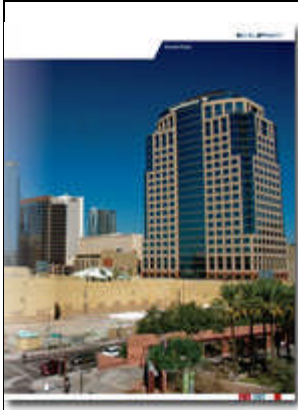




## 2010 Annual Outlook



*By Allie Bell*

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### Vacancy and Property Values

- **Industrial:** We don't anticipate there being any investment sales activity in the first quarter. Rental rates are down, so landlords are hesitant to sign long-term deals, but brokers are encouraging landlords to take the deals. Most deals being signed are short term, 1 to 3 years so both landlord and tenant can see how the market plays out. Distressed properties are driving the lease rate down, and these lower lease rates are resulting in increased activity.
- **Office:** Vacancy is at about 25% and still trending up. We are being creative with leasing. There are a number of tenant rep brokers trying to get significant reductions on existing lease rates — though they are oftentimes unwarranted. Investment sales were few last year, and they were smaller deals. We're finding that tenants are valuing space that's built out, rather than envisioning improvements and going through that effort.
- **Retail:** 12% vacancy up 445 basis points from November 2008. However in many cases, the tougher market has just weeded out marginal performers. There are lots of empty big boxes, which is problematic for inline tenants, though owners are getting more creative with breaking these spaces down. Dollar stores and other discount retailers are more prevalent.

Lenders across the board are presenting challenges to potential buyers for these properties, as well as to current owners who are having difficulty getting reserve reimbursement, etc. The servicers don't share the same urgency as the owners, or they have too much to deal with to respond quickly.

### **Distressed Assets**

“With regards to distressed properties, we are seeing some signs that perhaps attempts at costs saving are being made through decreased landscaping and porter service, asphalt and just some general deferred maintenance. This allows properties that are well maintained an advantage to competing with these distressed properties. Tenants need to make sure their landlord is solvent.

“Landlords are finally starting to push back against some of the incredibly low lease offers they've been receiving, as the perceived bottom has been hit in certain product types (not office yet).”

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