
2008: A Challenging Year For
Commercial Real Estate

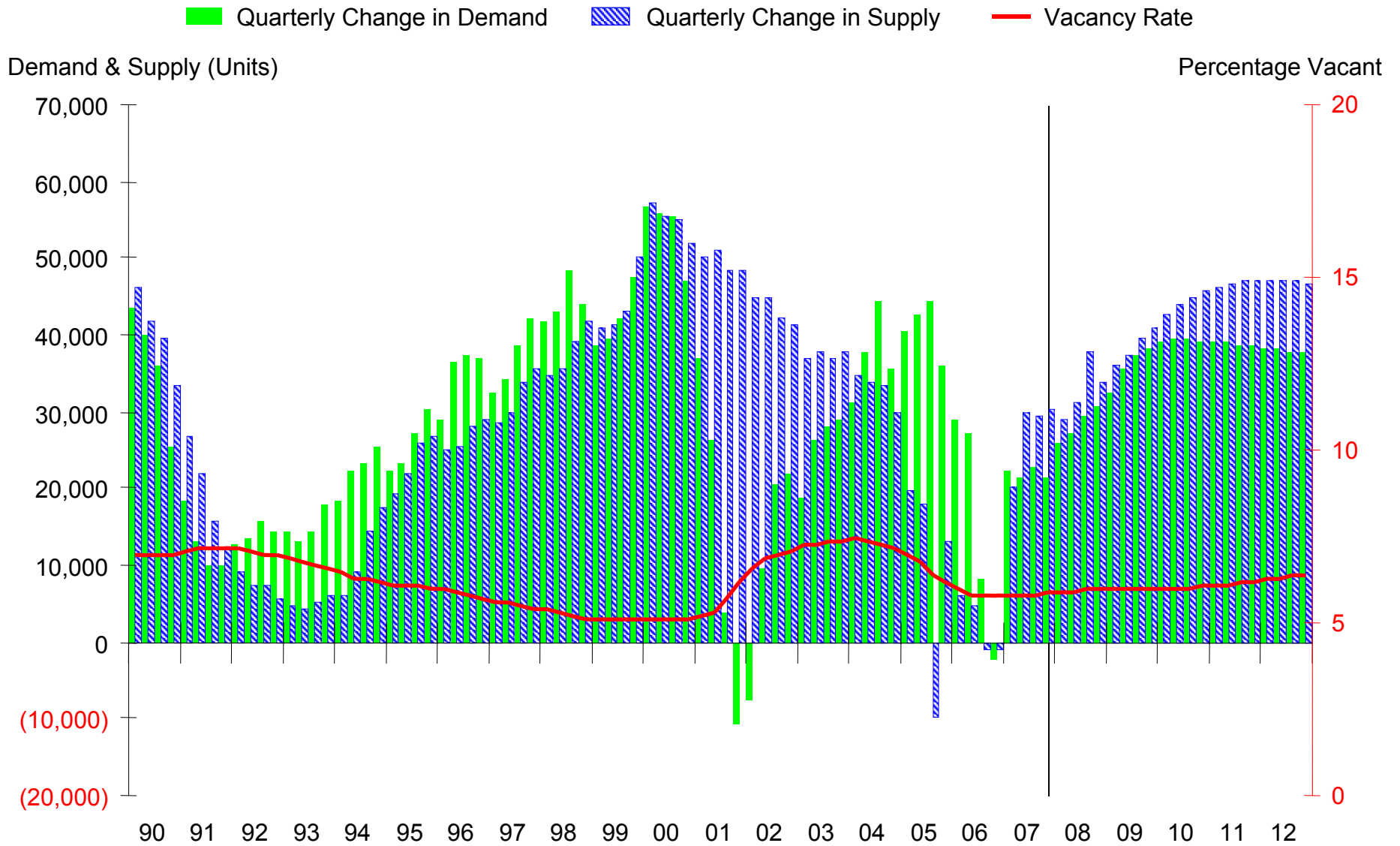
PPR

NAIOP / January 8, 2008

Property & Portfolio Research, Inc.

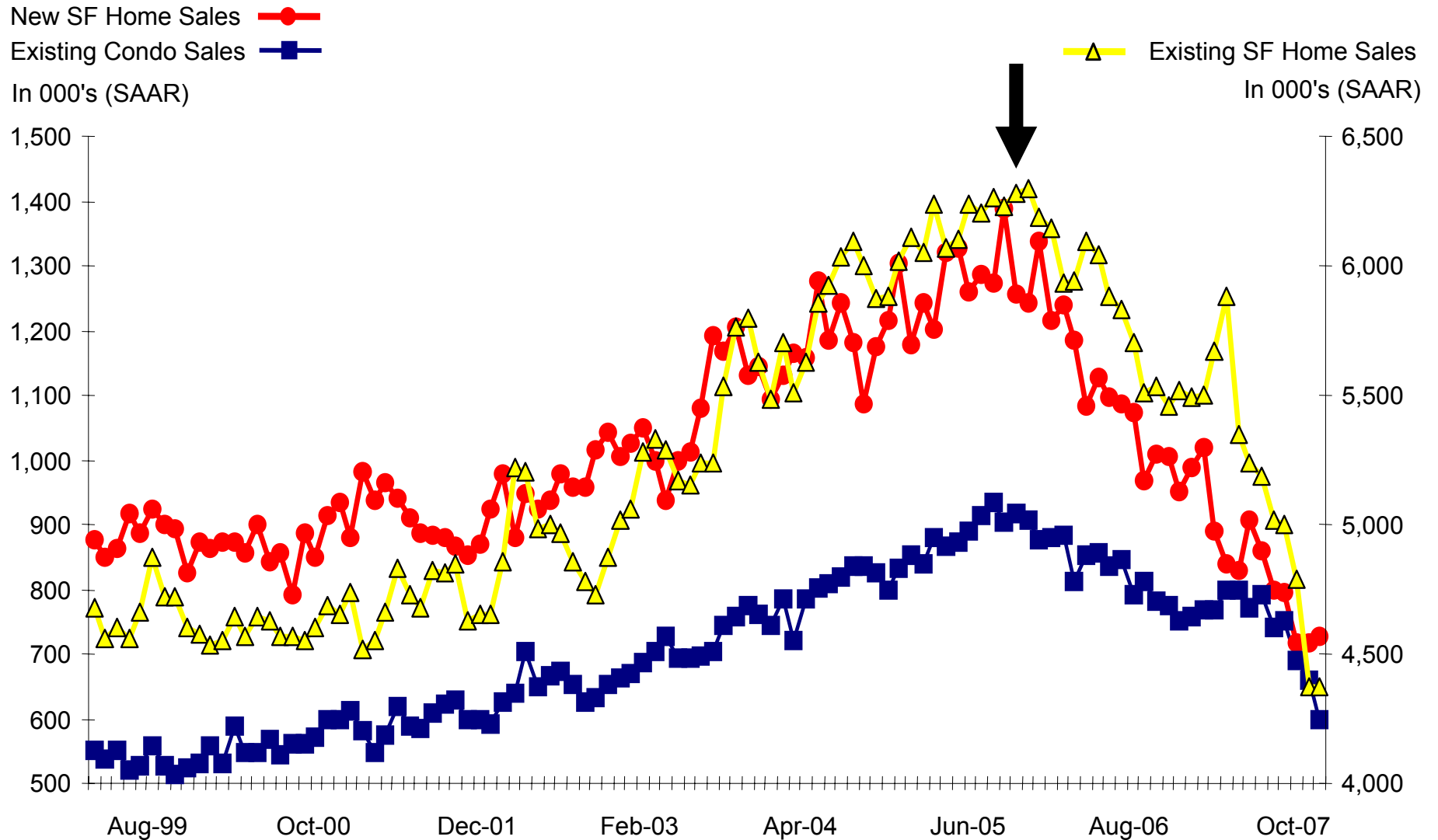
www.ppr.info

National Apartment Vacancies At A 5+ Year Low



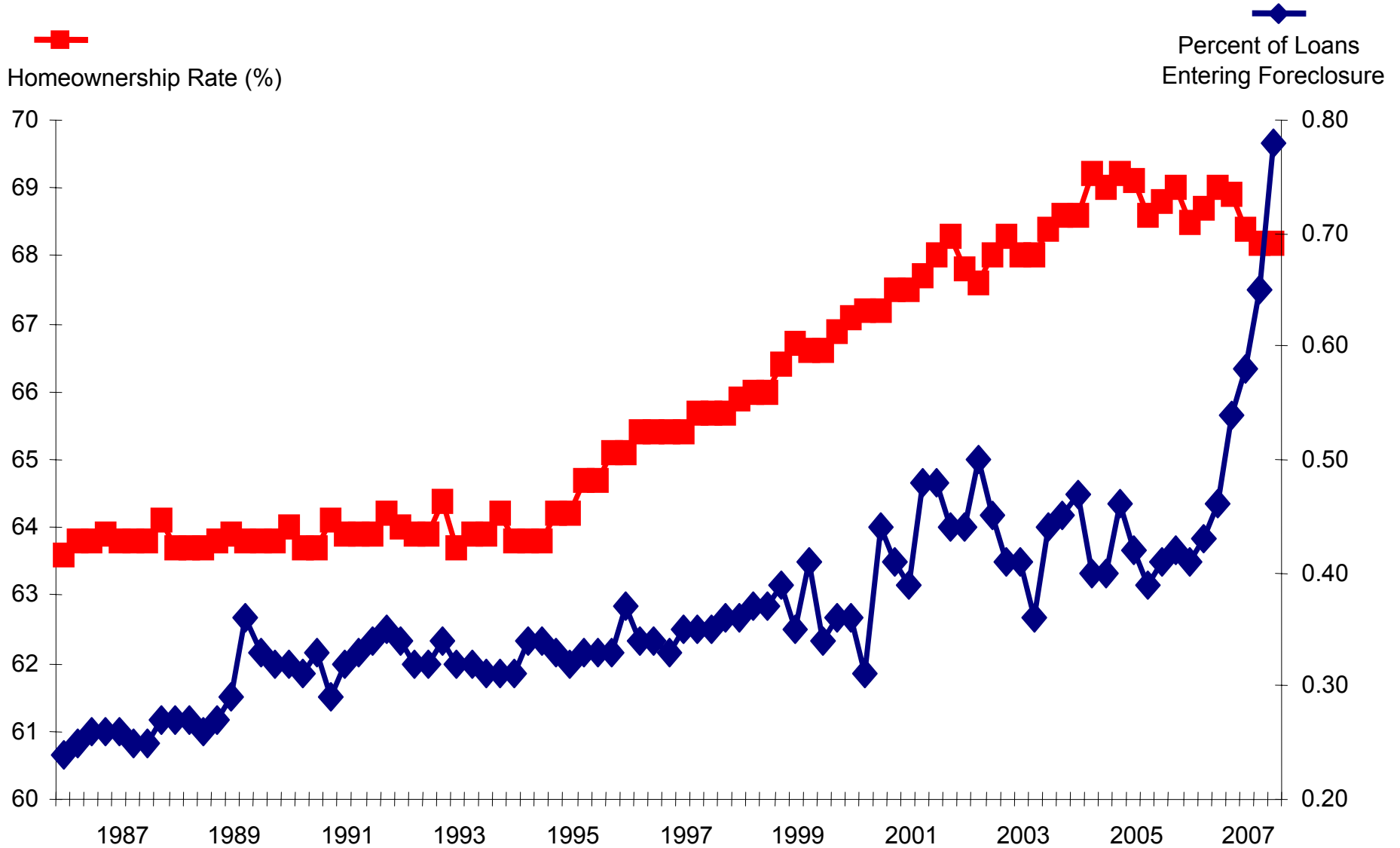
Source: PPR (PPR54)

So, How Bad Is The For-Sale Housing Market?



