

PBS MONTHLY JULY 2009

PBS REAL ESTATE | COMMERCIAL | OFFICE | RETAIL | GLOBAL

MARKET GAUGES TEAR SHEET

Selected Office Sector Indicators

Indicator	Current	Date	Previous	Date
Professional & Business Services Employment Change	-118,000	June	-51,000	May
Financial Services Employment Change	-27,000	June	-30,000	May
Unemployment Rate	9.5%	June	9.4%	May
<i>For Full Time Workers</i>	10.3%	June	10.2%	May
<i>In New York City</i>	9.0%	May	8.0%	May
Office Property Construction Spending	-1.9%	April	-0.1%	March

Selected Retail Sector Indicators

Indicator	Current	Date	Previous	Date
Personal Income	+1.4%	May	+0.7%	April
Inflation (Consumer Prices)	-1.3%	May	-0.7%	April
Retail Spending (On All Products)	+0.5%	May	-0.2%	April
Retail Spending (Excluding Spending on Cars and Food)	+0.5%	May	-0.2%	April
Savings Rate of American Households	+6.9%	May	+5.6%	April
Retail Employment Change	-17,500	May	-36,000	April
Retail Property Construction Spending	+1.0%	April	-1.5%	March

Selected International Indicators

Indicator	Current	Date	Previous	Date
Britain				
Exchange: Dollars Per British Pound	\$1.65	July 1	\$1.65	June 1
Unemployment Rate	7.2%	2009 Q1	6.3%	2008 Q4
GDP Change	-7.4%	2009 Q1	-6.5%	2008 Q4
Inflation (Consumer Prices)	+2.2%	May	+2.3%	April
Retail Spending	+2.4%	April	+0.8	March
Euro Area				
Exchange: Dollars Per Euro	\$1.41	July 1	\$1.42	June 1
Unemployment Rate	9.2%	April	8.9%	March
GDP Change	-9.7%	2009 Q1	-6.9%	2008 Q4
Inflation (Consumer Prices)	0.0%	May	+0.6%	April
Retail Spending	-2.3%	April	-4.2%	March

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

OFFICE SECTOR

With rents falling, stable firms are trading into higher quality space.

- National employment fell by 467,000 jobs in June. As a result, the unemployment rate jumped to 9.5%, up from 9.4% in May and 8.9% in April.
- In spite of the increase in job losses between May to June, the downturn in the labor market is beginning to ease. In each of the four previous months, employment fell by between 504,000 and 741,000 jobs.
- Job losses in professional and business services remain large. In New York City, job losses in financial services and related professions have pushed direct and sublet availabilities to their highest levels since 2004. As of May, the City's overall unemployment had risen to 9.0%, up from 8.0% in April.
- New leasing activity related to company expansions remains weak. New leases relating to company relocations is relatively stronger. In particular, firms with pending lease expirations are taking advantage of lower rents and larger tenant improvement allowances in premiere office districts.

RETAIL SECTOR

Improving consumer sentiment may encourage spending.

- Retail sales, excluding spending on automobiles and food services, increased by 0.5% in May. Sales have fallen by 9.6% over the last year.
- The largest declines have been in furniture and home furnishings, at electronics and appliance stores, and at building and garden supply retailers. Apparel retailers have experienced relatively smaller declines in sales.
- Consumer spending has slowed faster than disposable income. Savings rates increased sharply last Fall, in tandem with the decline in consumer sentiment after last September. As of this May, the savings rate had climbed to 6.9%, its highest level in since 1993.
- The job market is expected to remain weak for some time, exerting downward pressure on spending. Nonetheless, consumer spending is expected to increase over the next few months. Improving sentiment is a leading indicator of consumer spending habits. The current indicators suggests that savings rates will fall and spending activity will pick up later this summer.

INTERNATIONAL MARKETS

In spite of slowdown, retail spending in Europe holds up better than expected.

- The Euro economy contracted at an annual rate of 9.7% in the first quarter of 2009. In Britain, the economy contracted at a rate of 7.4%. In both instances, the rate of decline in economic activity is outpacing the United States. Economists expect modest growth to resume in mid-year 2010.
- The Euro unemployment rate jumped to 9.2% in April, the most recent month for which data is available, and is projected to pass the United States in next month's update. Parts of Northern Europe and Scandinavia have diverged from the broader trend. The unemployment rate remains below 5% in the Netherlands, Denmark, and Norway, as well as in Switzerland and Austria.
- In spite of the severity of the economic downturn, retail spending in the Euro area has registered a smaller decline than in the United States. On all products, Euro retail spending in April was down 2.3% from the previous year, as compared to the current 9.6% decline in the United States.