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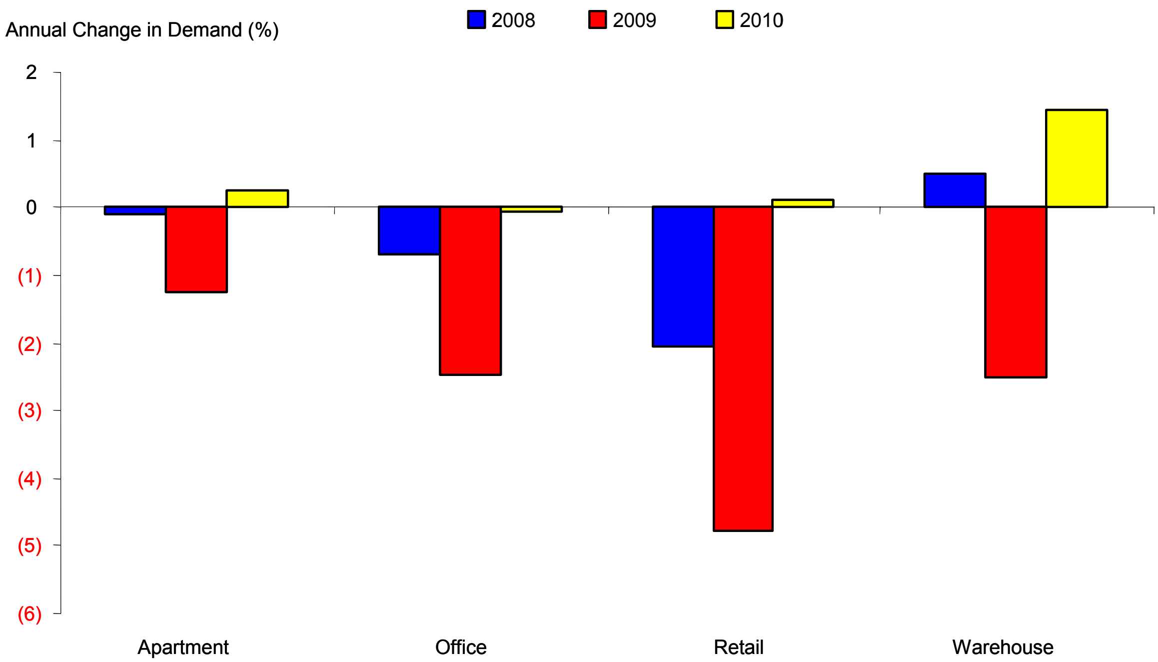
FOR IMMEDIATE RELEASE

Boston, MA (April 29, 2009) - The choppy waters of 2008 turned into a tempest by year-end, and although we're well into 2009, the storm rages on. The national unemployment rate is now at its highest level since the early '80s, and the underlying drivers of demand for commercial real estate are sinking fast.

Demand will hit rock bottom this year.

The second half of 2008 was brutal across most markets but demand is expected to be sharply negative for the entire year in 2009, bringing net absorption to even lower levels (see *Exhibit 1*). Retail will suffer the biggest setback this year, in the wake of a tremendous drop-off in consumer spending. Apartment will endure the lightest demand loss in 2009 but that's not saying much, as this will still be the heaviest loss in apartment demand over the last 25 years.