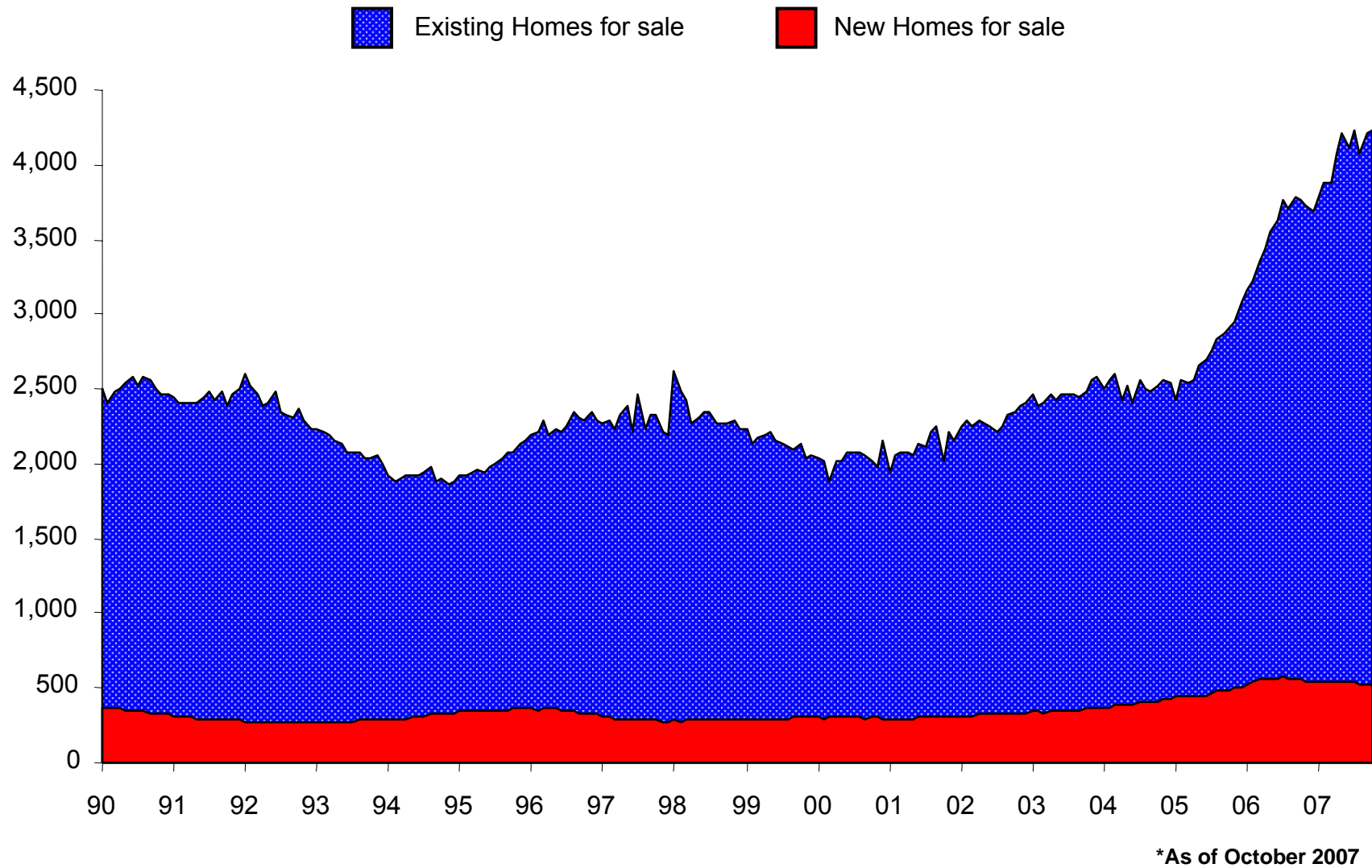
Sources: NAR; U.S. Census Bureau

Homes Entering Foreclosure Are At Historic Highs



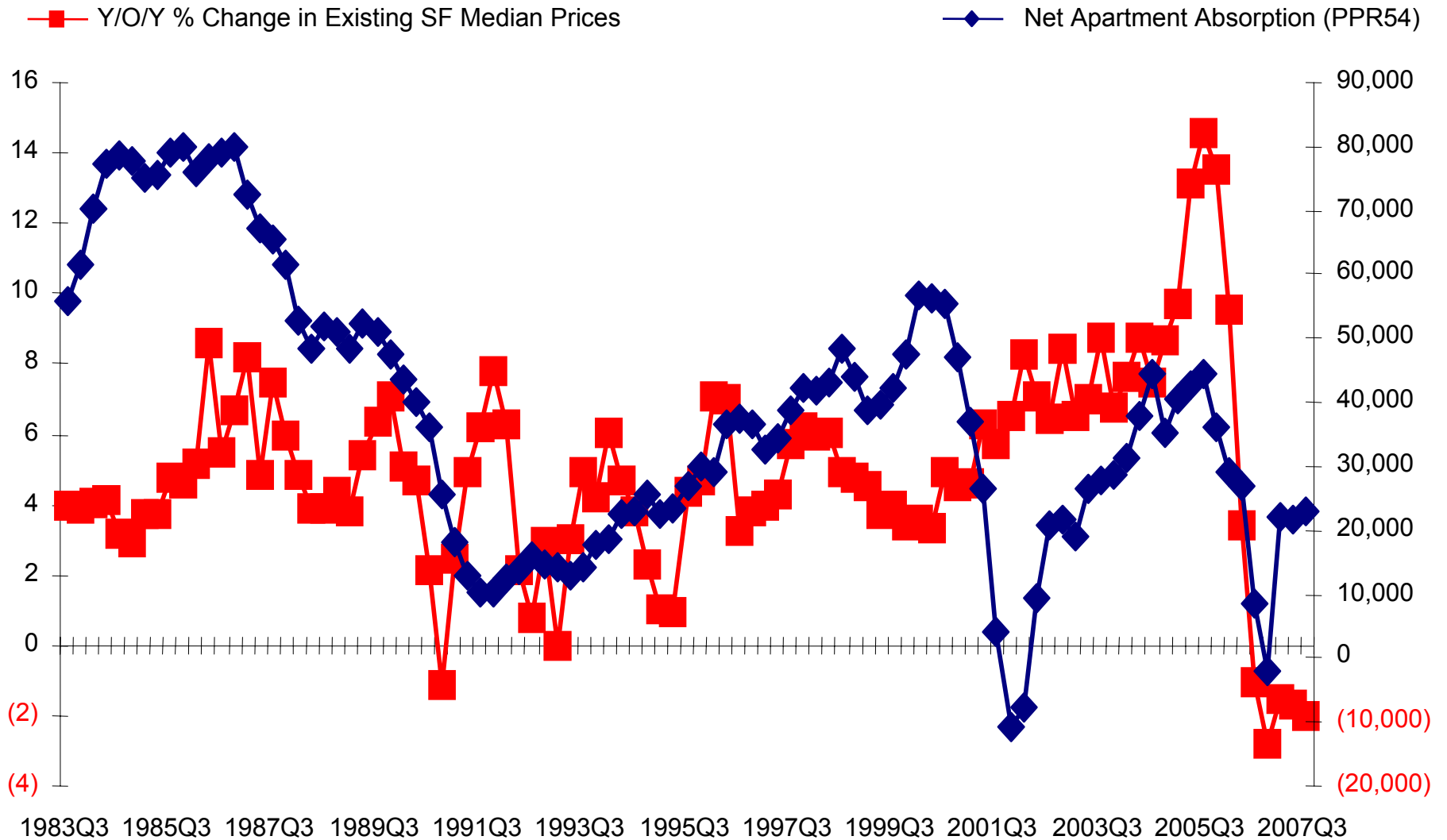
Source: MBA; U.S. Census Bureau (Thru 07Q3)

Anybody Want To Buy A Single-Family House?



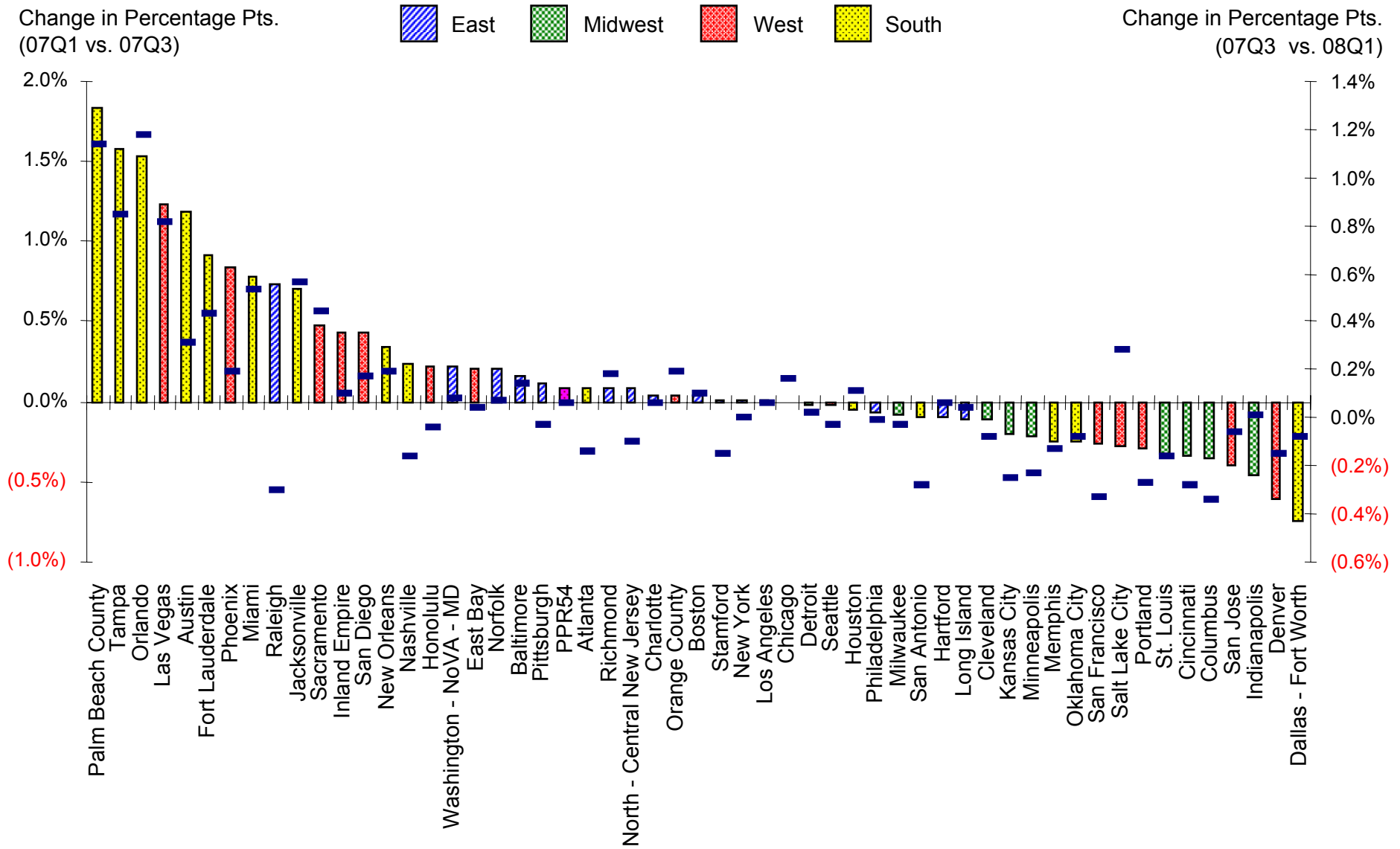
Sources: National Association of Realtors; Census Bureau

