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**FOR IMMEDIATE RELEASE (October 31, 2007)**

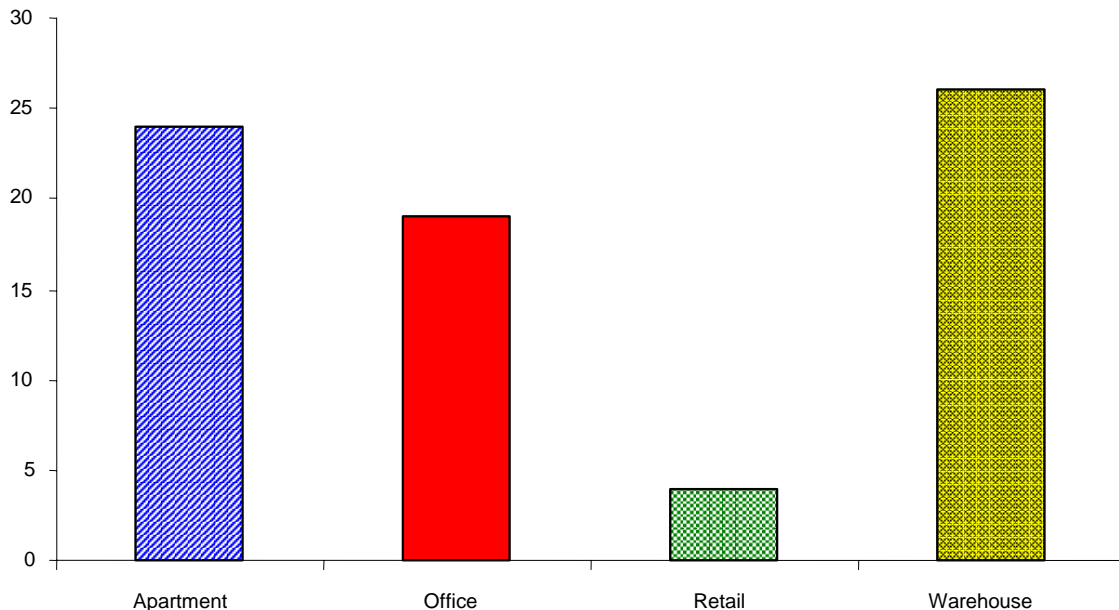
**Press Release — PPR Releases Third Quarter 2007 Forecasts!**

**Third Quarter Brings Stagnant or Rising Vacancies Across the Property Types**

Vacancy rates are no longer tightening in any property type, and they won't again until late 2009 at the earliest. Vacancy rates got stuck at 14.7% in the office market, which had previously seen declines for 15 straight quarters. Vacancy rates in the apartment market also held steady at 5.8% in the third quarter. Warehouse vacancies budged up to 8.7% from 8.6% at mid-year. And retail saw the largest increase, with economic vacancies rising from 10.2% to 10.4% in the third quarter. Still, it is important to keep in mind that we expect vacancy rate increases to be quite mild across the property types, and that individual markets will vary greatly.

The good news is that vacancy rates have not peaked in all markets! The chart below shows the count of metros (out of the 54 major metros tracked by PPR) in each property type where vacancy rates are still headed lower at some point within the upcoming 12 months. The winners in apartment are San Francisco, Raleigh, and Columbus, all which will see vacancy rates fall by at least 50 basis points at some point within the next year. The condo-drenched Orlando and Palm Beach County apartment markets will fare worst, with vacancies rising by 1.7 and 1.5 percentage points, respectively. Atlanta, Boston, and Milwaukee will see the biggest vacancy declines over the next 12 months in office, while Austin, Las Vegas, and the Inland Empire will see the largest rise. Four lone retail markets will see lower economic vacancies at some point in the next year (San Francisco, Salt Lake City, Sacramento, and Kansas City). Twenty-six warehouse markets will see vacancy rates drop lower within the next 12 months, the most of any property type. The biggest winners will be Raleigh, Richmond, and Norfolk.

