

UNITED STATES

260 Franklin Street, 17th Floor
 Boston, MA 02110
 Tel: 617 426-4446
 Fax: 617 426-4443

UNITED KINGDOM

15 St. Mary at Hill
 London EC3R 8EE
 Tel: +44 (0)20 7621 2100
 Fax: +44 (0)20 7623 8793

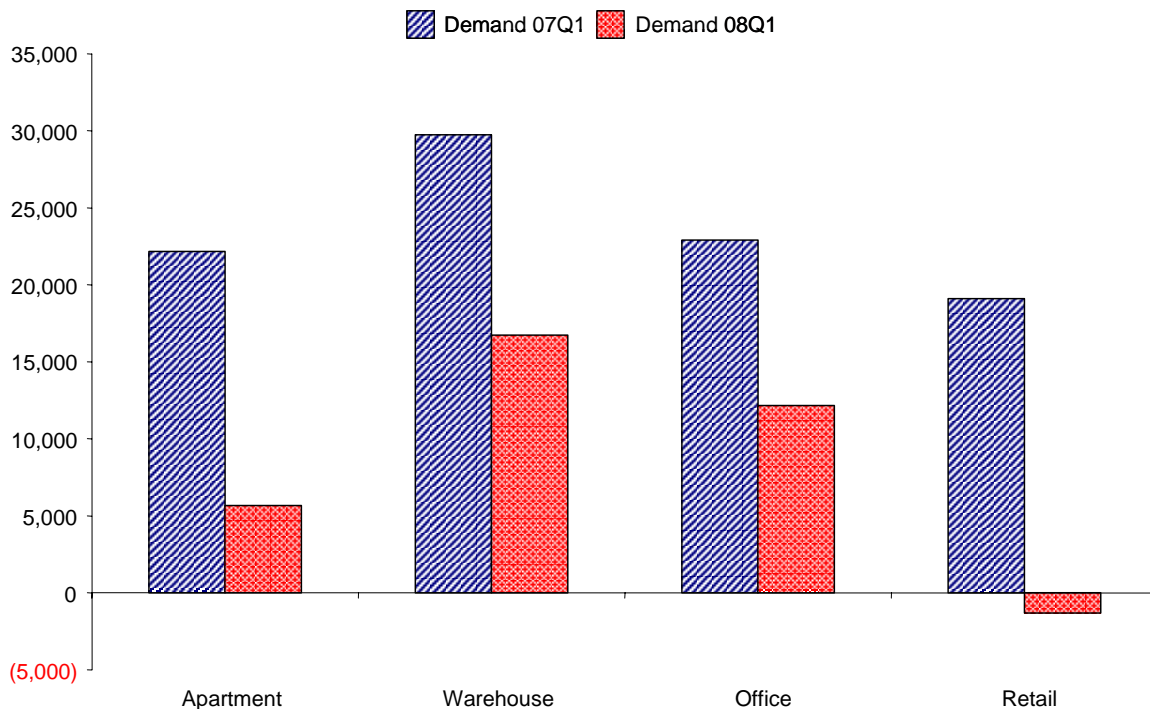
FOR IMMEDIATE RELEASE

The Outlook for 2008 is Weak, as PPR is Now Forecasting a Recession.

Boston, MA, April 29, 2008 - The housing and credit woes of mid-to-late 2007 are still rippling through the nation, and deteriorating economic conditions have led PPR to forecast a modest recession as its basecase (most likely) scenario. The recession is expected to last through the first two quarters of 2008 when the fiscal stimulus package and the Fed's easing monetary policy induces somewhat of a bounce back in the latter half of the year. In the property type markets, this suggests that 2008 will be a challenging year, as we have already seen through the first quarter.

The big story here is the decrease in demand for the PPR54 (the largest 54 metros in the U.S. and PPR's proxy for the national average). In each of the four main property types, first quarter demand is well below year-ago levels (as shown in *Exhibit 1 - Absorption in 07Q1 vs. 08Q1*). Apartment and retail endured the biggest slowdowns, with demand in the former dropping by nearly 75% and demand in the latter actually going negative in the first quarter.