But, Falling Home Prices ≠ Dramatic Spike In Apartment Demand



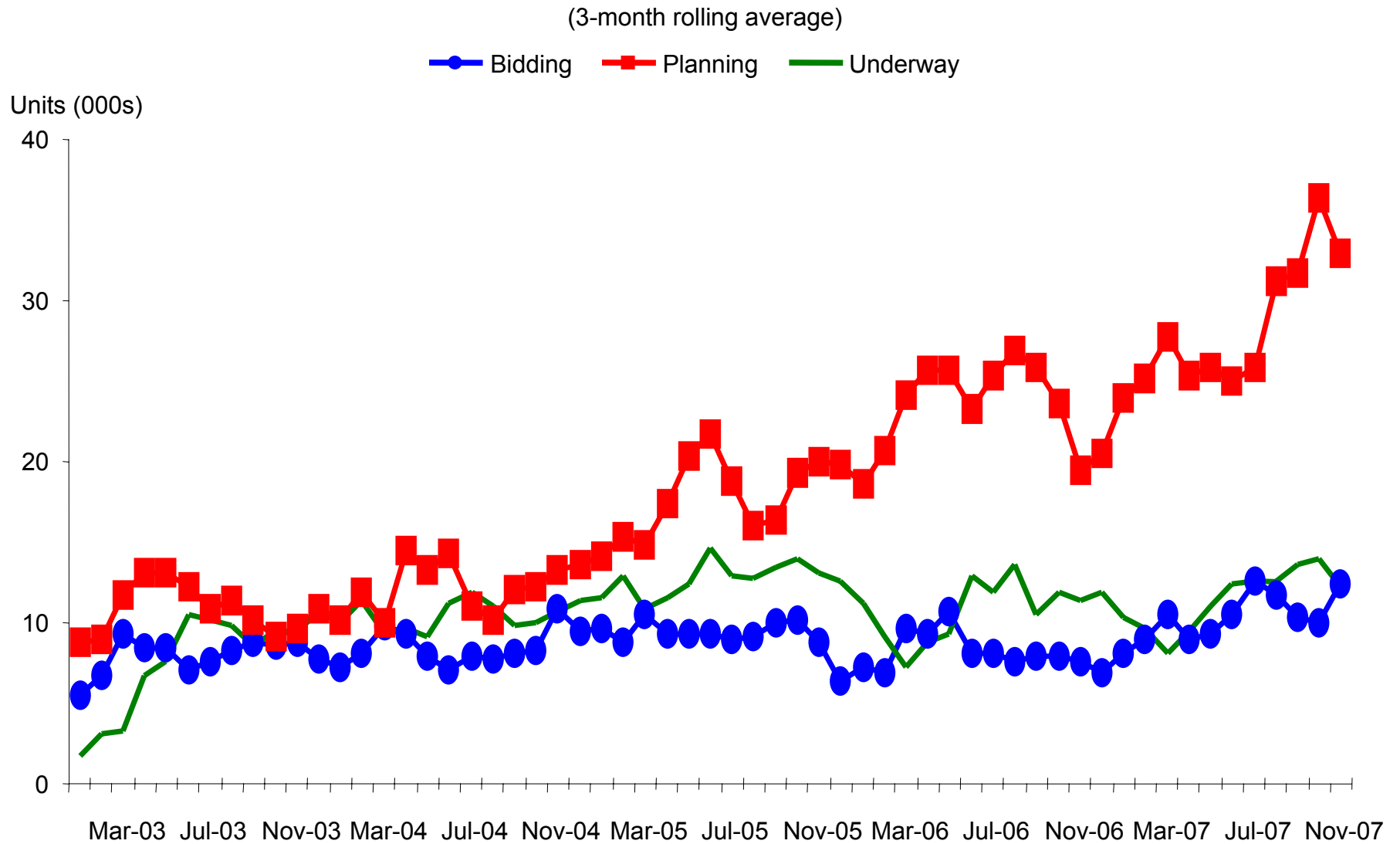
Source: NAR; PPR

Many Metros Will See Apartment Vacancies Slip In The Next 6 Months



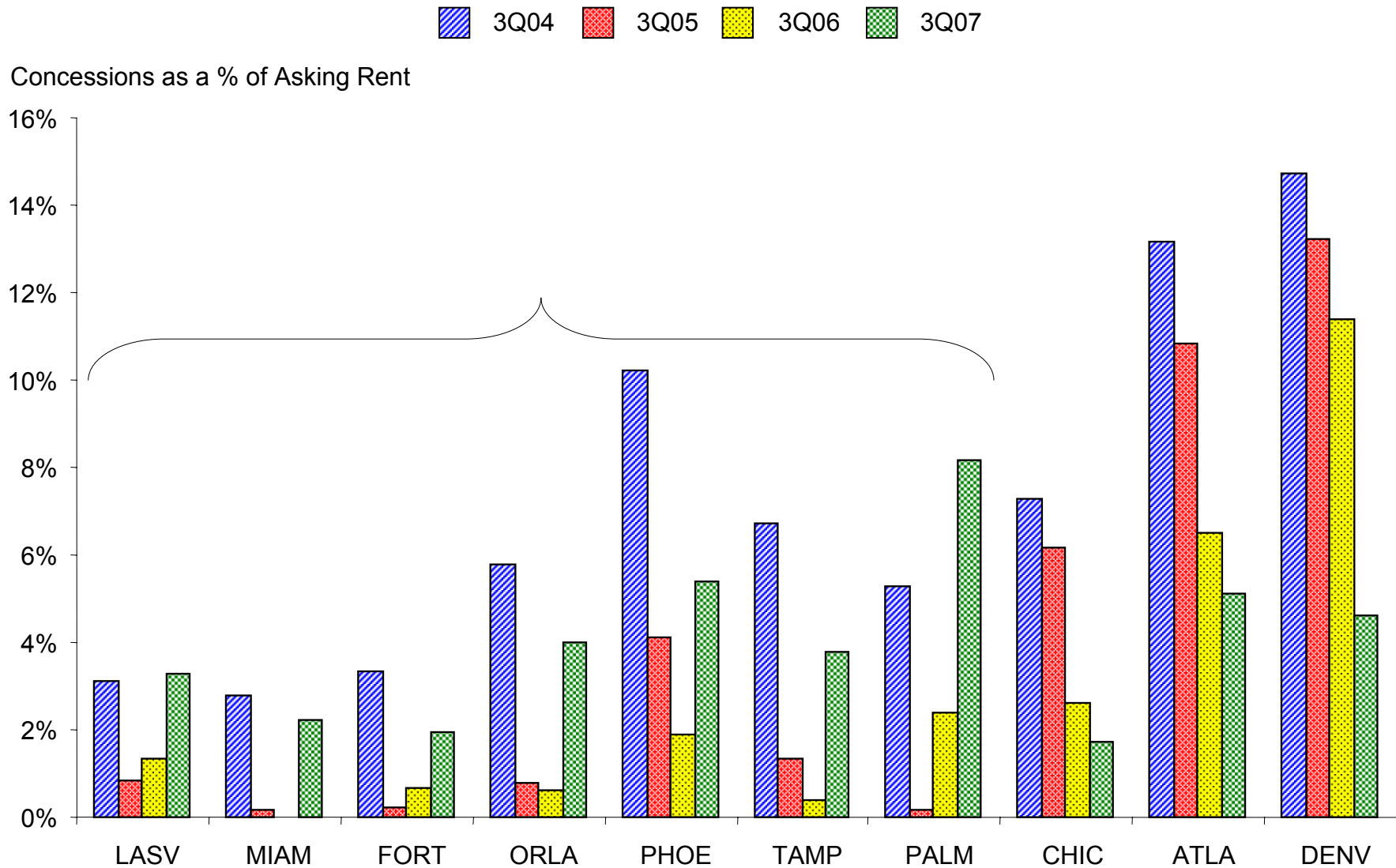
Source: PPR

Apartment Projects Entering the Planning, Bidding, and Underway Phases



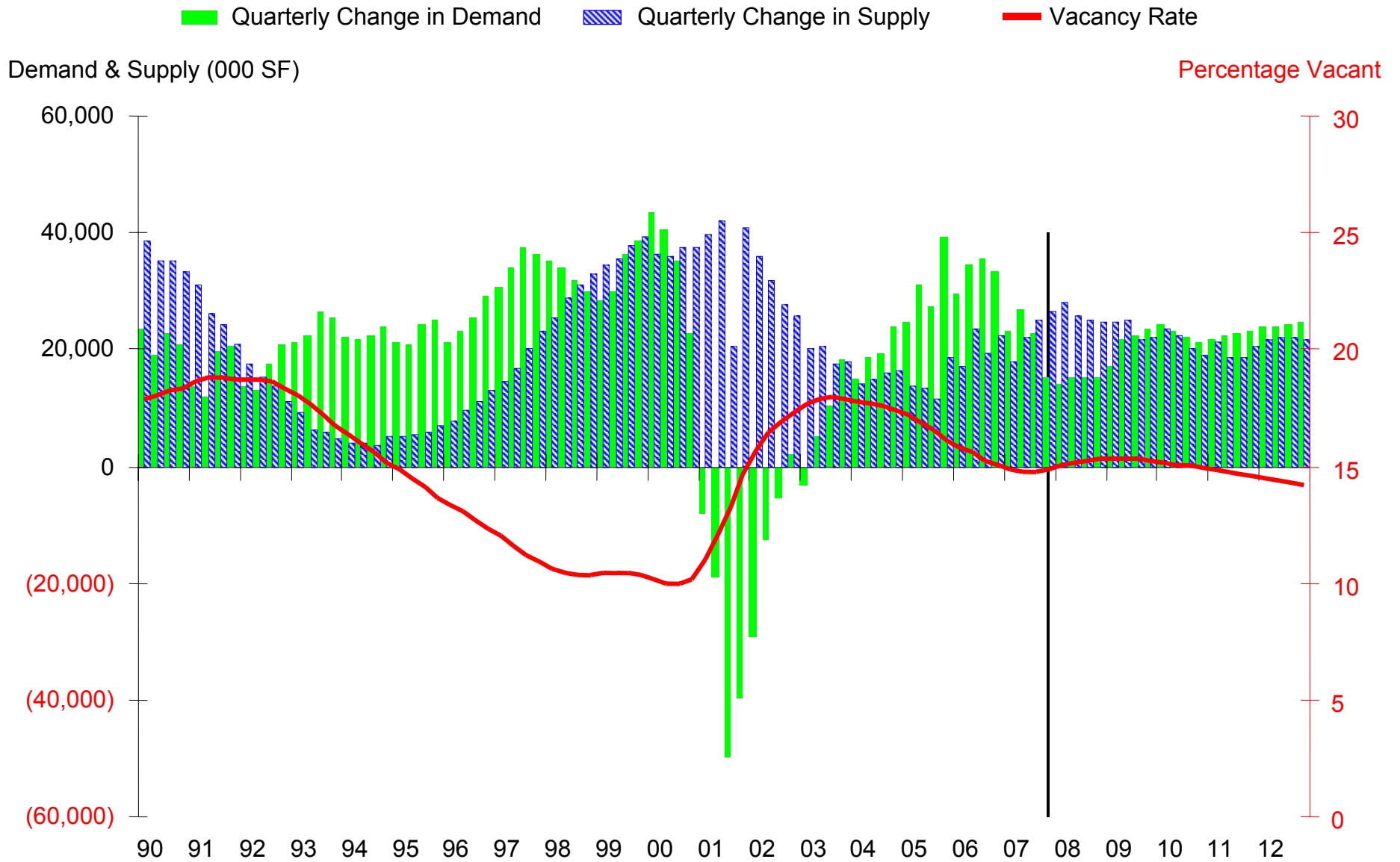
Source: PPR/Reed ConstructionTrak

Apartment Concessions Are On The Rise (Again...) In Some Metros



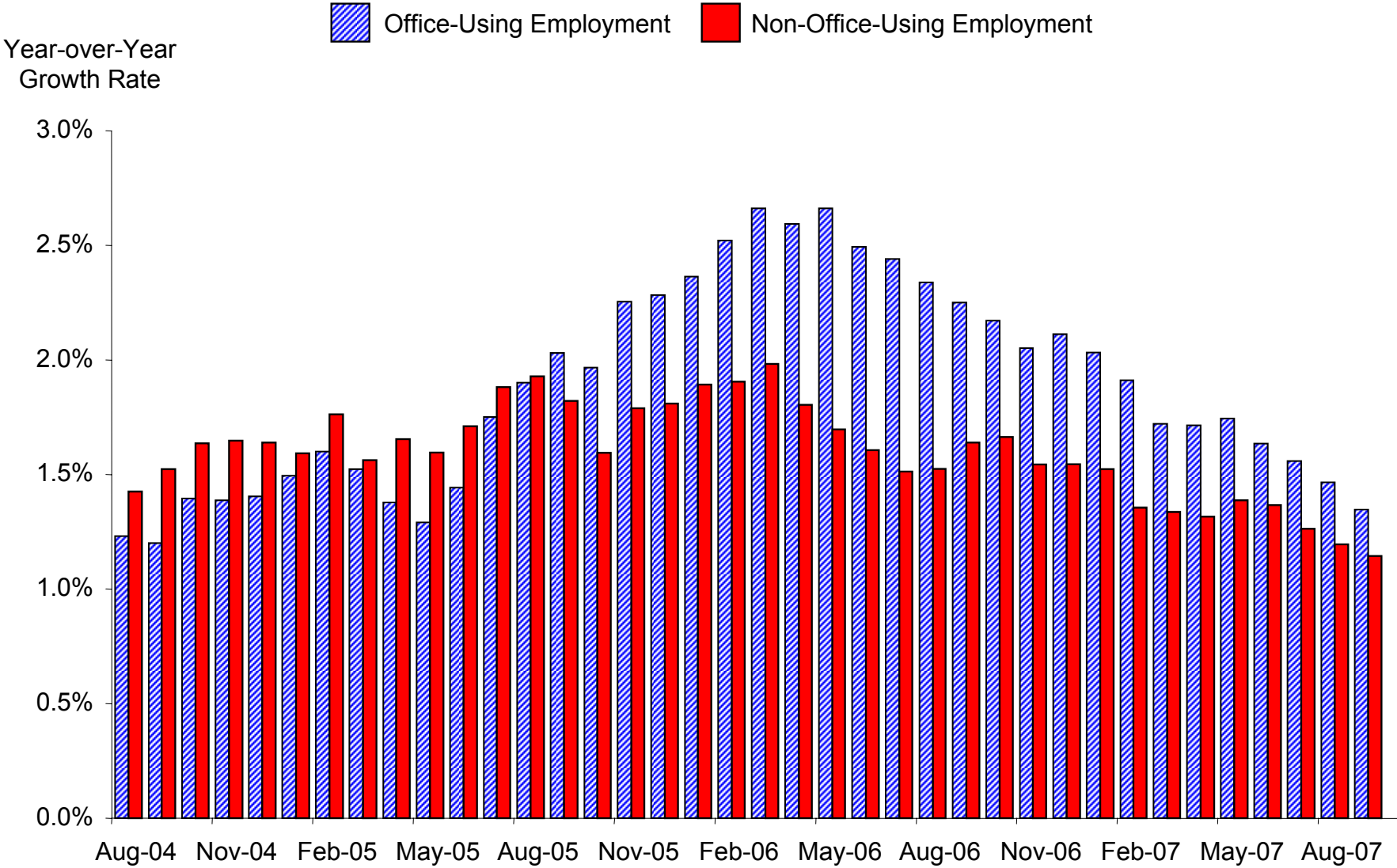
Source: Axiometrics

The National Office Market Has Peaked



Source: PPR (PPR54)

