

# Global Market Perspective

## November 2009

### Overview

#### Highlights

- Global property market recovery begins in 2010
- Attention shifts from CMBS to banks
- Investors and occupiers seek transaction value
- Corporate occupiers eye opportunities as mindset shifts
- Industrial markets move through the cycle
- Rhythm of recovery in 2010

### Global Economy

While 2010 will be the year a global commercial real estate recovery begins, robust, broad-based growth is not expected until 2011. The global economy is moving towards recovery, thanks in large measure to government economic stimulus programs and loose monetary policy. Early estimates from IHS Global Insights forecast positive third-quarter growth in most G20 countries. The latest available indicators are shown in our **Global real estate health monitor** below.

2009	US	UK	Germany	France	Japan	China	Australia
Official Interest Rate %	0.13%	0.50%	1.00%	1.00%	0.10%	5.31%	3.50%
GDP QOQ %	0.9%	-0.4%	0.7%	0.3%	1.2%	8.9%	0.6%
CPI YOY%	-1.3%	1.1%	0.1%	-0.4%	-1.4%	0.4%	1.6%
Consumer Confidence MOM %	-10.8%	0%	-4.8%	2.8%	n/a	0.1%	-2.5%
Employment YOY %	-4.4%	-2.6%	-0.5%	-2.5%	-1.0%	0.1%	0.1%
Retail Trade MOM %	-1.7%	0%	-0.5%	0.4%	0.9%	7.4%	-0.2%
Housing Starts YOY %	-28.2%	-34.4%	n/a	-20.7%	-37.0%	1.4%	-24.1%
OECD Leading Indicator MOM%	1.4%	1.7%	2.0%	1.2%	1.3%	1.6%	1.0%
Manufacturing PMI, Index level	55.7	53.7	51.0	55.6	54.3	55.4	51.7
Stock Market, MOM to 30 Sep.	-2.0%	-1.7%	-4.6%	-4.9%	-1.0%	7.8%	-2.1%
REIT Market, MOM to 30 Sep.	-4.8%	0.3%	-5.6%	2.5%	-5.4%	n/a	-9.0%
General Trend %	Trouching	Recession/ Slowing	Trouching	Trouching	Trouching	Recovery	Trouching

#### General Trend:

Worsening

Neutral

Improving

Note: China GDP YOY

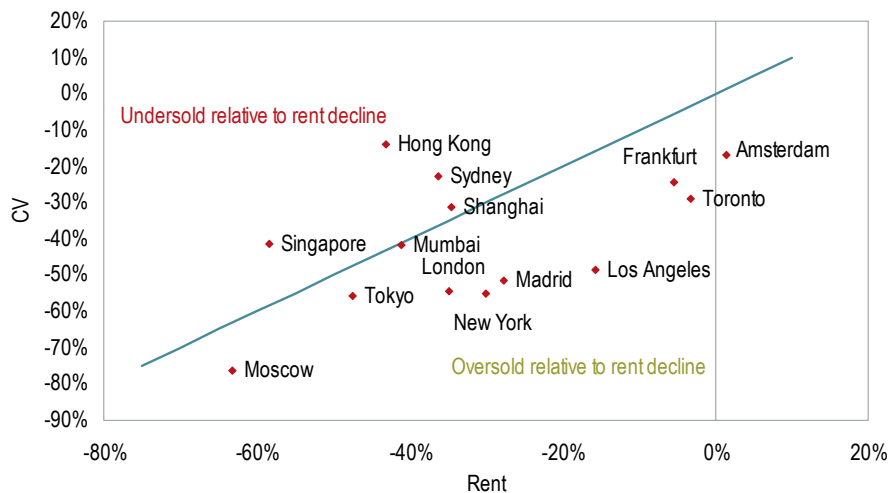
Source: Global Insight, Global Property Research, FRB, BOE, ECB, BOJ, PBC, RBA, Yahoo Finance, Jones Lang LaSalle

## Global property market recovery begins in 2010

As the recovery unfolds the patterns of performance across the world's property markets will depend on their unique characteristics. Markets where capital values have fallen beyond what economic and property fundamentals warrant are likely to lead the recovery. For markets such as **London, New York, Tokyo** and **Moscow**, this is likely to result in an initial bounce in capital values from oversold levels for prime properties.

