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### **U.S. Office Market Falters in Q1, as Sluggish Leasing Activity and Rising Vacancies Create Uncertainty for the Rest of 2008**

**Boston, MA, April 17, 2008** – The United States office market kicked off 2008 on a lackluster note, with the Q1 vacancy rate increasing by 35 basis points to clock in at 12.77 percent, according to a report by Colliers International, a leading global real estate services firm.

This marks the second consecutive quarter of increased vacancies on a national level, Colliers said. While CBD vacancies generally held steady, suburban vacancies leapt 54 basis points in Q1, to 13.80 percent. Indeed, while 22 of the CBDs surveyed recorded a decrease in vacancy in the January through March period, 29 recorded a spike. As for the suburbs, 39 markets saw an increase in office vacancy while 14 witnessed a decline. Nationally, Class A vacancy rates increased from 11.28 percent to 11.76 percent, while B and C class vacancy rates jumped 25 basis points to 13.64 percent.

Absorption, or the change in occupied space, swung to the negative during the first quarter, measuring negative 3.0 million square feet (msf) – a significant drop-off from the previous quarter's absorption of 9.8 msf. Further, Q1 absorption measured well below that of the year-ago period, when occupied space increased by 12.5 msf. Alongside this negative first quarter absorption, another 17.8 msf was added to the office market, with an additional 119.4 msf under construction. While construction activity was expected to fall, office developments in the pipeline actually increased by 10.6 msf.

As for rents, downtown Class A lease rates increased 2.6 percent over the previous quarter, while the suburbs registered no change. From the year-ago quarter, downtown rents have increased 15.3 percent and suburban rents have increased 9.2 percent.

Class A downtown rents now average \$49.84 per square foot (psf) and 31.08 psf (unweighted). For suburban office space, the national average rent now comes in at \$28.84 and \$26.83 (unweighted).

"Despite the abundance of bad news experienced by the financial markets in the first quarter, the office real estate market now finds itself engaged in a battle of expectations," remarked Ross Moore, senior vice president and director of market and economic research at Colliers International. "Tenants see a faltering economy and as a result expect lower rents, while landlords feel confident with occupancy rates still near historic highs, giving them the leverage to push rents higher.

"While we had marked down our Q1 projections, this quarter's office absorption numbers were considerably below the latest revisions. This suggests the first half of 2008 will be relatively quiet for the lion's share of U.S. cities, concluded Moore."

## Downtown - All Inventory

MARKET	VACANCY RATE DEC 31, 2007 (%)	VACANCY RATE MARCH 31, 2008 (%)
Kansas City, MO-KS	20.5	21.3
Dallas/Ft. Worth, TX	21.4	21.0
St. Louis, MO	19.7	19.6
Cleveland, OH	19.0	18.6
Reno, NV	19.6	18.4
Baltimore, MD	17.1	17.0
Detroit, MI	26.8	17.0
Minneapolis/St. Paul, MN	16.3	16.5
Stockton/San Joaquin County, CA	16.5	16.4
Memphis, TN	16.9	16.1
Ft. Lauderdale/Broward County, FL	15.7	16.0
Cincinnati, OH	15.4	15.9
Santa Rosa, CA	17.0	15.8
Hartford, CT	15.4	15.1
Tampa, FL	13.5	15.1
Milwaukee, WI	14.6	14.9
Columbia, SC	13.6	14.7
Los Angeles, CA	14.3	14.7
Indianapolis, IN	15.3	14.4
West Palm Beach/Palm Beach County, FL	12.7	14.0
Oakland, CA	14.2	14.0
San Diego County, CA	14.9	13.9
Phoenix, AZ	13.1	13.8