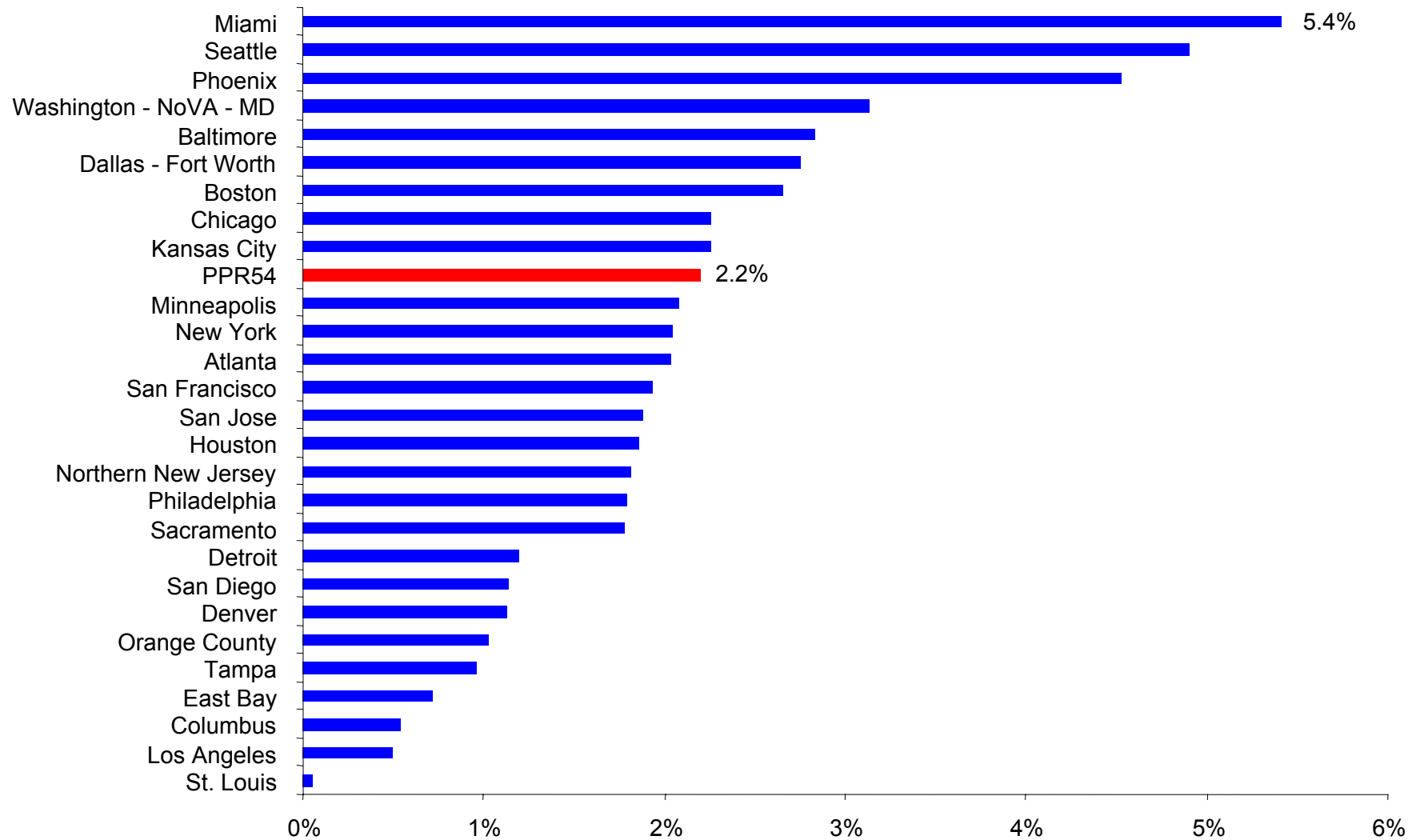
Office Employment Is Slowing



Source: U.S. Bureau of Labor Statistics; Economy.com; PPR

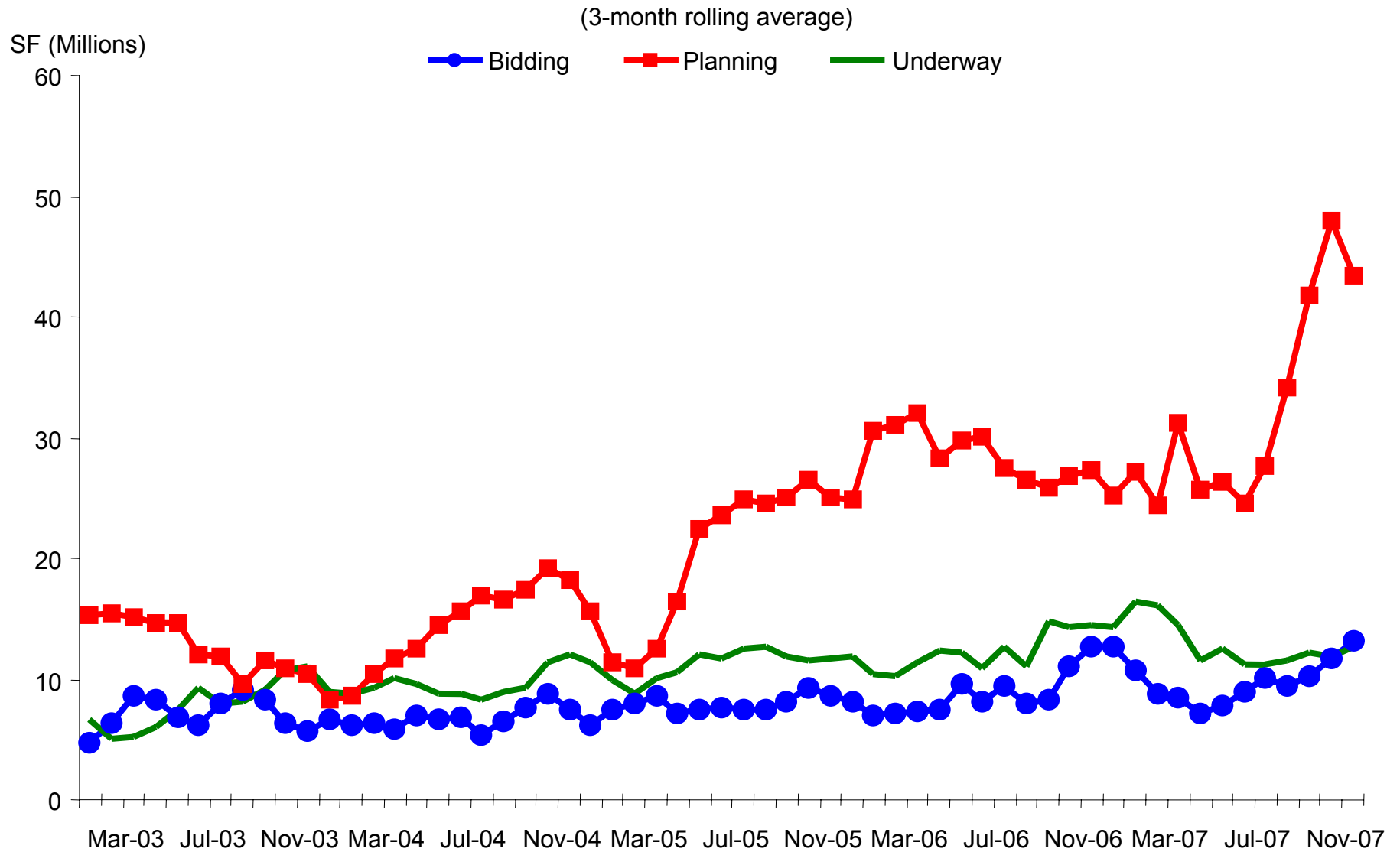
Construction Levels Concerning In Some Larger Markets

Office Construction Underway As A % Of Inventory 2007Q3



Source: PPR

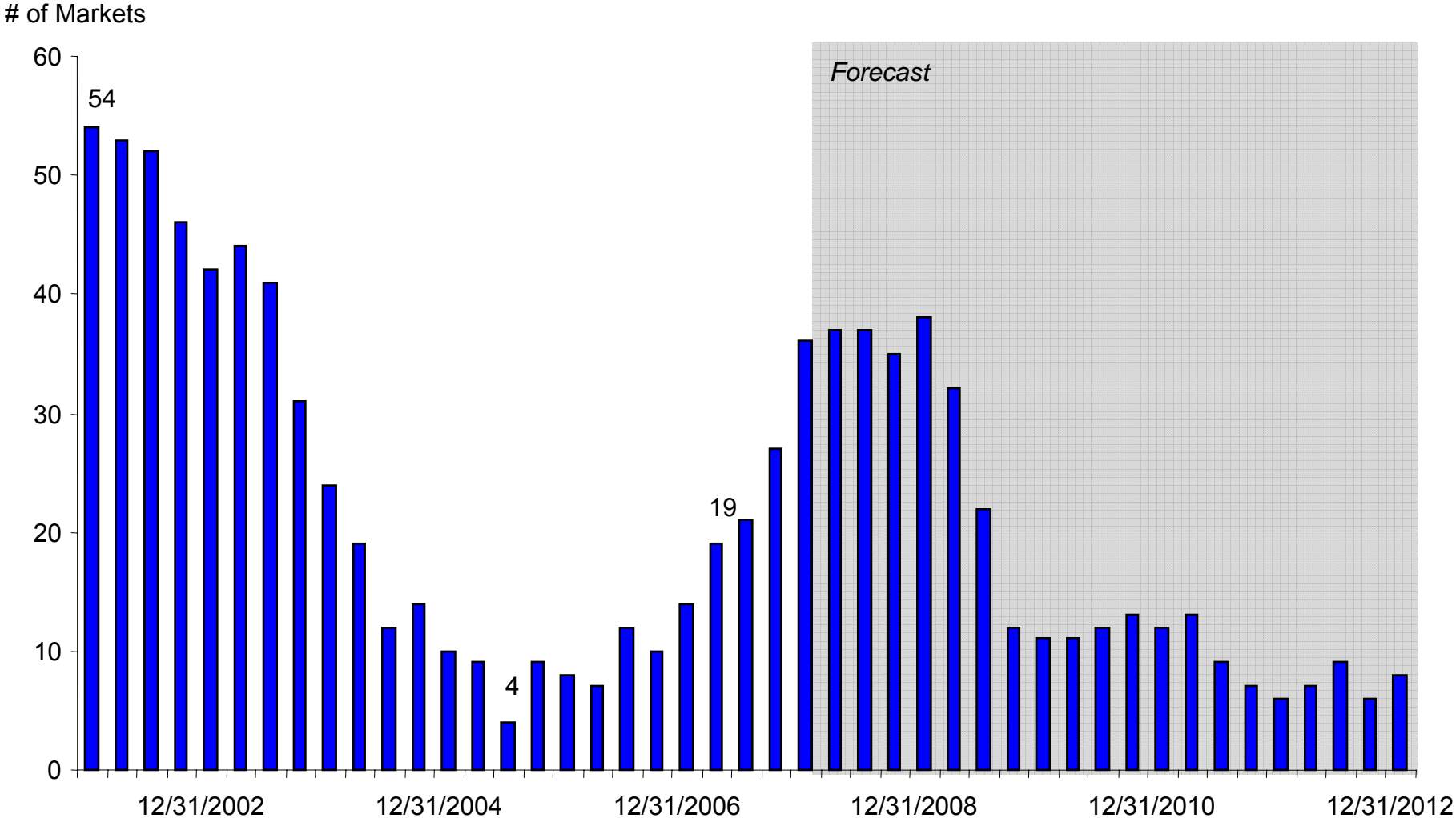
Office Projects Entering the Planning, Bidding, and Underway Phases



Source: PPR/Reed ConstructionTrak

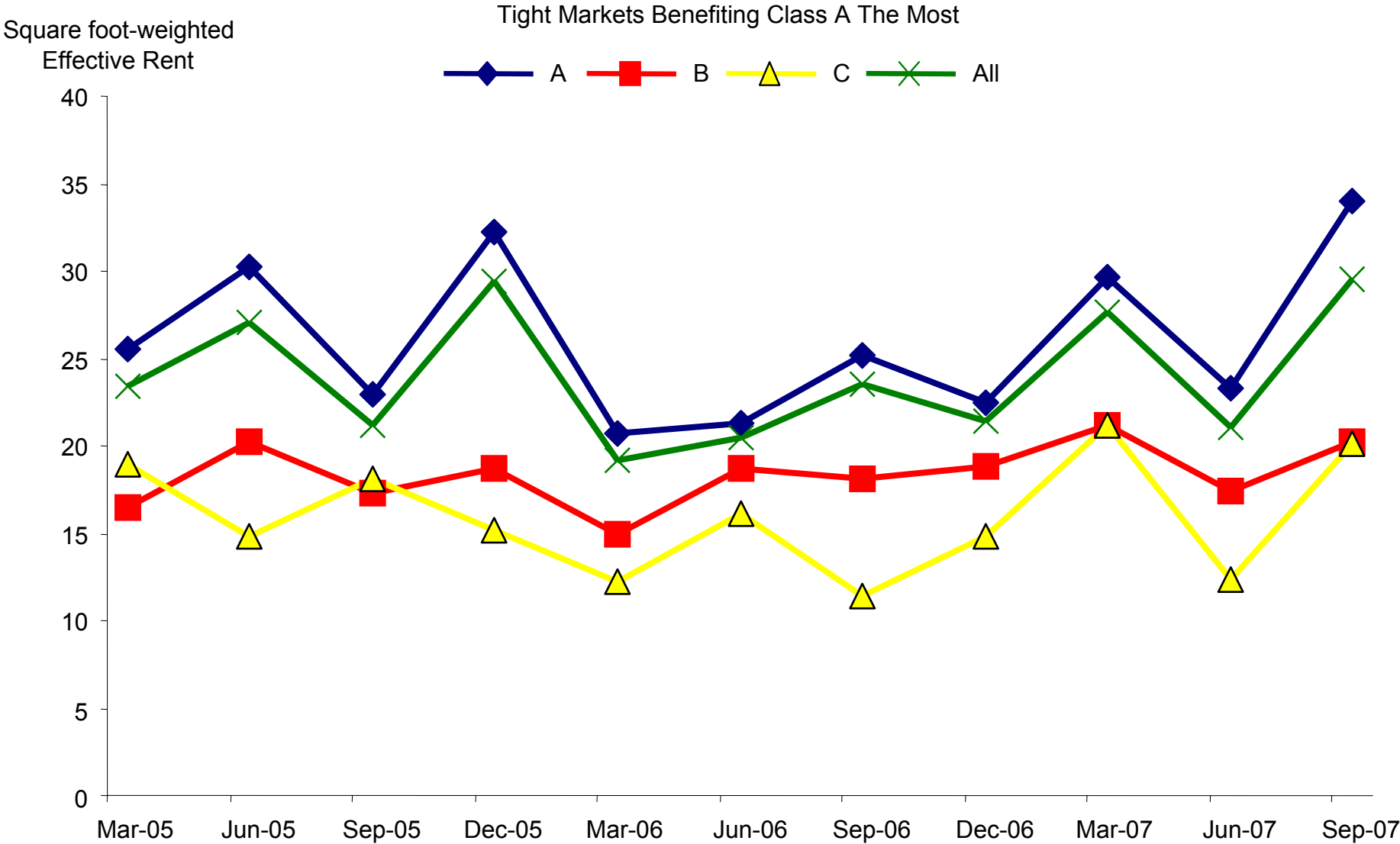
National Picture Less Positive Into 2009

