinner Building

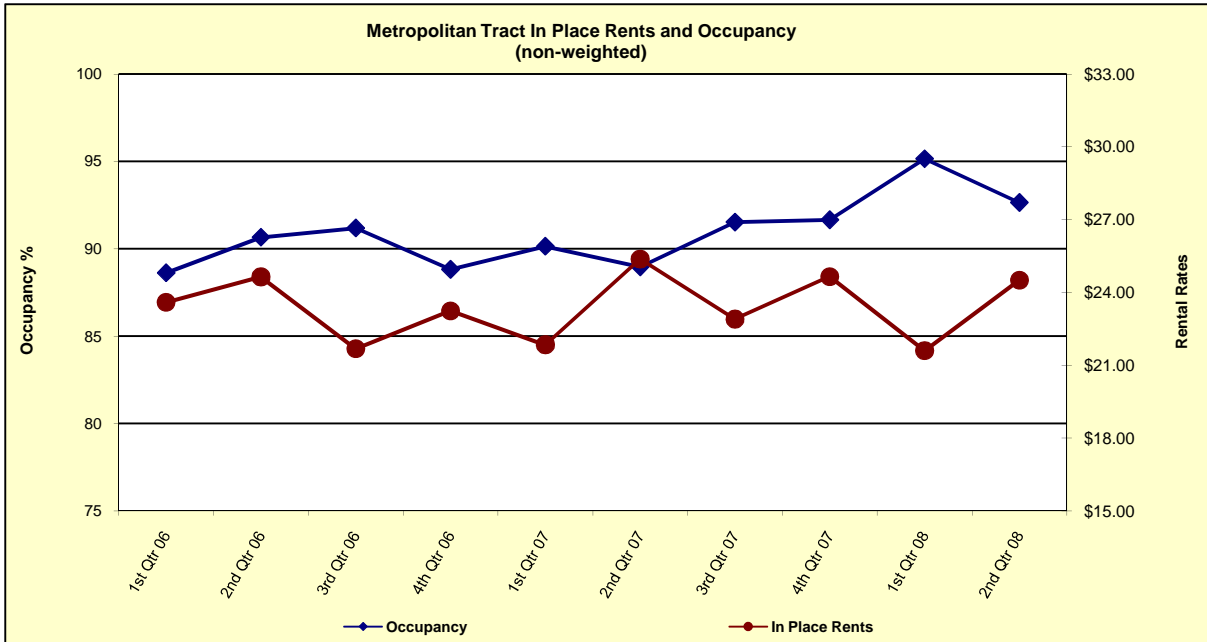
OFFICE BUILDING RENTAL RATE COMPARISON

Last Seven Quarters

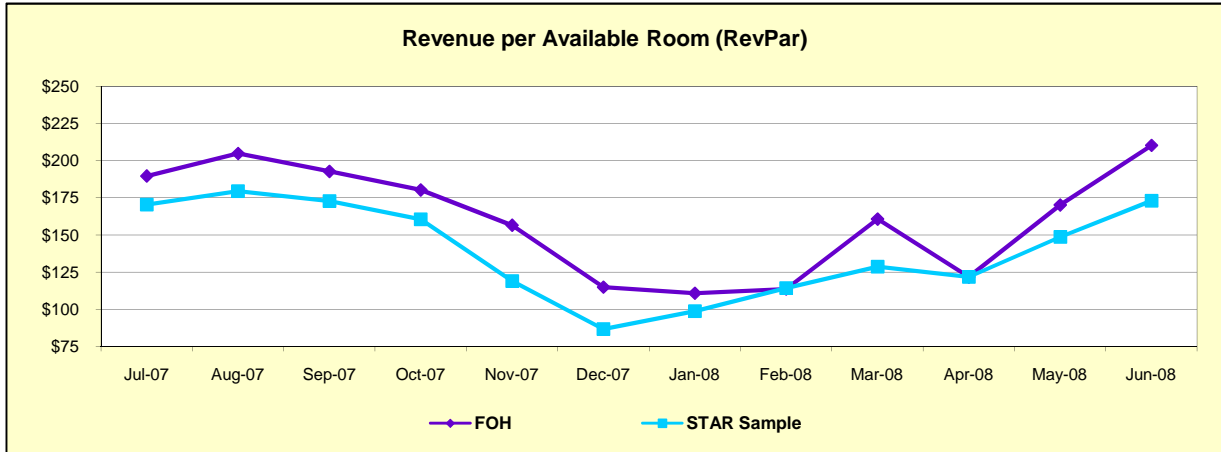
Quarter Ending June 30, 2008



OFFICE BUILDING RENTAL RATE COMPARISON
Last 3 Years
Quarter Ending June 30, 2008

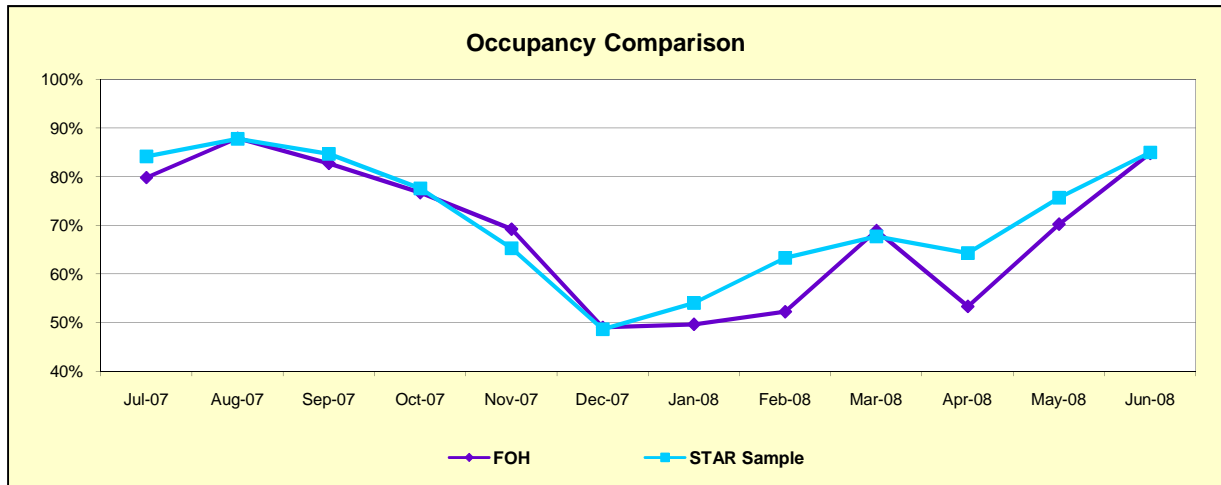


FAIRMONT OLYMPIC HOTEL MARKET COMPARISONS
Twelve Months Ended June 30, 2008



RevPar 12-months Average	Jun-08	Jun-07	Change from Prior Year \$
FOH	\$160.51	\$171.78	(\$11.27)
STAR Sample Avg <1>	\$139.60	\$150.81	(\$11.21)

RevPar Current Month Ended	Jun-08	Jun-07	Change from Prior Year %
FOH	\$210.26	\$201.22	\$9.04
STAR Sample Avg <1>	\$173.00	\$171.37	\$1.63

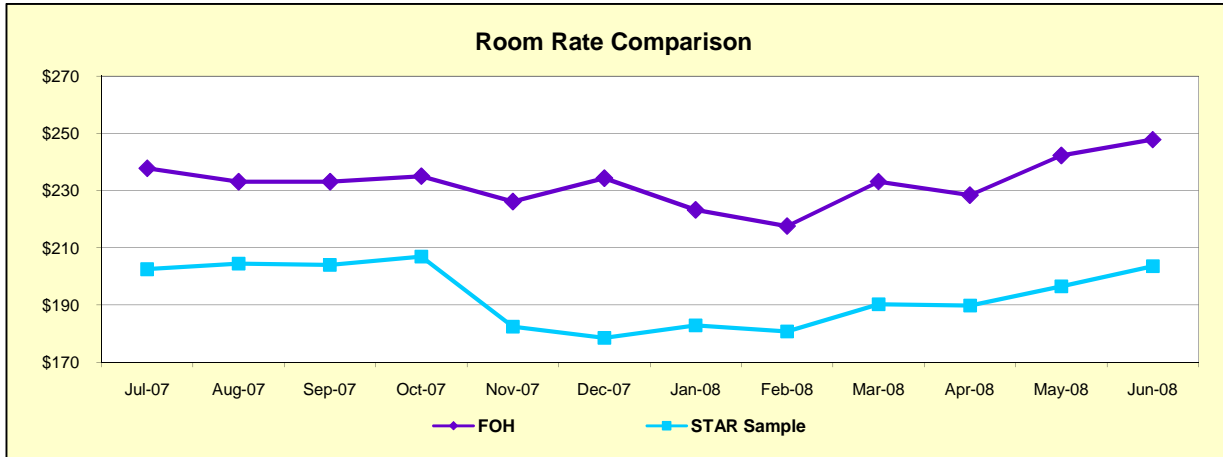


Occupancy 12-months Average	Jun-08	Jun-07	Change from Prior Year %
FOH	68.7%	72.5%	(3.8%)
STAR Sample Avg <1>	71.5%	75.0%	(3.5%)

Occupancy Current Month Ended	Jun-08	Jun-07	Change from Prior Year %
FOH	84.8%	84.9%	(0.1%)
STAR Sample Avg <1>	85.0%	86.1%	(1.1%)

<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 June 30, 2008



Average Daily Rate 12-months Average	Jun-08	Jun-07	Change from Prior Year \$
FOH	\$232.65	\$234.01	(\$1.36)
STAR Sample Avg <1>	\$193.52	\$199.36	(\$5.85)

Average Daily Rate Month Ended	Jun-08	Jun-07	Change from Prior Year \$
FOH	\$247.82	\$237.10	\$10.72
STAR Sample Avg <1>	\$203.47	\$199.01	\$4.46

<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.