

PBS MONTHLY JAN 2010

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	+50,000	December	+89,000	November
Financial Services Employment Change	+4,000	December	-6,000	November
Unemployment Rate	10.0%	December	10.0%	November
<i>For Full Time Workers</i>	10.9%	December	11.0%	November
<i>In New York City</i>	9.9%	November	10.3%	October
Office Property Construction Spending	-2.2%	November	-1.4%	October

Selected Retail Sector Indicators

Indicator	Current	Date	Previous	Date
Personal Income	+0.4%	November	+0.3%	October
Inflation (Consumer Prices)	+0.4%	November	+0.3%	October
Retail Spending (On All Products)	+1.3%	November	+1.1%	October
Retail Spending (Excluding Spending on Cars and Food)	+1.4%	November	+1.3%	October
Savings Rate of American Households	4.7%	November	4.7%	October
Retail Employment Change (Jobs Gained or Lost)	-10,200	December	-13,500	November
Retail Construction Spending	+0.8%	November	-2.4%	October

Selected International Indicators

Indicator	Current	Date	Previous	Date
Britain				
Exchange: Dollars Per British Pound	\$1.62	January 1	\$1.66	December 1
Unemployment Rate	7.9%	October	7.8%	September
GDP Change	-5.1%	2009 Q3	-5.5%	2009 Q2
Inflation (Consumer Prices)	+1.9%	November	+1.5%	October
Retail Spending	+2.5%	November	+2.7%	October
Euro Area				
Exchange: Dollars Per Euro	\$1.43	January 1	\$1.51	December 1
Unemployment Rate	9.8%	October	9.7%	September
GDP Change	-4.1%	2009 Q3	-4.8%	2009 Q2
Inflation (Consumer Prices)	+0.5%	November	-0.1%	September
Retail Spending	-1.9%	October	-3.6%	September

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

OFFICE SECTOR

Tenants in Control: Little Relief for Landlords as Rents and Occupancy Slip in New York City and Elsewhere.

- Buttressed by lower rents, New York City leasing momentum remained on the upswing in December. Well over one million square feet of new leases and renewals were inked during the month, significantly higher than in December 2008.
- Office property asking and effective rents continued to fall in December, albeit at a slower pace than in previous months. In spite of improving conditions in the broader economy, elevated vacancy rates are exerting further downward pressure on property fundamentals.
- Current payroll declines and previous job losses are the primary factors underlying the office sector's weakness. Employers cut 85,000 jobs in December, the second-smallest loss since the recession began, and a fraction of the 741,000 jobs lost in January 2009.
- Job losses are projected to turn to modest gains over the course of 2010. A return to sustained job growth in 2011 will alleviate some of the pressures on landlords and will begin to shift the balance of power away from tenants.

RETAIL SECTOR

In Spite of Northeast Snowstorms and Anxious Consumers, Holiday Sales Better than Expected.

- Initial reports of December retail sales suggest a better-than-expected holiday sales season. Across all retailers, same-store sales increased by 2.9 percent from December 2008, according to Thomson Reuters. This is the second-largest year-over-year increase since early 2008. The National Retail Federation had projected that spending over the holiday season would be 1.0 percent lower than last year.
- Sales improved across a gamut of luxury, aspirational, and discount retailers. December same-store sales increased by 9.9 percent at Saks and by 7.4 percent at Nordstrom. Discount wholesaler Costco reported an increase of 9.0 percent. Amongst bellwether apparel stores, the results were less favorable. Same-store sales fell by 19.0 percent at Abercrombie and Fitch and by 5.0 percent at American Apparel.
- Even while job losses are slowing, retail sales are being constrained by higher unemployment and an absence of sustained wage growth at middle-income households. At 4.7 percent in November, the savings rate remains elevated. In anticipation of a challenging post-holiday sales slump, employers cut another 10,200 retail jobs in December.

INTERNATIONAL MARKETS

Unemployment Rates Rise Across the Continent. British Consumers Appear Undeterred.

- Lagging modest improvements in the broader measures of European economic activity, labor markets on the Continent remain weak. EuroStat, the European statistical agency, reports that the unemployment rate in the Euro Area rose from 9.8 percent in October to 10.0 in December. This is the highest unemployment rate since the introduction of the Euro ten years ago. Each of the European Union's member nations has experienced a year-over-year rise in its unemployment rate.
- The unemployment rate in Britain remains well below the rate in Continental Europe, but inched up from 7.8 percent to 7.9 percent. Britain's middling economic performance has not translated to lower retail activity, however. Retail sales increased by 2.5 percent in November, easily outpacing retail trends on the Continent, where sales declined by 1.9 percent in the most recent report.