Exhibit 1 — Absorption in 07Q1 vs. 08Q1

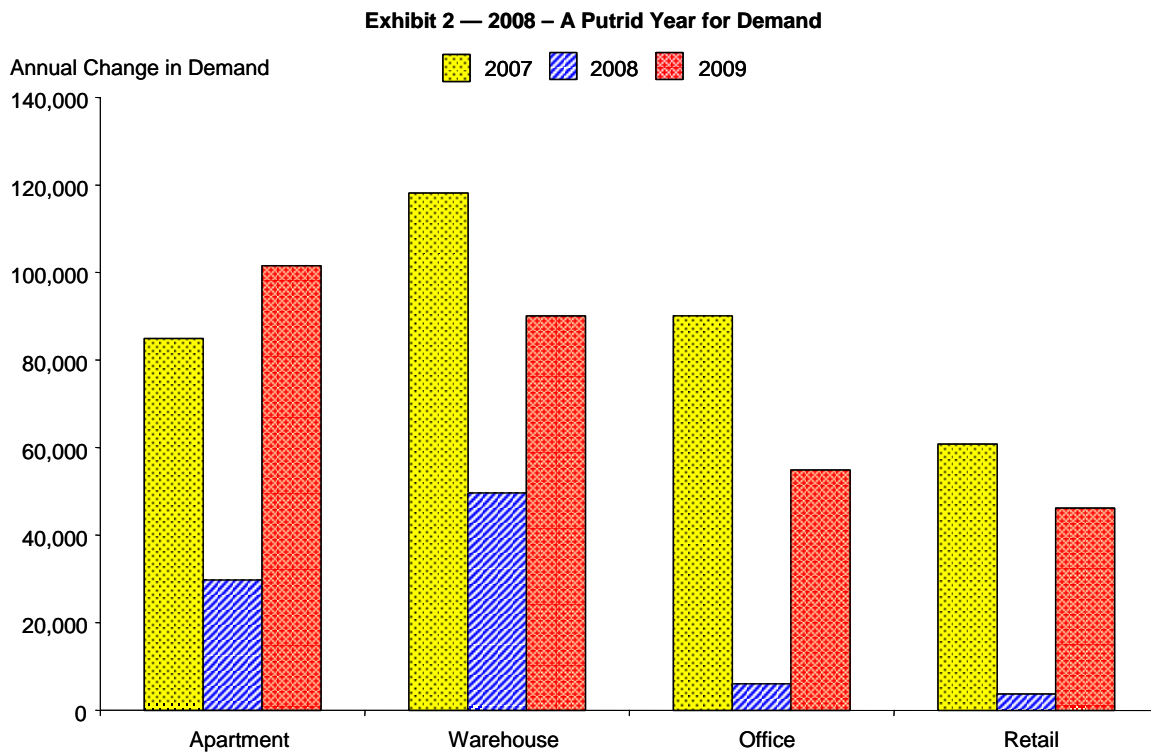


Source: PPR

While PPR expects the economy to bounce back in the latter half of 2008, demand in the four food major groups will respond more slowly, with weak absorption stretching through the end of the year. Again, retail gets hit the hardest (thanks consumers!) with net absorption (which is retail sales growth for this property type) reaching just 3.7 million SF in 2008, a far cry from the 60 million SF of absorption in 2007. Those IRS rebate checks just won't quite cover the losses in home values that many consumers are feeling nationwide.

Office will also be a weak performer, as heavy office using tenants, like those in the financial activities sector will go from hiring mode to hiring freeze. This will halt expansion plans and leave net absorption at a paltry six million SF in 2008, compared with 90 million SF in 2007.

Apartment and warehouse will also see a major pullback in demand, though these are slightly less volatile property types, so the downturn won't be quite as severe. Additionally, both apartment and warehouse enjoy a decent bounce back in 2009 (as shown in *Exhibit 2 - 2008 - A Putrid Year for Demand*), as does retail. Apartment demand will actually come back even stronger in 2009, as labor markets will be a bit looser, allowing for more substantial job growth (the bedrock of household formation).