Number of Markets With Rising Vacancy Rates



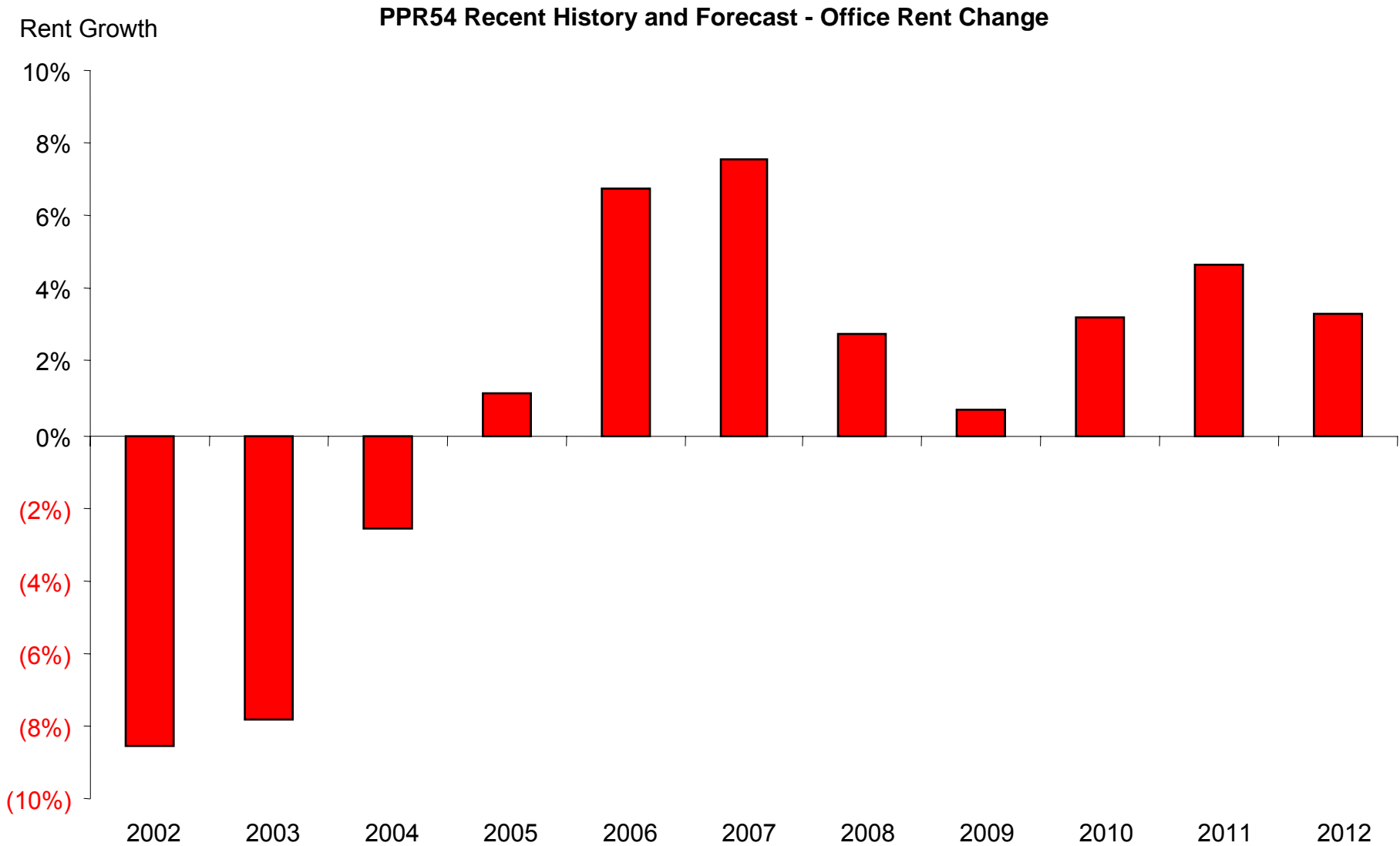
Source: PPR

Tight Markets Benefiting Class A The Most



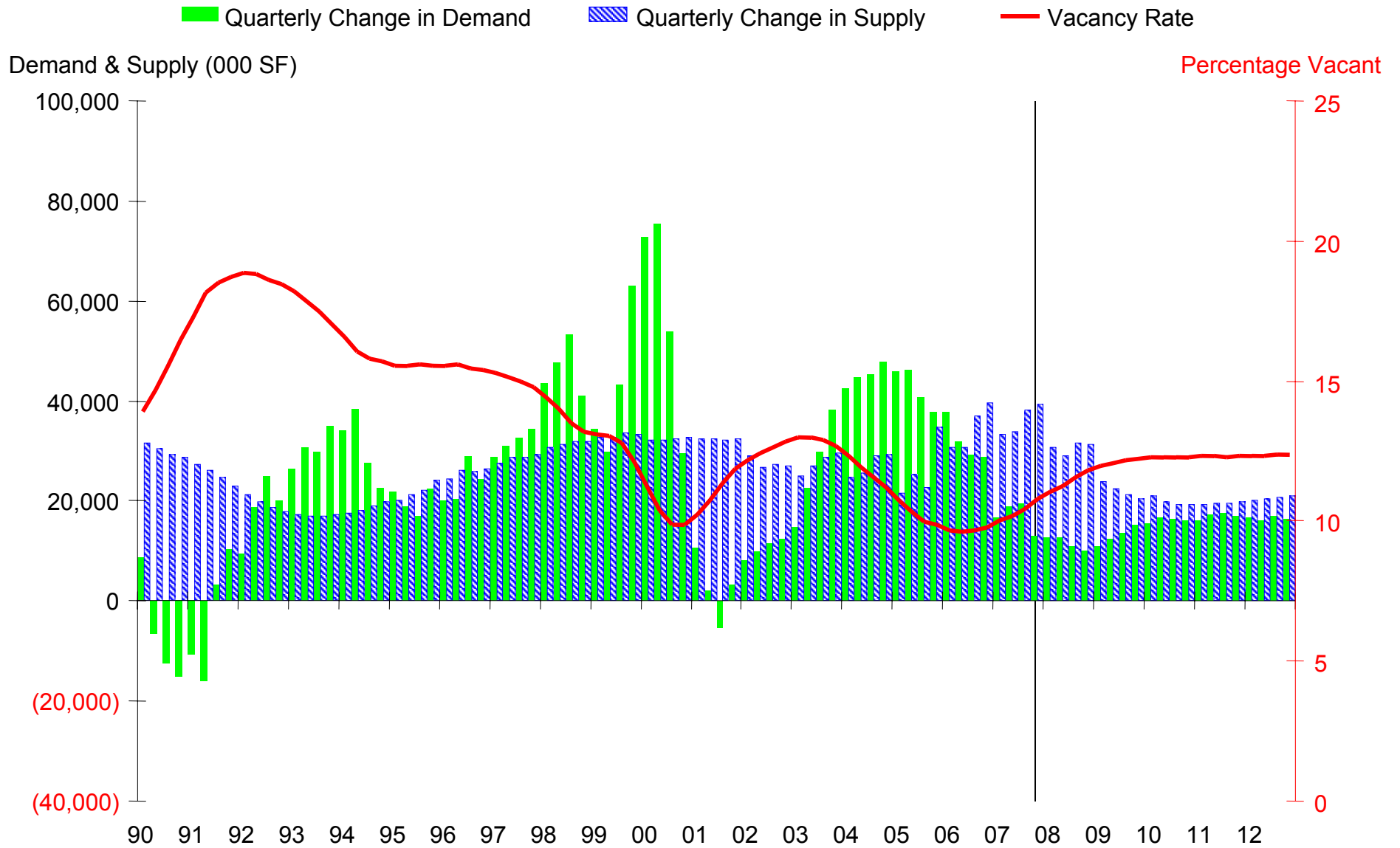
Sources: PPR; Cushman & Wakefield

Rent Growth Peaks This Year



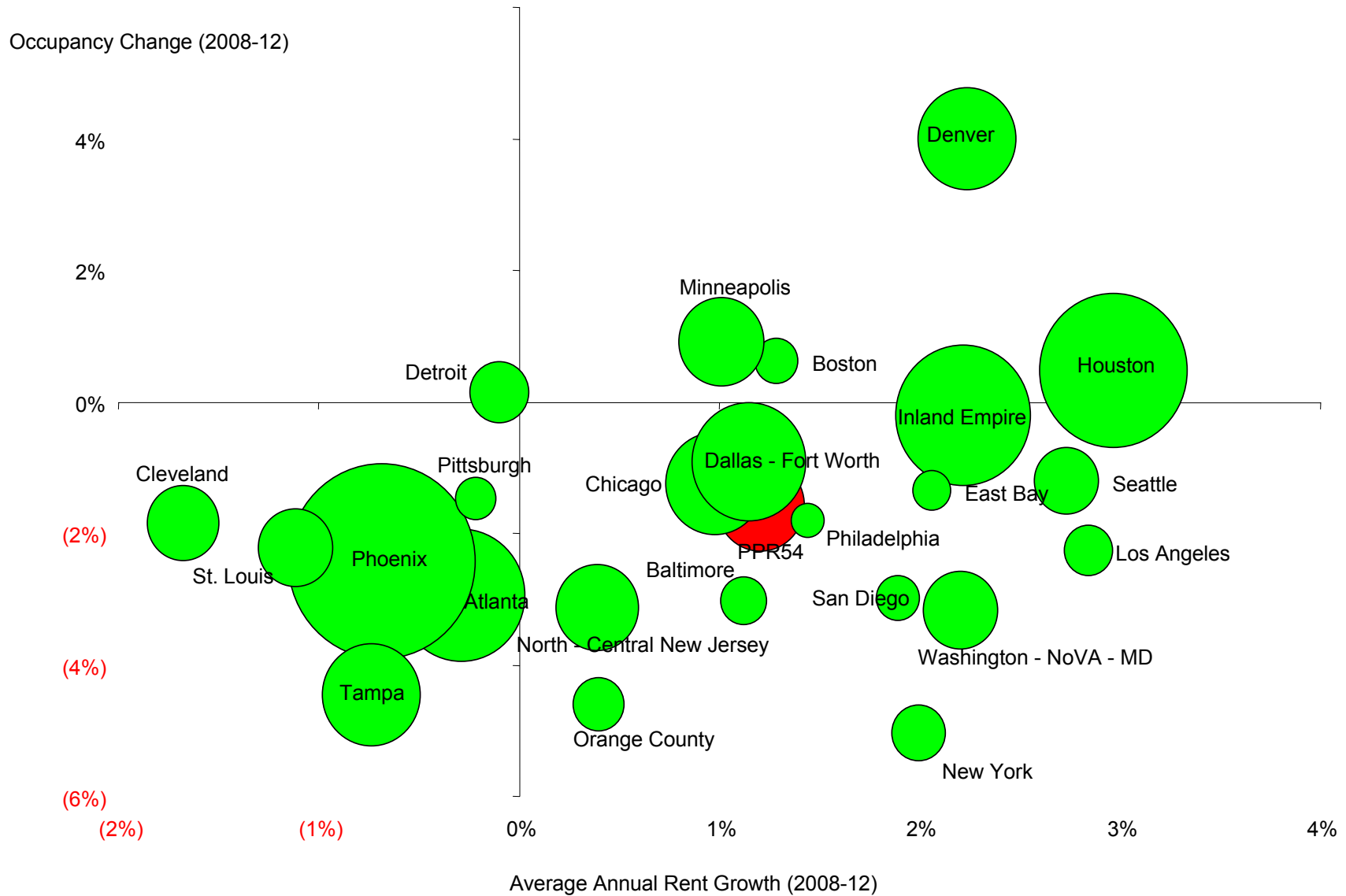
Source: PPR

National Retail Market Fundamentals Continue To Soften...