### Prime office capital value and rent decline

#### Market peak to Q3 2009



Source: Jones Lang LaSalle

In many countries, cash-rich investors are beginning to move from the sidelines as the market floor in both pricing and transaction volumes draws near. Parts of **Asia** and **Europe** already are moving higher from pricing and activity lows. During the third quarter, initial yields in **London, Shanghai, Hong Kong** and **Singapore** fell by 25 to 90 basis points (bps). The **United States** remains the exception to this picture of slow improvement, as yields merely slowed their increase or stabilized.

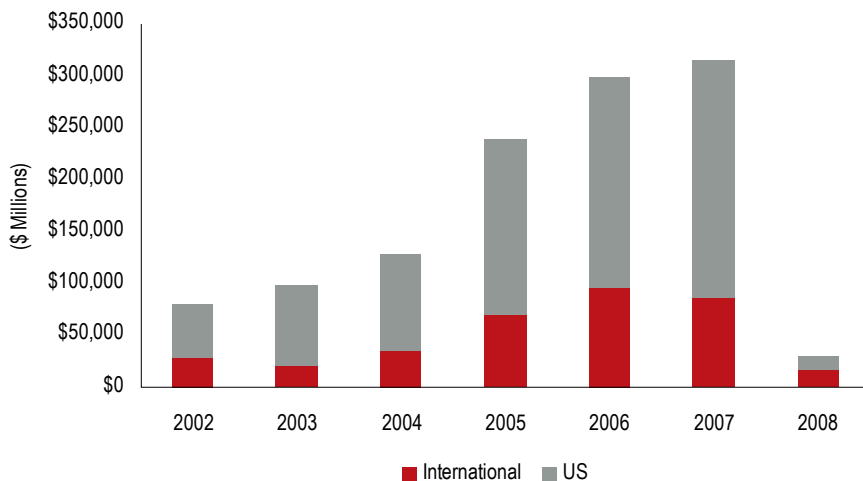
Although the depiction of markets on the chart above is a simplification, it does suggest that capital value declines overshoot fundamental declines by 10 to 30 percent. A smaller bounce is more likely, due to the potential of further rent declines and given that the previous peak represented overinflated values in some markets. A 10 percent trading bounce in capital values could see yields decline by up to 75 bps in 2010. Investors seeking to lock in values will need to act quickly. For others, better values may be found in smaller markets that have yet to see increased activity.

In leasing markets, building supply is generally stable, but negative demand for real estate persists in many markets including the **United States**, the **UK**, most of **Western Europe, Australia** and **Japan**. Although the pace of decline is slowing in most global centers, leasing activity has not found a bottom in either pricing or demand. Jones Lang LaSalle forecasts a bottoming of leasing markets in the first half of next year in much of **Asia** and parts of **Europe**, and by the end of 2010 in many **US** markets. In markets with lower vacancy levels and a more limited construction pipeline, such as **Hong Kong** and **Paris**, occupiers looking for space must act quickly. In markets with a large supply overhang, such as **Singapore**, there is likely to be continued upward pressure on incentives as owners seek to secure tenants.

### Attention shifts from CMBS to the banks

For the better part of this decade, commercial mortgage-backed securities (CMBS) were a major source of financing for commercial real estate.

### Global CMBS Issuance 2002 – 2008

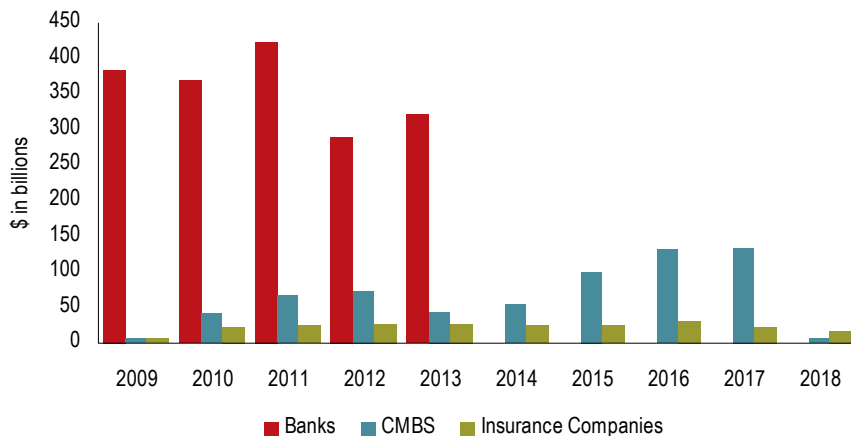


Source: JPMorgan

Despite global issuance more than tripling between 2002 and 2007, to more than \$300 billion, activity is now extremely limited. The first CMBS of 2009 in the US was launched only this month: a \$400 million offering from Developers Diversified Realty Corp., an Ohio-based shopping mall REIT.