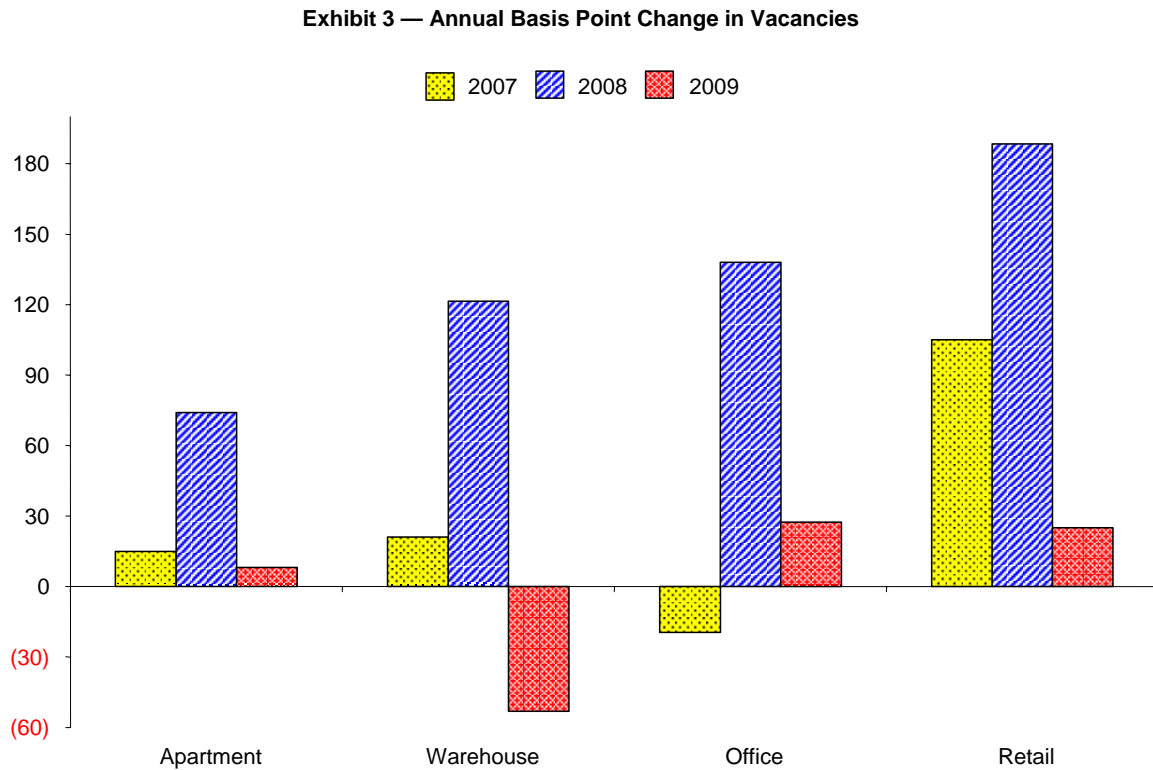


Source: PPR

Vacancies will rise at least half a percent this year in each property type...

Rising vacancies represents the confluence of two issues across all the property types: dwindling demand and heavy supply. While demand expectations are extremely modest for 2008, supply additions will still be quite strong, as developers, eager to take advantage of tight market conditions, have put steel and concrete in the ground on many projects. Most of the projects expected to deliver this year are already

underway, so it is too late to pull them off the table. The result: rising vacancies across all property types, as shown in *Exhibit 3 - Annual Basis Point Change in Vacancies*.



Source: PPR

Retail will get hit the hardest with an increase of 190 basis points. Office (140) and warehouse (120) follow. Apartment (70 basis points) escapes relatively unscathed.

