

PBS MONTHLY OCT 2009

PBS REAL ESTATE | COMMERCIAL | OFFICE | RETAIL | GLOBAL

MARKET GAUGES TEAR SHEET

Selected Office Sector Indicators

Indicator	Current	Date	Previous	Date
Professional & Business Services Employment Change	-8,000	September	-19,000	August
Financial Services Employment Change	-10,000	September	-25,000	August
Unemployment Rate	9.8%	September	9.7%	August
<i>For Full Time Workers</i>	10.7%	September	10.5%	August
<i>In New York City</i>	10.3%	August	9.8%	July
Office Property Construction Spending	-1.2%	August	-2.4%	July

Selected Retail Sector Indicators

Indicator	Current	Date	Previous	Date
Personal Income	+0.2%	August	+0.2%	July
Inflation (Consumer Prices)	+0.4%	August	0.0%	July
Retail Spending (On All Products)	+2.7%	August	-0.2%	July
Retail Spending (Excluding Spending on Cars and Food)	+3.0%	August	-0.2%	July
Savings Rate of American Households	+3.0%	August	+4.0%	July
Retail Employment Change (Jobs Gained or Lost)	-38,500	September	-8,800	August
Retail Construction Spending	+1.8%	August	-1.8%	July

Selected International Indicators

Indicator	Current	Date	Previous	Date
Britain				
Exchange: Dollars Per British Pound	\$1.59	October 1	\$1.62	September 1
Unemployment Rate	7.9%	July	7.8%	June
GDP Change	-5.5%	2009 Q2	-4.9%	2009 Q1
Inflation (Consumer Prices)	+1.6%	August	+1.8%	July
Retail Spending	+2.1%	July	+1.8%	June
Euro Area				
Exchange: Dollars Per Euro	\$1.45	October 1	\$1.42	September 1
Unemployment Rate	9.5%	July	9.4%	June
GDP Change	-4.7%	2009 Q2	-4.9%	2009 Q1
Inflation (Consumer Prices)	-0.2%	August	-0.7%	July
Retail Spending	-1.8%	July	-2.4%	June

Sources: U.K. National Statistics Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, Census Bureau, Economist Intelligence Unit

OFFICE SECTOR

Leasing marches on (slowly) in spite of continued job losses.

- Extending the summer's gains, leasing activity continued to trend towards normal levels in September as tenants take advantage of reduced pricing and aggressive concession packages for renewals and relocations.
- While sublet availability in New York is still rising, new lease signings again surpassed the one million square foot mark in September. The increase in activity is observable in Midtown and, more recently, in the Financial District.
- A number of the last month's leases have involved commitments of 100,000 square feet or more indicating that stable tenants with a long term perspective are securing long term leases and will continue to be the winners in this tumultuous market.
- The September employment report underlined that this recovery — like others before it — will face its share of setbacks. The unemployment rate rose to 9.8% in September as payrolls fell by 263,000 jobs. Economists had expected that payrolls would fall by less than 200,000 jobs.

RETAIL SECTOR

Consumers beat expectations by growing spending further.

- Personal consumption spiked in August, rising by 1.3% from July. This is the largest one-month increase in consumption in almost eight years. Absent meaningful growth in personal income, consumers have increased consumption by reducing their savings.
- The increase in spending and lower savings rate reflect improving consumer confidence as well as the impact of short-term government interventions, principally the Car Allowance Rebate System (the "cash for clunkers" program). Consumption is projected to have moderated in September following the conclusion of the clunkers program.
- Consumption growth is visible in higher retail sales, even outside of the automobile sector. Clothing stores and department stores reported the largest sales increases in August. As compared to a year ago, retail sales are higher at health and personal care stores and at dining establishments.
- As compared to the market's peak, the retail environment remains challenging for many tenants. As a result, occupancy rates are still falling at neighborhood and community shopping centers, regional malls, and at street-front retail spaces.

INTERNATIONAL MARKETS

Mixed signals on the British recovery and a growing consensus on the end of recession in Europe.

- The pace of contraction in the British economy eased from the first to the second quarter. Data published in the last week, however, shows that anxious UK consumers have pulled back on discretionary spending. The savings rate in Britain, which had averaged 1.7% in 2008, jumped to 3.9% in the first quarter of 2009 and to 5.6% in the second quarter. Consumption is down 3.6% over the last year.
- The outlook for the British economy is brighter than the current data suggests. Improvements in house prices and equity markets over the last few months are driving improvements in consumer sentiment. In support of the retail sector, savings rates are expected to fall over the next year.
- The International Monetary Fund has joined the chorus of organizations calling an end to Europe's recession in the third or fourth quarter of 2009. While unemployment rates are projected to rise over the next year, the IMF anticipates a resumption of growth in economic activity, corporate profits, and wages in the coming months.