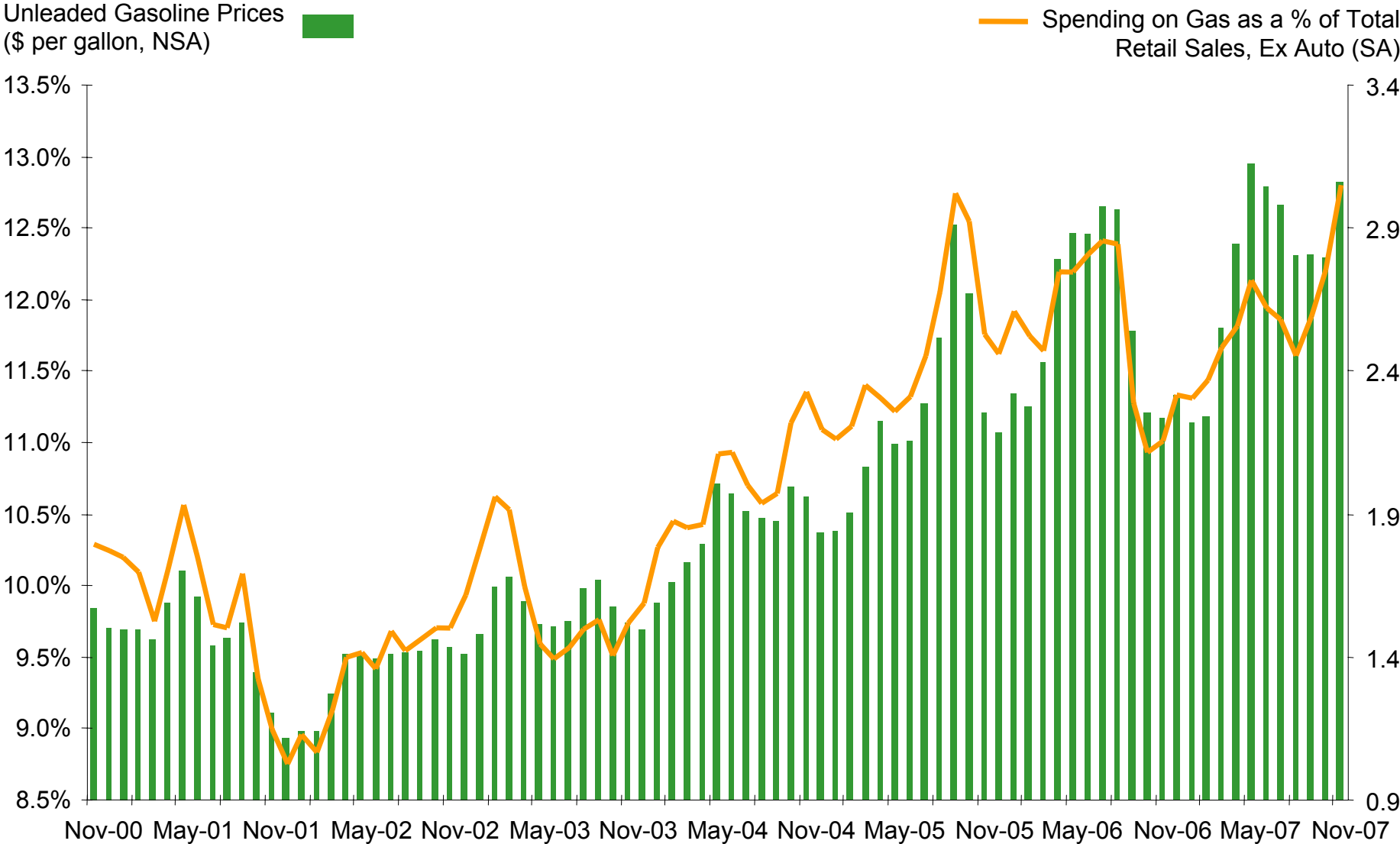
Source: PPR (PPR54)

Where Should Supply Really Have You Worried?



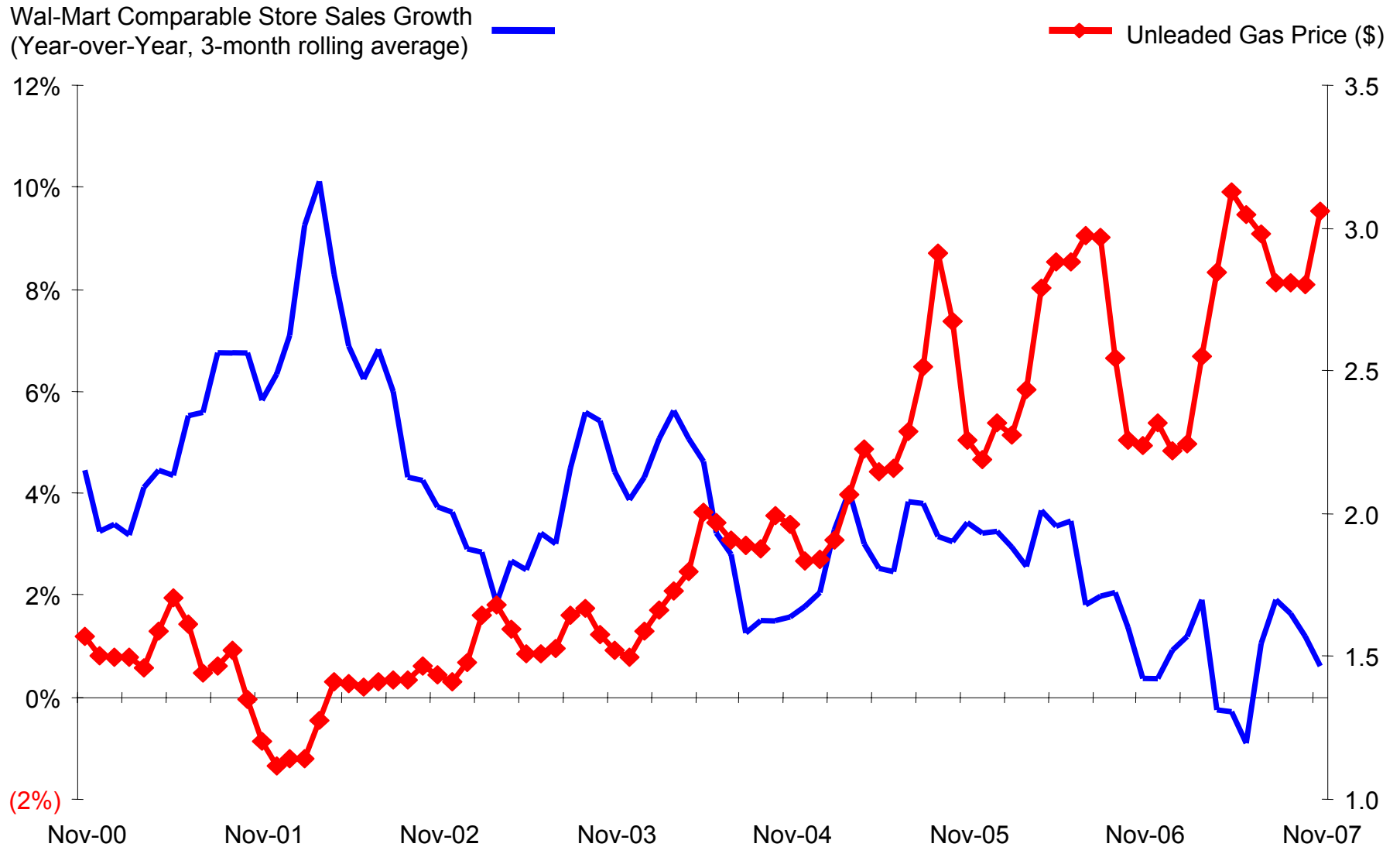
Source: PPR

Spending More at the Pump, Not the Mall



Sources: Moody's Economy.com, PPR

Gas Prices Slowing Wal-Mart Down?