Exhibit 1: Demand Hits Rock Bottom in 2009

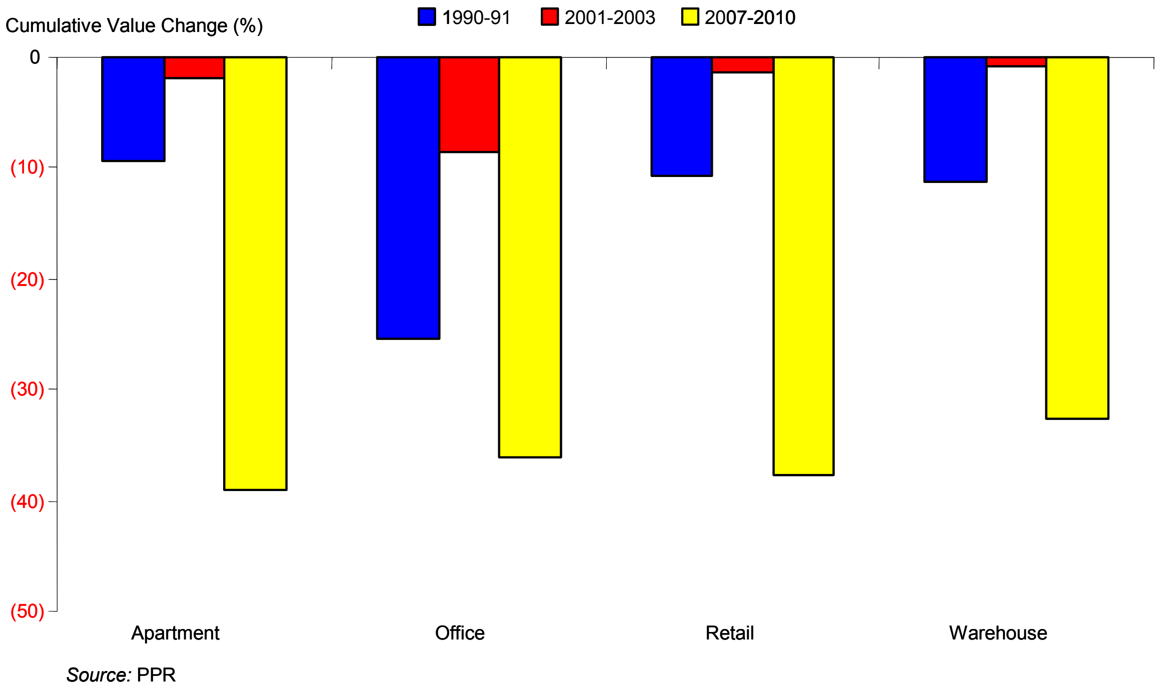


Source: PPR

CRE owners will have to swallow hard - value losses are here.

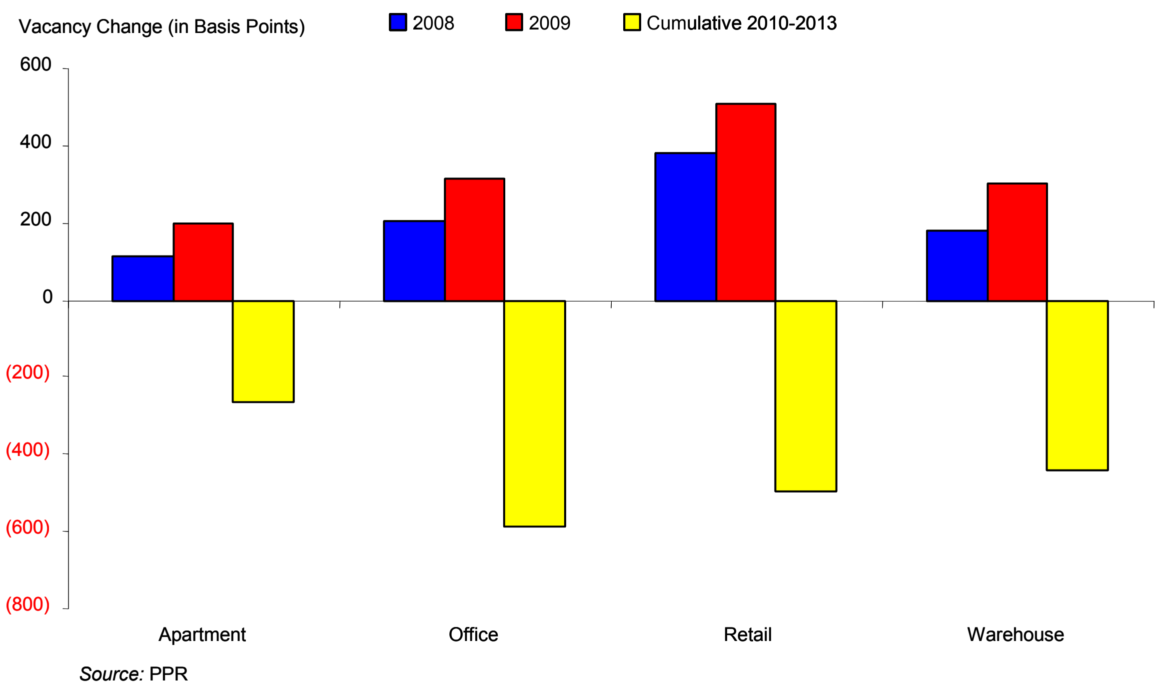
Although there has been much debate over what "mark-to-market" really means in this unprecedented environment, owners cannot ignore their falling income streams. Cumulative NOI losses will be in the double digits for all four major property types, and these declines will induce heavy value losses. In fact, the cumulative value loss in each property type will be at least 30% and will be far worse than in the previous two recessions (see *Exhibit 2*). As the market responds to the huge inflation in values over the past few years, apartment is expected to narrowly edge out the other property types for the worst value losses.

Exhibit 2: Values Losses Will Be Much More Severe In This Recession



The seeds of recovery have been planted, but it may be a while before they grow.
Maybe it's just that spring has finally arrived at PPR's North American office in Boston, but the five-year outlook does contain some glimmers of hope. The federal government is clearly dedicated to getting the country back on track (no matter how many greenbacks it takes!), and the stock market endured a brief rally in the first quarter that showed at least some level of confidence in the nation's economy. New construction, or the lack thereof, will directly benefit commercial real estate fundamentals - well, it at least won't make things any worse!

Exhibit 3: Vacancies Will Eventually Tighten



With supply underway at a 17-year-low, and the nation expected to begin recovering next year (fueling some positive demand), vacancies will peak in all four property types in 2010. Though the recovery will differ metro to metro, vacancies will generally cycle back down over the remainder of the forecast (see *Exhibit 3*), giving hope to CRE investors that red will turn to black once again.