San Jose/Silicon Valley, CA	13.0	13.8
Sacramento, CA	13.1	13.6
Chicago, IL	13.3	13.5
Greenville, SC	12.5	12.3
Columbus, OH	12.5	12.0
Nashville, TN	11.3	12.0
Miami/Dade County, FL	11.4	11.8
Little Rock	10.9	11.8
Atlanta, GA	11.2	11.4
Houston, TX	12.1	11.3
Jacksonville, FL	11.1	11.0
<b>US AVERAGE</b>	<b>10.8</b>	<b>10.8</b>
Fresno, CA	9.5	10.7
Denver, CO	12.4	10.5
New York, NY - Midtown South Manhattan	9.3	10.2
San Francisco, CA	9.9	10.2
Philadelphia, PA	10.6	9.6
Boise, ID	9.3	9.3
Seattle, WA	8.7	8.9
Boston, MA	8.9	8.7
Honolulu, HI	8.0	8.6
Portland, OR	8.3	8.2
Orlando, FL	6.2	7.6
New York, NY - Midtown Manhattan	6.8	7.1
New York, NY - Downtown Manhattan	6.8	7.0
Las Vegas, NV	5.9	6.0
Bakersfield, CA	4.1	5.7
Washington, DC	5.3	5.4
Raleigh/Durham/Chapel Hill, NC	6.9	5.3
Charlotte, NC	2.6	2.0

## Suburbs - All Inventory

MARKET	VACANCY RATE DEC 31, 2007 (%)	VACANCY RATE MARCH 31, 2008 (%)
Santa Rosa, CA	25.8	26.4
Cincinnati, OH	21.6	19.9
Chicago, IL	19.0	19.6
Indianapolis, IN	18.6	19.4
Hartford, CT	16.9	18.9
Detroit, MI	17.6	18.3
Orange County, CA	15.3	17.3
Minneapolis/St. Paul, MN	16.2	17.0
Reno, NV	14.4	16.9
West Palm Beach/Palm Beach County, FL	15.1	16.9
Phoenix, AZ	14.1	16.7
Columbus, OH	17.2	16.6
Dallas/Ft. Worth, TX	16.3	16.6
Boston, MA	16.6	16.4
New York - Westchester County, NY	15.9	16.3

Raleigh/Durham/Chapel Hill, NC	15.7	15.9
New Jersey - Central	14.4	15.8
Oakland, CA	16.3	15.6
Boise, ID	15.4	15.1
Baltimore, MD	14.5	15.0
San Diego County, CA	13.8	14.9
Las Vegas, NV	13.6	14.8
Columbia, SC	15.0	14.8
Kansas City, MO-KS	14.3	14.5
New York - Fairfield County, CT	15.0	14.4
Sacramento, CA	13.8	14.3
<b>US AVERAGE</b>	<b>13.2</b>	<b>13.8</b>
Philadelphia, PA	13.7	13.6
Memphis, TN	12.3	12.9
Charlotte, NC	12.4	12.7
Denver, CO	12.3	12.6
Houston, TX	11.9	12.5
Little Rock	9.9	12.4
Fresno, CA	11.9	12.4
Jacksonville, FL	11.8	12.3
Atlanta, GA	11.9	12.2
Greenville, SC	12.5	12.0
SF Peninsula/San Mateo County, CA	11.3	11.8
Portland, OR	11.3	11.7
New Jersey - Northern	11.2	11.7
Milwaukee, WI	11.5	11.5
Ft. Lauderdale/Broward County, FL	11.1	11.4
Cleveland, OH	11.5	11.3
Tampa, FL	10.7	11.3
Washington, DC - N. Virginia	11.3	11.1
Los Angeles, CA	10.4	10.8
San Jose/Silicon Valley, CA	8.1	10.8
Seattle, WA	11.1	10.7
Washington, DC - Suburban, MD	9.3	10.4
Miami/Dade County, FL	9.0	9.7
Nashville, TN	9.9	9.5
Orlando, FL	8.4	9.5
St. Louis, MO	9.7	8.7
Bakersfield, CA	5.1	7.0
Honolulu, HI	6.5	6.8