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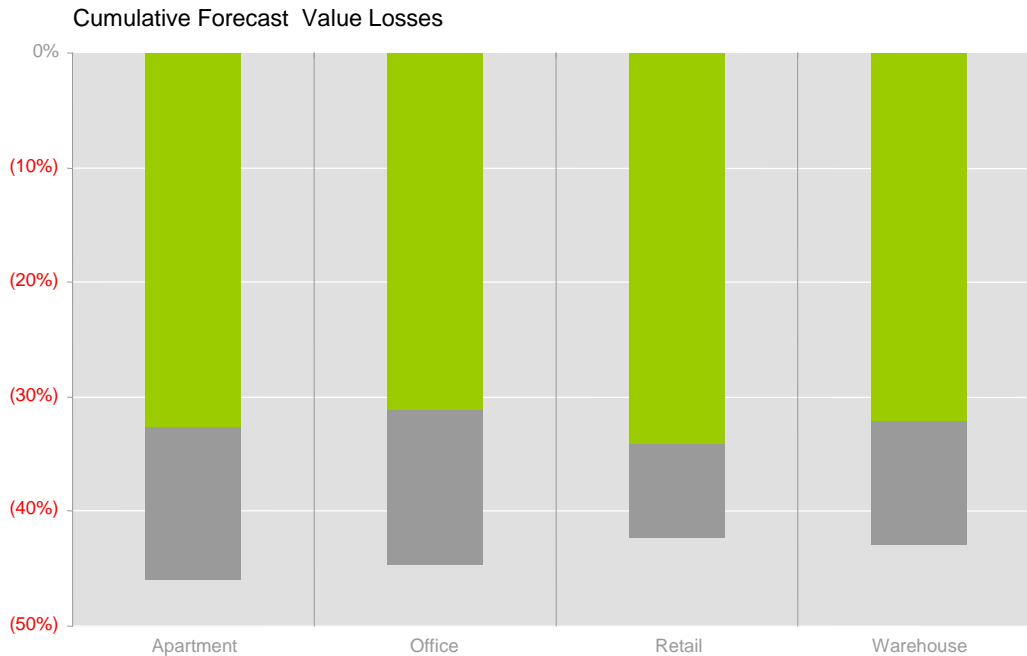
PPR RELEASES THIRD QUARTER 2009 FORECASTS

"In Search of the 'Holiday Road'"

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The worst of the value losses may be behind us - that is, if you have actually already written your property down by 30%+ from the 2007 peak. That's the good news for owners in the PPR 2009Q3 forecast release. (See *Exhibit 1.*) Those longing for fundamentals to improve and praying for incomes to stabilize, however, will find no immediate relief in this forecast. The growing consensus is that the worst of the economic recession has passed, but it does not follow that the worst has passed for commercial real estate. There are natural lags in the economy: between GDP growth and job growth and between job growth and real estate income growth. In short, expect the income recovery to be about a year behind any recovery in the broader economy.