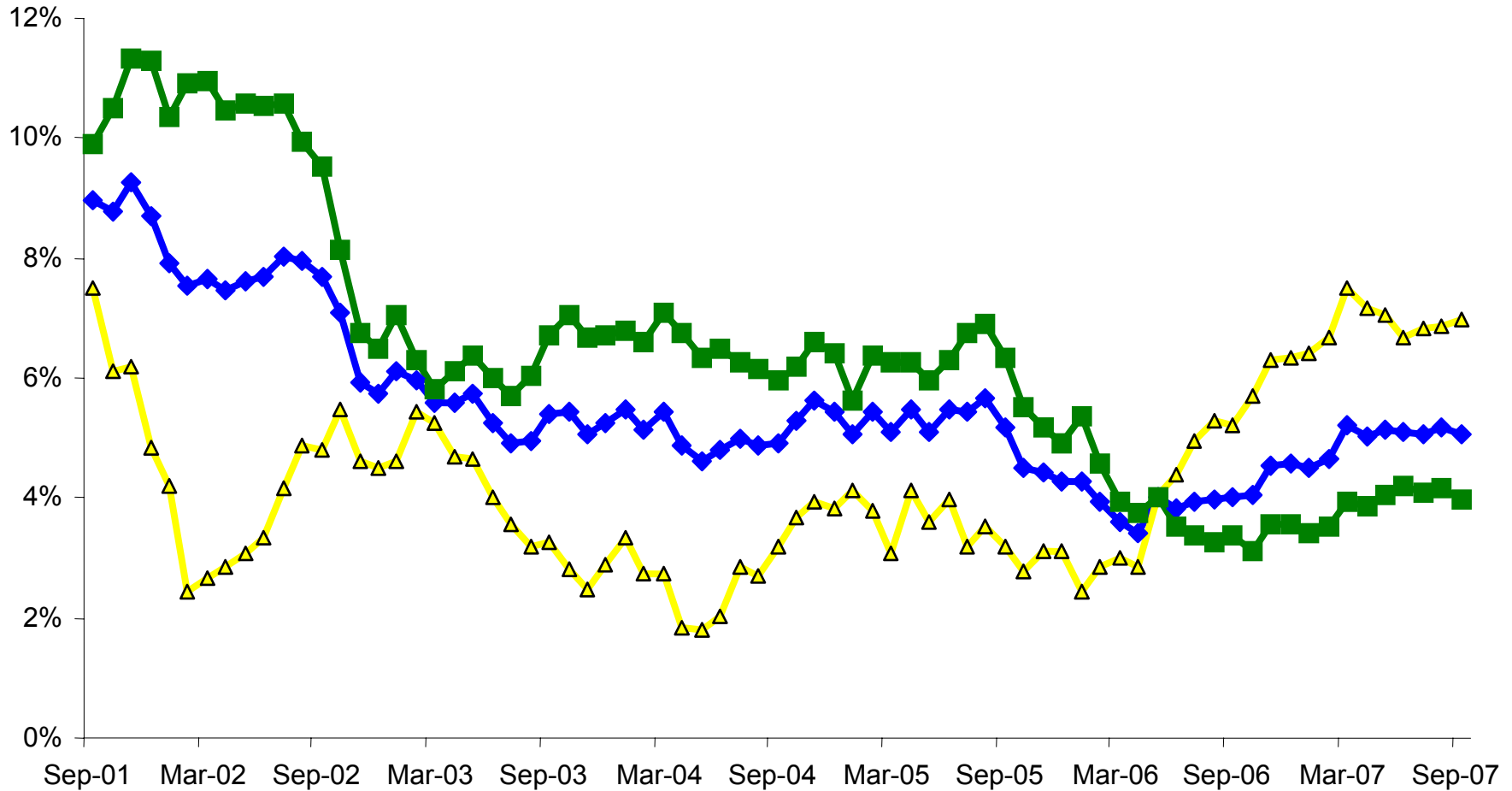


Sources: Wal-mart, Bureau of Labor Statistics

Consumer Debt Still Growing

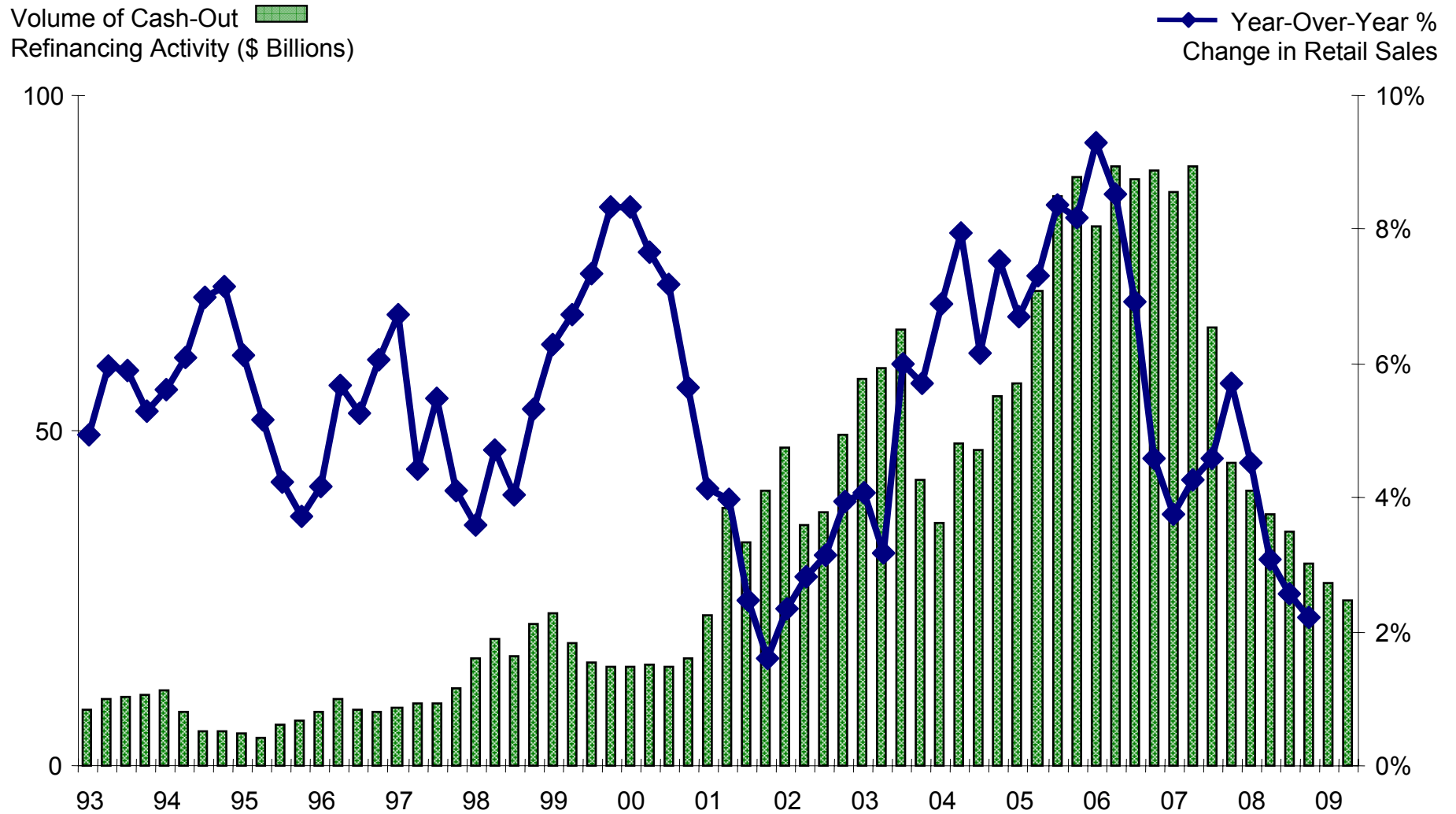
◆ Change in Total Consumer Debt ▲ Change in Revolving Debt ■ Change in Non-Revolving Consumer Debt

Year-over-Year %
Change



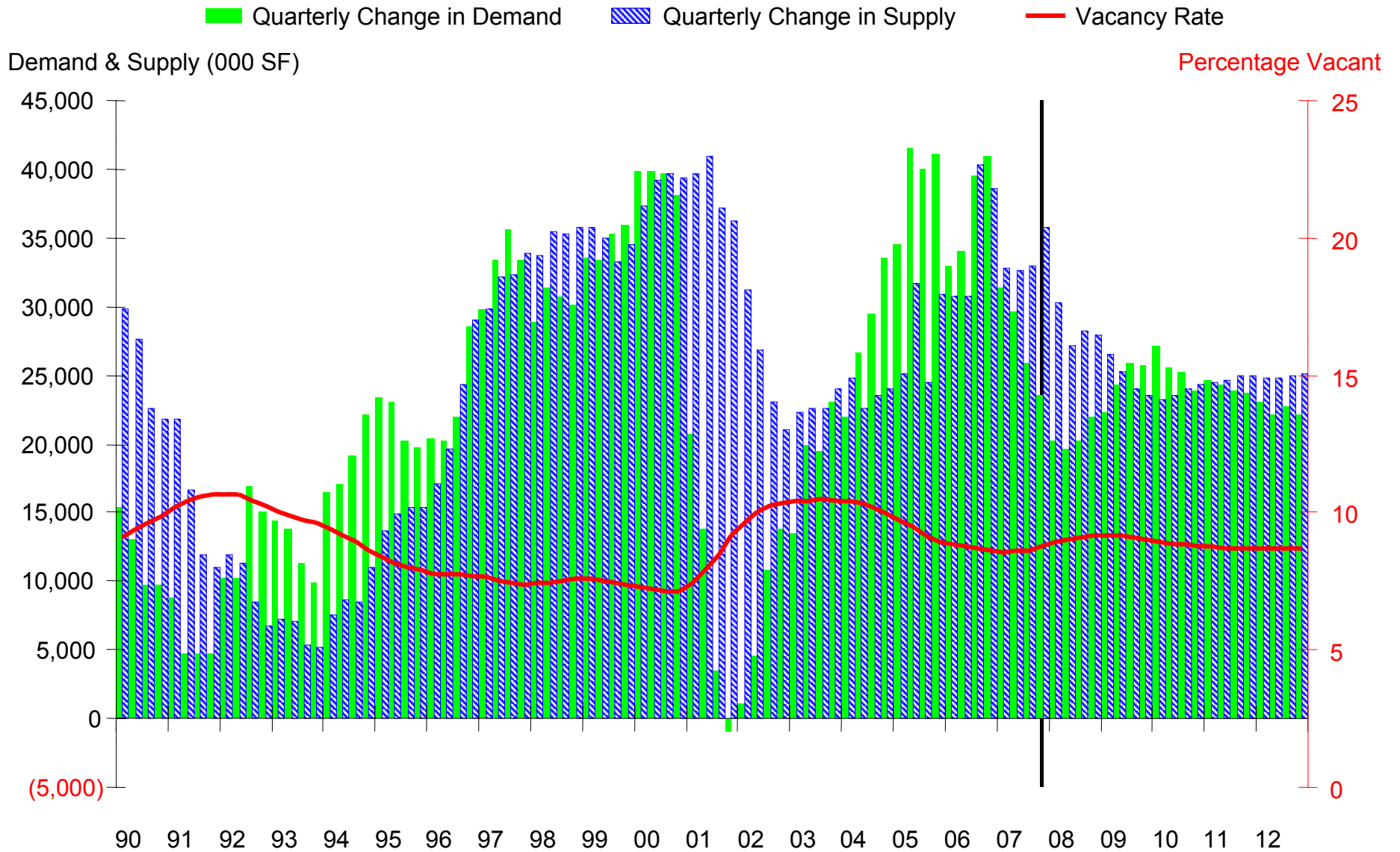
Source: Federal Reserve Board

Spendable Home Equity!



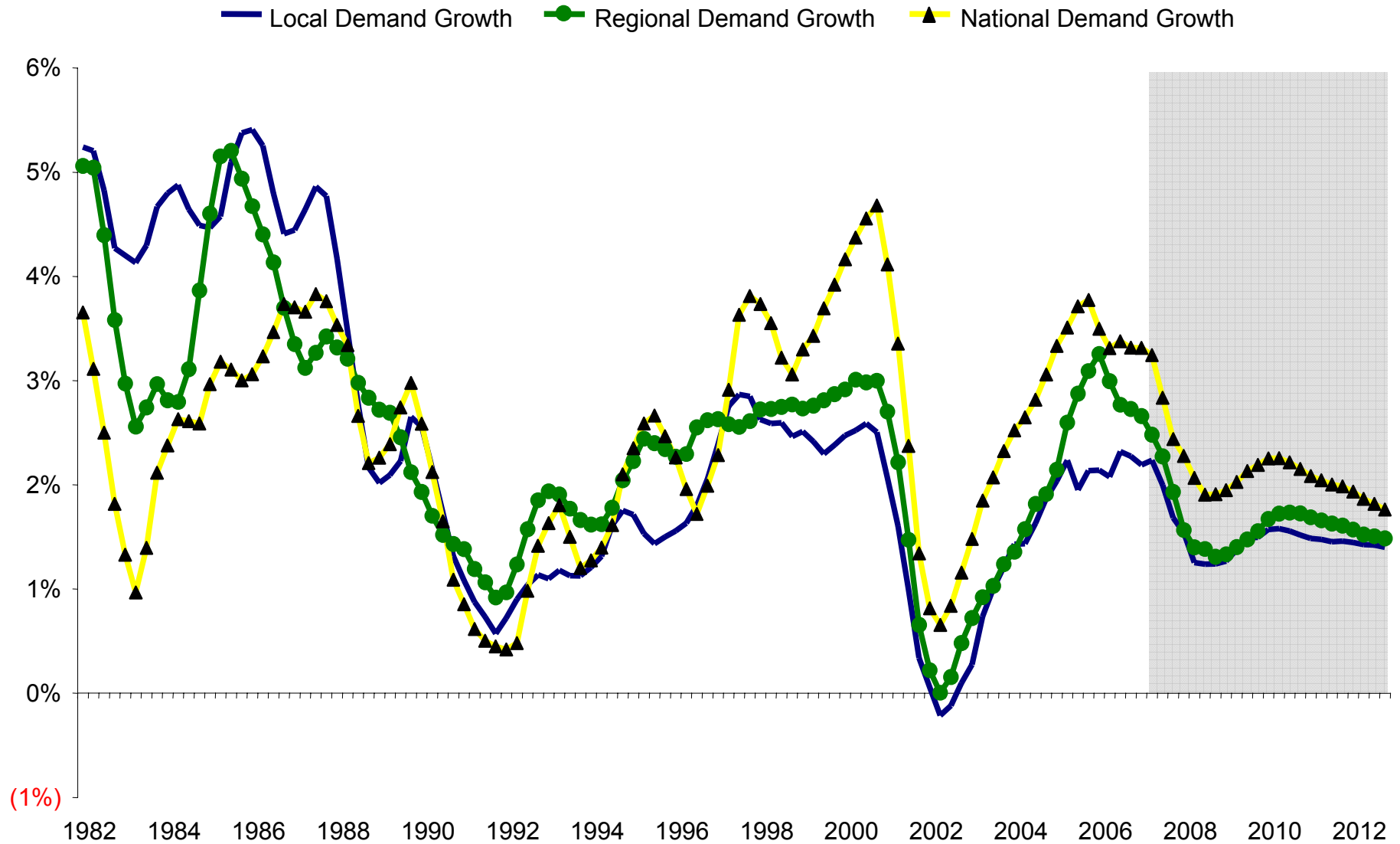
Sources: Freddie Mac, Economy.com

National Warehouse Market – Still Healthy...



Source: PPR (PPR54)

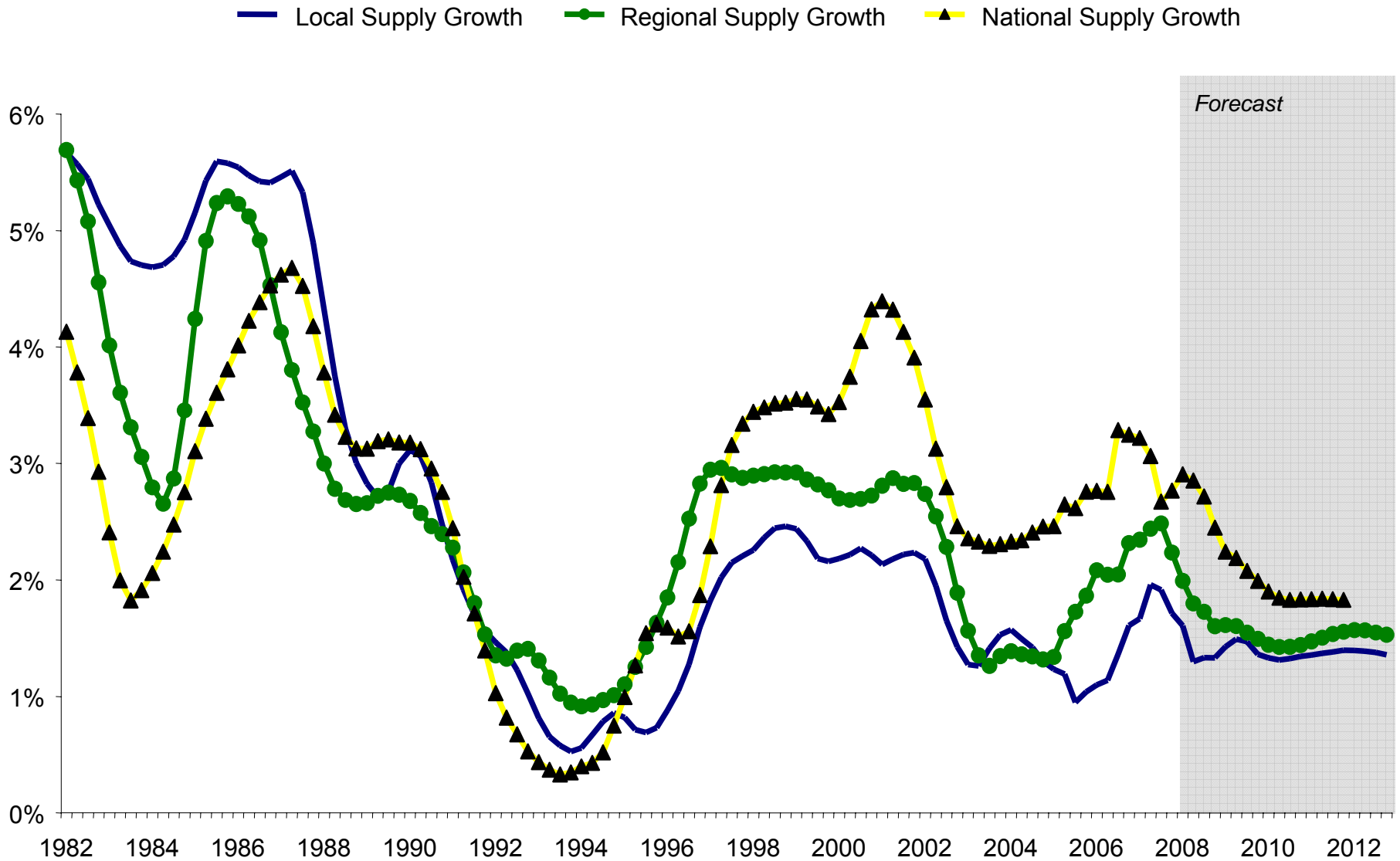
Super-Regional Distribution Metros Dominate Demand Growth...