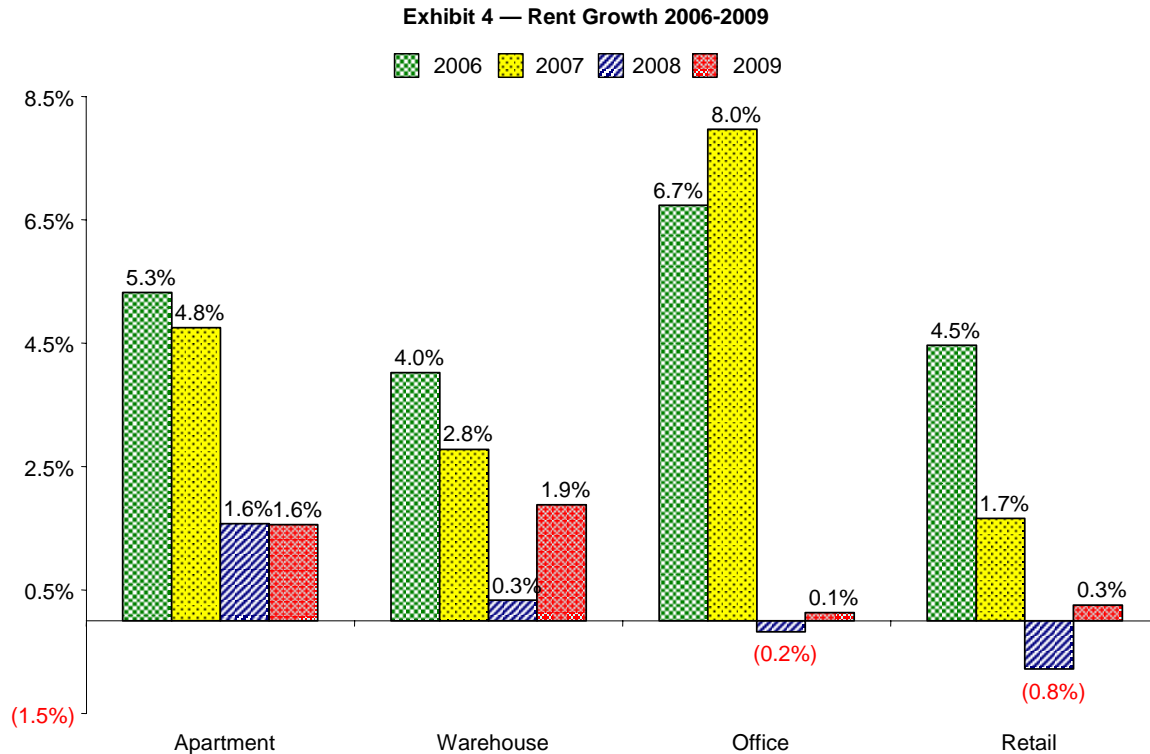
Somewhat surprisingly, however, it is not the supply-heavy markets that get hit hardest with vacancy increases. The Texans keep building (nearly all the Texas markets rank in the top 10 in percentage supply growth across all property types) but the supply is somewhat manageable since the energy sector is thriving (and helping to keep demand afloat).

Instead, the markets with the most upward movement in vacancies are the ones getting hit hardest by housing issues. Apartment vacancies are on the rise in Phoenix, Las Vegas, some metros in California (Inland Empire, Orange County), and all of Florida (the six major metros). These metros will also get hit quite hard in the office and retail markets as well, with the worst offenders seeing increases between 4-5% in 2008 alone.

There are a scarce few that will enjoy vacancy declines, and nearly all are in the apartment market, as a few a markets in the Northwest (San Fran, San Jose, Seattle) and the Midwest (Indy and Kansas City) see declines of 50 basis points or less. Every office market will suffer rising vacancies, but some survive better than others. Several of the nation's biggest office markets rank in the fifteen with the smallest vacancy increases. Los Angeles, San Francisco, Chicago, Boston, Atlanta, and Dallas will all see vacancy increases of less than 100 basis points.

2008 will be a tough year for rents...

Slowing demand and rising vacancy rates continue to hamper rent growth (see *Exhibit 4 - Rent Growth 2006-2009*). In all property types, annual rent growth will slow severely from 2007 levels. The worst laggard for 2008 will be retail, with almost a 1% loss. Office rents will also post a net loss this year and account for an 800 basis-point swing from 2007 levels. While warehouse rents will disappoint, they will still manage to push forward slightly. Apartment rents stand to gain the most in 2008, but that's not saying much, as growth will be a meager 1.6% for the year.



Source: PPR

Given slowing economic conditions and their impact on commercial real estate markets, market selection is more important than ever. Retail rents will suffer the most in Phoenix and Las Vegas while Seattle and San Francisco will see some of the largest gains. Office rent growth in Houston and Seattle will be over 6% in 2008. Apartment rents will take the biggest hits in Fort Worth, Phoenix and Las Vegas. With such dramatic differences in performance, it's important to know your markets, and PPR can help you decide what markets are right for your strategy!