EXHIBIT 1: VALUES — MORE DEPLETED THAN COUSIN EDDIE



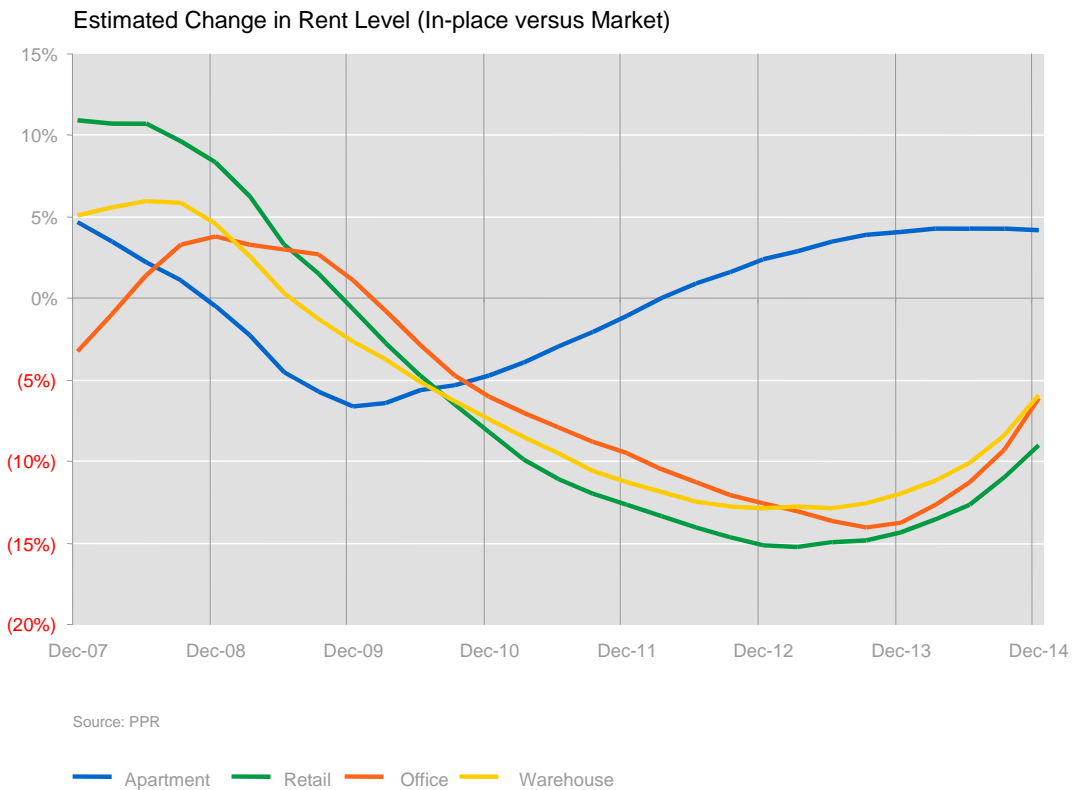
Source: PPR

Losses To Date 2008 Downturn

Values should bottom out in early 2010. But commercial real estate will need to get through a full year of demand growth (and vacancy declines) before rents stop falling and start to improve. Look to mid-2011 for rents to start moving up.

Incomes will follow rents. A turn-up in rents will affirm that landlords have taken back some pricing power and a recovery has rooted. Combined with occupancy gains, this will soon lead to growing operating incomes. How soon, though, depends on lease structures. Your typical commercial real estate asset should see NOIs improve by mid-2011. However, for individual owners, lease rollovers could extend the pain of the recession. Indeed, as shown by our estimates in *Exhibit 2*, average rent roll downs will not fully pass through the market before 2014. Apartments and hotels (not pictured) will be the exception, given lease terms of one year and one day, respectively.

EXHIBIT 2: RENT ROLLS — A BIGGER THORN THAN AUNT EDNA

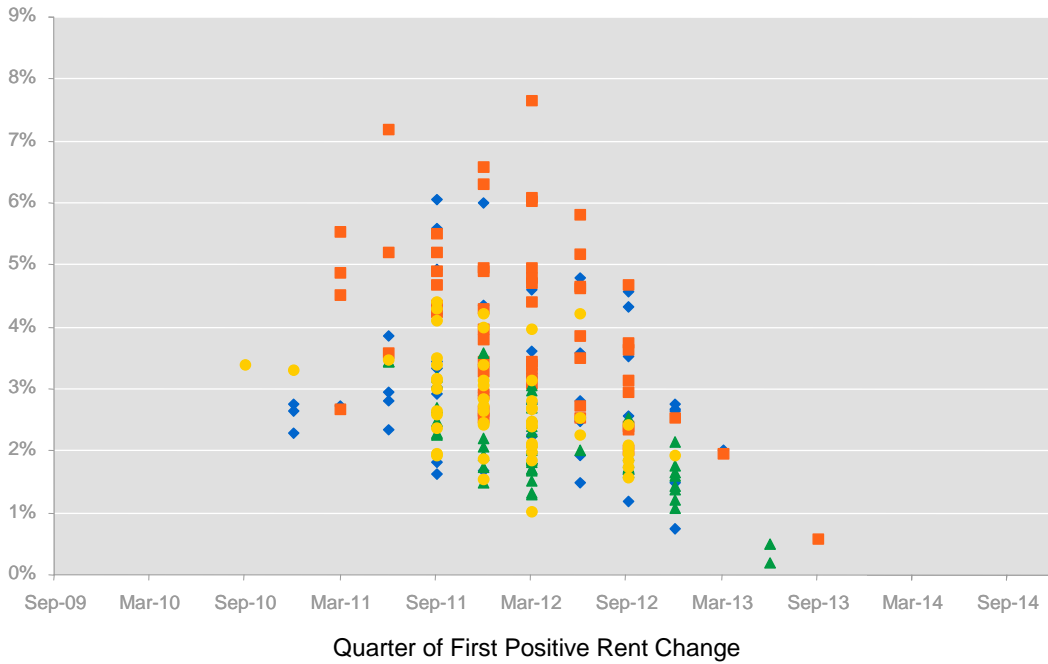


There will be differences between markets - Washington, D.C., with a hand from Uncle Sam, will be an early leader, as will tech-centric markets and energy hubs like Houston. Once the recovery takes hold, office's volatility should ignite the most upside rent growth (though lease roll downs could more than counteract the positives). Boston and Orange County in particular will stand out over the forecast. Retail rent growth will generally lag everywhere, especially in markets with the biggest supply hangovers. Selected apartment markets, including the Bay Area, should enjoy strong rent gains due to a lack of

construction and strong occupancy gains. (See *Exhibit 3.*) Nevertheless, the first sprout of rent improvement in any market across the PPR54 is still at least a year away.

EXHIBIT 3: SORRY FOLKS, WALLY WORLD CLOSED FOR REPAIRS
NOT TO REOPEN UNTIL SUMMER 2011

Average Annual Forecast Rent Growth
(From Quarter of First Positive Change to Forecast End)



Source: PPR

◆ Apartment ■ Office ▲ Retail ● Warehouse