(1%)

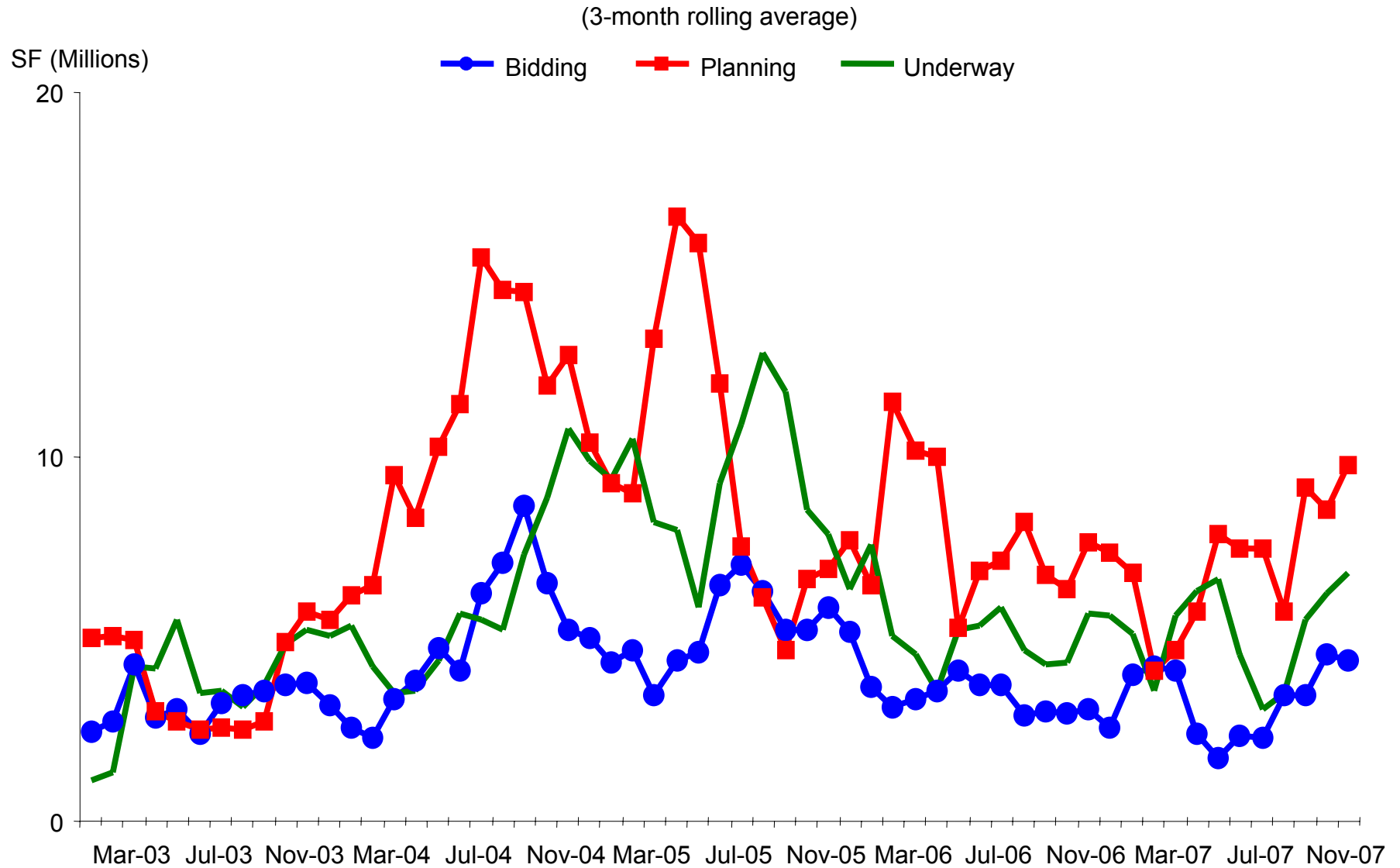
Source: PPR

...As Well As Supply Growth



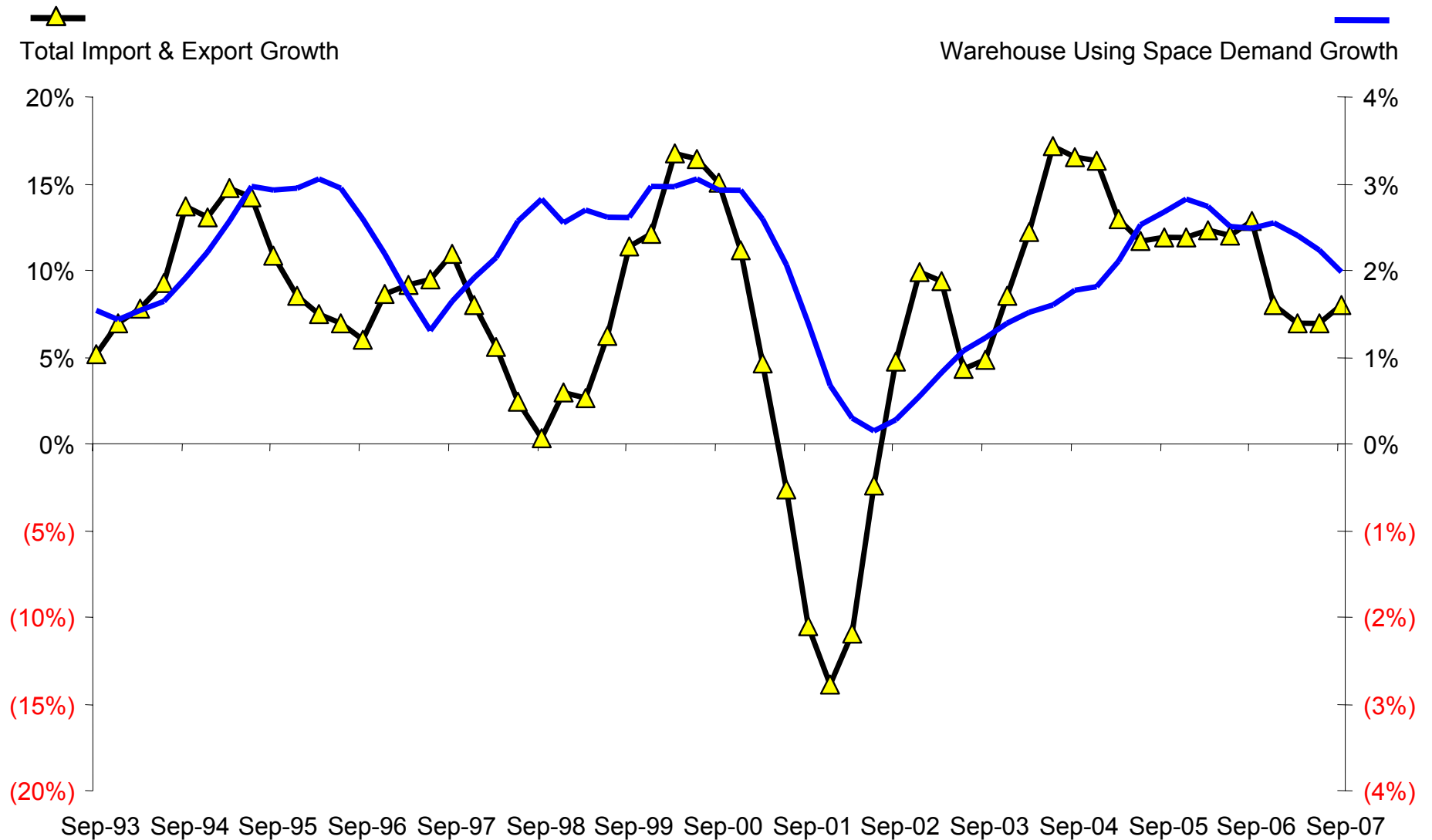
Source: PPR

Warehouse Projects Entering the Planning, Bidding, and Underway Phases



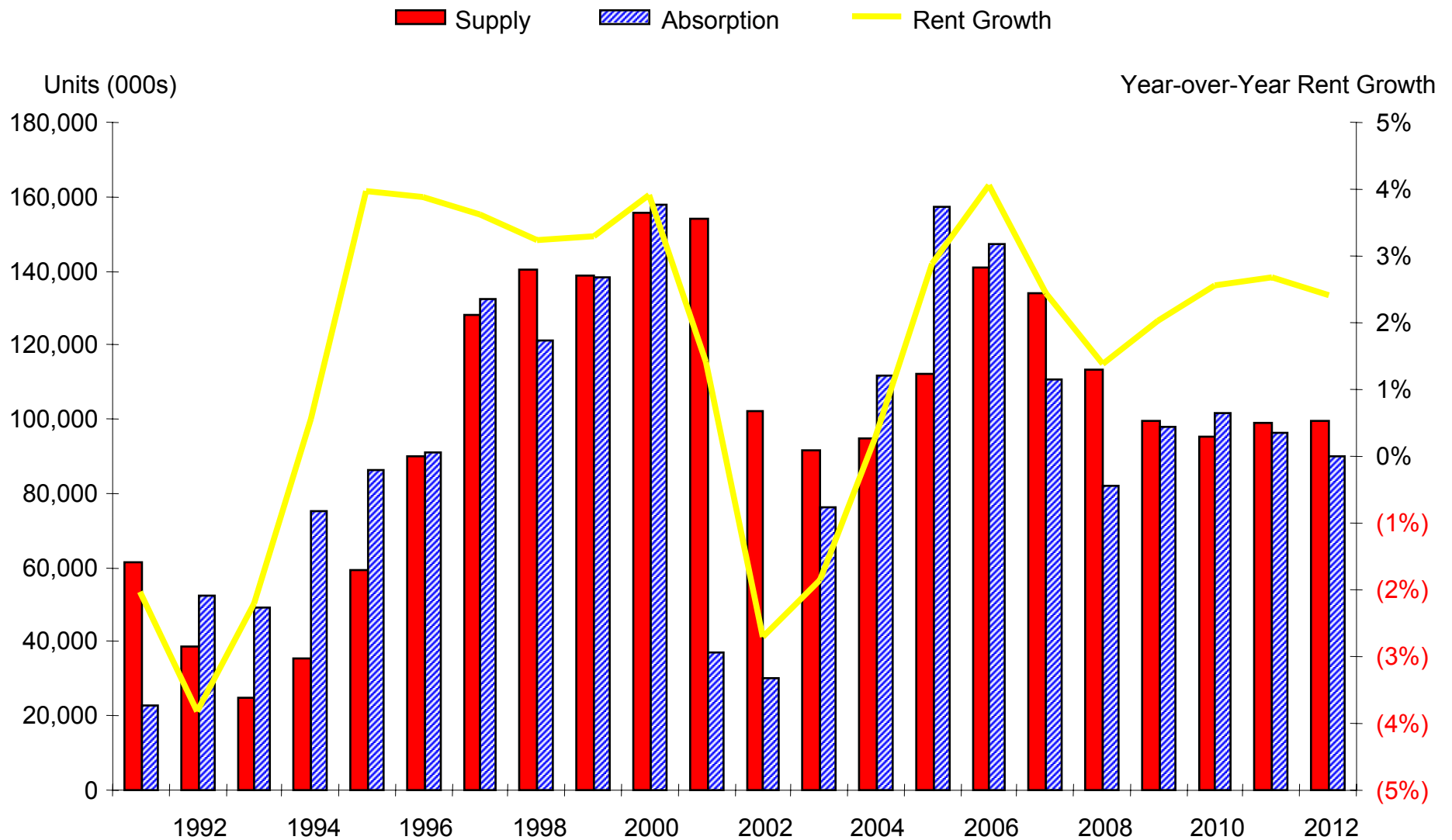
Source: PPR/Reed ConstructionTrak

Flow of Goods Suggests Slower Demand Growth



Sources: Moody's Economy.com; PPR

You Can Count On New Supply Eroding Rent Growth



Source: PPR