

PBS MONTHLY DEC 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	+86,000	November	+38,000	October
Financial Services Employment Change	-10,000	November	-10,000	October
Unemployment Rate	10.0%	November	10.2%	October
<i>For Full Time Workers</i>	11.0%	November	11.1%	October
<i>In New York City</i>	10.3%	October	10.2%	September
Office Property Construction Spending	-2.2%	October	-7.2%	September

Selected Retail Sector Indicators

Indicator	Current	Date	Previous	Date
Personal Income	+0.2%	October	+0.2%	September
Inflation (Consumer Prices)	+0.3%	October	+0.2%	September
Retail Spending (On All Products)	+1.4%	October	-2.3%	September
Retail Spending (Excluding Spending on Cars and Food)	+1.4%	October	-2.6%	September
Savings Rate of American Households	+4.4%	October	+4.6%	September
Retail Employment Change (Jobs Gained or Lost)	-14,500	November	-44,200	October
Retail Construction Spending	-1.3%	October	-1.9%	September

Selected International Indicators

Indicator	Current	Date	Previous	Date
Britain				
Exchange: Dollars Per British Pound	\$1.66	December 1	\$1.64	November 2
Unemployment Rate	7.8%	September	7.9%	August
GDP Change	-5.1%	2009 Q3	-5.5%	2009 Q2
Inflation (Consumer Prices)	+1.5%	October	+1.1%	September
Retail Spending	+2.7%	October	+2.9%	September
Euro Area				
Exchange: Dollars Per Euro	\$1.51	December 1	\$1.48	November 2
Unemployment Rate	9.7%	September	9.6%	August
GDP Change	-4.1%	2009 Q3	-4.8%	2009 Q2
Inflation (Consumer Prices)	-0.1%	October	-0.3%	September
Retail Spending	-3.6%	September	-2.3%	July

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

OFFICE SECTOR

Job Losses Dissipate but Conditions Still Weigh in Tenants' Favor.

- Job losses have moderated substantially in recent months, reducing the pressure on landlords from rapidly falling demand for space. Employers cut 11,000 jobs in November, the smallest number since the recession began, and a fraction of the 741,000 jobs lost in January 2009.
- Conditions still weigh strongly in favor of tenants given the glut of direct and sublet space available in the nation's major office markets. In New York, tenants are taking full advantage of lower rents and deeper concessions. At least eight leases of 100,000 square feet or more have been signed in New York in the second half of the year.
- The downward pressure on rents is expected to abate over the course of 2010, prompting tenants with pending lease expirations to begin exploring renegotiations with existing landlords and exploring the overall market. In New York, these expectations are supported by the most recent jobs data. While New York has lost 110,000 jobs over the last year, employers added more than 16,000 new jobs in the last reporting month. Dropping just 2,000 jobs, financial services are projected to turn positive in the final data for late 2009.

RETAIL SECTOR

Retailers Anxiously Prepare for Holiday Shopping Season.

- Initial reports of November same-store sales suggest continuing weakness in the retail sales environment. Sales at Macy's dropped 6.1 percent from last year while sales at luxury retailer Saks fell 26.1 percent. Overall, the International Council of Shopping Centers reports that November same-store sales slipped 0.3 percent. The National Retail Federation projects that spending over this holiday season will be 1.0 percent lower than last year.
- Even while job losses are slowing, retail sales are being constrained by higher unemployment and an absence of wage growth at middle-income households. At 4.4 percent in October, the savings rate remains elevated.
- Health and personal care retailers and dining establishments remain key areas of stability in retail spending. At furniture stores and at electronics stores, sales are down at least 7.0 percent over the year. Apparel retailers have turned modestly positive, growing sales by 1.5 percent year-to-year.
- In the leasing market, a number of retail mall REITs have reported a net increase in activity in the third quarter. Big box retailers accounted for a large share of the national increase.

INTERNATIONAL MARKETS

The European Outlook Brightens but Retail Spending is Slow to Follow.

- Final data shows that the recession has ended in the Euro Zone. The Euro economies grew at an annualized rate of 0.4 percent in the third quarter, led by Germany, France, and Italy. EuroStat, the European statistical agency, reported on December 1 that the unemployment rate in the area was stable between September and October, unchanged at 9.8 percent. The retail environment weakened, however, with sales falling 3.6 percent over the year.
- The British economy continues to lag the Continent, contracting by 1.6 percent in the third quarter. The unemployment rate in Britain remains well below the rate in Continental Europe, but inched up from 7.7 percent to 7.8 percent. Britain's middling economic performance has not translated to lower retail activity, however. Retail sales increased by 2.7 percent in October, easily outpacing retail trends in the United States.