

OFFICE SECTOR

Early gains in office leasing have moderated. Job creation remains the key to sustained improvements.

- After having turned positive in the first half, net absorption fell flat in the third quarter of 2010. While office vacancy rates have been generally unchanged in recent months, concessions have narrowed slightly, allowing effective rents to rise even as asking rents trend lower.
- Firms at the leading edge of the recovery are actively pursuing opportunities to trade-up to higher quality space, taking advantage of lower rents and more favorable terms from prospective landlords. This has allowed rent and occupancy levels to stabilize earlier in leading submarkets.
- Looking forward, sustained improvements in fundamentals require stronger job growth. The economy shed 95,000 jobs in September, weighed down by government cuts. In the private sector, gains in professional and business employment are still concentrated in administrative and waste services. Financial services have continued to shed jobs, reducing payrolls by 4,000 positions in August. Year-over-year through August, financial services employment had fallen by 119,000 jobs.
- **In New York City, the outlook is somewhat brighter than at the national level. The City boasts 48,500 more jobs in August than a year earlier. The unemployment rate in New York City has fallen from 10.1 percent to 9.4 percent over the same period.**

RETAIL SECTOR

Consumers confidence remains weak, constraining spending growth and clouding the retail sector outlook.

- Retail sales increased by 0.4 percent from July to August. Excluding motor vehicle sales, the narrower measure of retail sales improved by 0.5 percent. Year-over-year, retail sales have increased by 3.7 percent, buoyed by higher gasoline prices and increases in Internet sales. Activity at traditional retailers, however, has lagged the broader trend.
- Consumers remain circumspect in their assessment of the housing and job market recoveries. Savings rates remain elevated as a result, at 5.8 percent as of August. A rebound in confidence and a resulting increase in consumer spending remain missing links to a stronger and more sustained retail sector recovery.
- In parallel with the cautious retail sector outlook, retailers have held off on expanding payrolls. Overall retail employment declined by 2,000 jobs in August. Jobs were lost across the board in traditional retailing sectors, offset by increases at auto dealerships. In September, retail employment increased by 5,700 jobs.
- **Initial improvements in New York City's retail sector, for the aspirational and luxury segments in particular, are being supported by a sharp increase in tourism activity. In the first half of 2010, the City hosted 23.5 million visitors, up 8.8 percent from the first half of 2009 and on track to surpass the all-time tourism high, set in 2008.**

INTERNATIONAL MARKETS

Austerity measures curb Euro Zone growth and retail spending. Instability in the sovereign debt market threatens outlook.

- In spite of strong growth in the second quarter, the British economy is projected to grow by just 1.5 percent in 2010 and by 1.9 percent in 2011. This compares poorly with forecasts for the US and Canadian economies but exceeds the outlook for the Euro area, where growth is projected to fall from 1.5 percent in 2010 to 1.3 percent in 2011.
- Across the Continent, northern European nations, including Germany and the Scandinavian nations, present a more stable outlook for consumers and businesses. As of September, Greece is the only major Euro area economy that is expected to contract in 2011. But the impact of severe budget cutbacks and other austerity measures, in Ireland, Greece, and Spain, amongst others, still threatens to spill over into the broader European economy.
- Constrained by tepid income growth, British retail spending fell by 0.5 percent between July and August. Euro area spending fell by 0.4 percent. British spending is up 0.5% year-over-year. Over the year, Euro area spending is up 1.1 percent, powered by a 6.1 percent increase in France. Apart from Greece, spending also fell sharply in Spain, where the unemployment rate has climbed to 20.3 percent as of July.

PBS ECONOMIC SNAPSHOT

ISSUE #12

COMMERCIAL

OFFICE

RETAIL

GLOBAL

MARKET GAUGES TEAR SHEET

Selected Office Sector Indicators

Indicator	Current	Date	Previous	Date
Professional & Business Services Employment Change	+14,000	September	+28,000	August
Financial Services Employment Change	-1,000	September	-3,000	August
Unemployment Rate	9.6%	September	9.6%	August
<i>For Full Time Workers</i>	10.4%	September	10.3%	August
<i>In New York City</i>	9.4%	August	9.4%	July
Office Property Construction Spending	-0.1%	August	-6.9%	July

Selected Retail Sector Indicators

Indicator	Current	Date	Previous	Date
Personal Income	+0.5%	August	+0.2%	July
Inflation (Consumer Prices)	+0.3%	August	+0.3%	July
Retail Spending (On All Products)	+0.4%	August	+0.3%	July
Retail Spending (Excluding Spending on Cars and Food)	+0.6%	August	+0.1%	July
Savings Rate of American Households	5.8%	August	5.7%	July
Retail Employment Change (Jobs Gained or Lost)	+5,700	September	-2,000	August
Retail Construction Spending	-4.6%	August	-1.4%	July

Selected International Indicators

Indicator	Current	Date	Previous	Date
Britain				
Exchange: Dollars Per British Pound	\$1.59	October	\$1.54	September
Unemployment Rate	7.8%	July	7.8%	June
GDP Change	+1.2%	2010 Q2	+0.4%	2010 Q1
Inflation (Consumer Prices, From Year Ago)	+3.1%	August	+3.1%	July
Retail Spending	-0.5%	August	+0.8%	July
Euro Area				
Exchange: Dollars Per Euro	\$1.35	October	1.28	September
Unemployment Rate	10.0%	July	10.0%	June
GDP Change	+1.0%	2010 Q2	+0.2%	2010 Q1
Inflation (Consumer Prices, From Year Ago)	+1.8%	September	+1.6%	August
Retail Spending	-0.4%	August	+0.1%	July

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