**Count of 54 Markets With Vacancy Declines Expected Over Next 12 Months**



Source: PPR

### Demand is Headed For a Big Slowdown ...

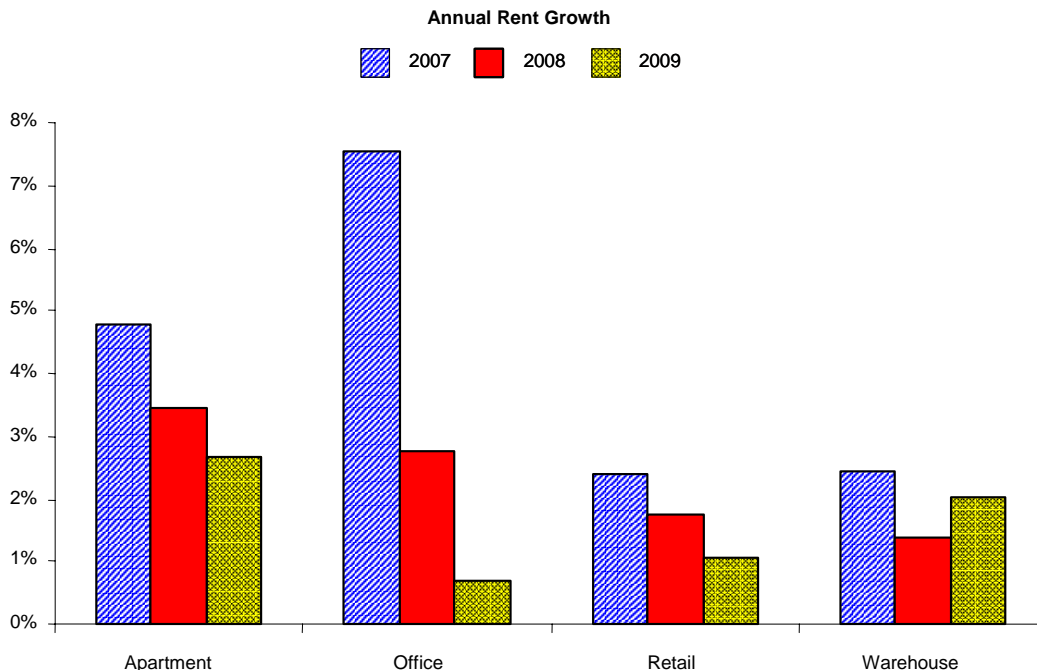
While still holding up in the third quarter, demand is headed for a big slowdown in all property types except apartment. During the third quarter, office demand was 22.6 million SF, down 16% from the 26.8 million SF of net absorption in the second quarter. But demand is expected to fall off a cliff in the fourth quarter, dropping to 15.2 million SF due to a myriad of reasons, most notably the slowing economy. Some markets are even seeing negative net absorption due to losses in credit-related financial employment. Next year, net absorption is forecast to be about 60 million SF, a 32% decline from 2007. Apartment is the only property type that has a brighter demand future than its recent past would indicate. Net absorption in 2007 is on track to total about 88,000 units but is expected to rise to 113,000 units in 2008, due mainly to the weak and volatile housing market, where financing has become harder to obtain and potential buyers are waiting on the sidelines. Slowing retail spending will severely crimp retail demand, which is also forecast to drop 32% in 2008. Warehouse demand has been dropping steadily for the past several quarters due to slower economic growth but should see a reversal of this trend in about a year. Net absorption for the quarter was 25.9 million SF, down from 29.7 million SF in the prior quarter.

### Supply Appears to Be Responding ...

Apartment and office, the two healthiest property types, will see more completions in 2008 than in 2007, although they will still remain quite tame, particularly office. But the retail and warehouse markets, where vacancy rates are already on the rise, will see fewer. The credit crunch may hinder construction financing and cause developers to pause.

### Quarterly Rent Growth Has Already Peaked ...

Slowing demand and rising vacancy rates are making an impact on rent growth. In all property types, quarterly rent growth has passed its peak. Office continued to lead the pack with 1.9% growth in the third quarter, equating to year-over-year growth of 8.3%. Apartment followed, with 1.2% quarterly growth (5.4% year-over-year). Retail and warehouse were the laggards, with 0.7% and 0.6% quarterly growth, respectively. The slowdown will continue. The chart below shows annual forecast rent growth from 2007-09 in each of the property types.



Source: PPR

## Markets Will Matter More and Market Selection Will Be Crucial!

Given slowing economic conditions and their impact on commercial real estate markets, market selection is more important than ever. Quite simply, some markets will perform well and others won't. Below is a chart showing the top three and the bottom three markets for rent growth over the coming, for each property type.

| Apartment                              |       | Office    |       | Retail                 |       | Warehouse           |       |
|--|-------|-----------|-------|------------------------|-------|---------------------|-------|
| <b>Best Rent Growth 2007Q3-2008Q3</b>  |       |           |       |                        |       |                     |       |
| New York                               | 5.3%  | Austin    | 9.2%  | San Francisco          | 6.2%  | Inland Empire       | 4.2%  |
| San Francisco                          | 5.2%  | San Jose  | 9.1%  | Washington - NoVA - MD | 4.8%  | Jacksonville        | 4.1%  |
| Seattle                                | 4.6%  | Boston    | 8.4%  | New York               | 4.7%  | Orange County       | 3.8%  |
| <b>Worst Rent Growth 2007Q3-2008Q3</b> |       |           |       |                        |       |                     |       |
| Detroit                                | -1.5% | Detroit   | -4.0% | Columbus               | -0.6% | Austin              | -3.4% |
| Orlando                                | -0.7% | Cleveland | -3.4% | Cleveland              | -0.2% | Dallas - Fort Worth | -3.2% |
| Tampa                                  | -0.6% | Columbus  | -2.3% | Phoenix                | -0.1% | Phoenix             | -2.7% |

On a national level, moderate conditions are expected in the commercial real estate markets. However, markets will differ greatly, and PPR can help you decide what markets are right for your strategy!

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