A great deal of media attention has been given to CMBS maturities, which are seen as the next crisis brewing. While CMBS maturities through 2013 are by no means insignificant, most reflect properties acquired prior to 2005, which had the benefit of several years of price appreciation. CMBS loans tend to have longer terms than bank loans, and the vast majority of peak-value loans underwritten in 2006 and 2007 will not mature until 2016 and 2017, accounting for the spike in CMBS maturities.

### Total Commercial Real Estate Maturities by Lender Type



Source: Credit Suisse, SNL Financial, Trepp, ACLI

Data as of August 2009 (Q2 2009 for banks). 2009 includes only loans maturing in the remainder of 2009.

### Putting CMBS in perspective

Although CMBS delinquency rates have risen, they've done so from low starting rates, and the actual loss rates are even lower.<sup>1</sup> No investment-grade CMBS bonds issued since 1997 have taken a principal loss, and the cumulative loss rate on US CMBS since 1995 has been percent.<sup>2</sup> Furthermore, AAA-rated bonds, which account for approximately 80 to 85 percent of all existing CMBS, have the most insulation from losses. While underlying collateral performance will deteriorate in the next few quarters, the 60+ day delinquency rate on all CMBS still stands at a modest 3.27 percent.

Even assuming all of those 60+ day delinquent loans go to liquidation, and the delinquency rate rises from 3.27 to 5 percent, US forced sales would total US\$350 million in 2009 and equate to just 1 percent of 2009 transaction volumes (based on annualized first-half figures). Forced sales on a 5-percent delinquency rate would increase to US\$2.05 billion in 2010, reach US\$3.3 billion in 2011 and peak at US\$3.65 billion in 2012.

Given the relatively low level of transaction volume in 2008, the peak delinquency scenario would place an additional 3 percent of volume on the market and total just 1.2 percent of 2007 volumes. The period with the potentially highest level of default is 2016-2017. That is when the level of forced sales could reach US\$6.6 billion under the 5 percent delinquency scenario.

In **Europe**, CMBS issues are beginning to unravel. The delinquency rate for outstanding euro-denominated senior loans has increased from 4.15 to 4.31 percent. The first significant failure has occurred with the collapse of White Tower 2006-3, a bond secured against nine London office properties. Receivers have been appointed, and asset disposals are likely to take place over the coming year. A second issuance, by Epic Plc, is also in the liquidation process. Epic issued bonds on 1,500 warehouses whose purchase was funded by a £585 million loan by RBS, which securitized 80 percent of the debt. Investors in Epic stand to lose a reported 60 percent of their investment once the warehouses are sold.<sup>3</sup>

About €6.5 billion of European commercial mortgage bonds are due to mature by the end of next year. That will rise to €16.5 billion in 2011 and €12.1 billion in 2012. There has been no market evidence of bond-holders achieving a "loan-to-own" strategy, but opportunistic investors have been investigating the possibility of gaining control of decision-making around CMBS structures through the purchase of junior tranche bonds at discounts.

The risk of CMBS delinquencies is a bigger problem in **Japan**. According to Fitch Ratings, by December 2009, Japan's default rate on underlying loans by balance of maturing stock could rise to between 13 to 21 percent, or 4 to 6 times higher than in the US.

### U.S. banks' exposure to construction loans brings opportunity for domestic and global investors

Of the total \$17.7 trillion in US bank assets, commercial real estate accounts for \$1.8 trillion, or 10 percent. Of this, the largest area of concern is bank exposure to construction and land loans. As the table below shows, banks with assets of \$25 billion and lower are disproportionately exposed to commercial real estate (27 percent compared with 6 percent for banks with greater than \$25 billion in assets). In addition, these smaller banks are exposed to 53 percent of all outstanding construction and land development loans, which have the highest delinquency rate, at 13.5 percent, of all outstanding commercial real estate mortgage types.

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<sup>1</sup> Chart: JP Morgan

<sup>2</sup> Bank of America and Wells

<sup>3</sup> Standard & Poor's

US Bank Commercial Real Estate Exposure	Total Assets >=\$1tr		Total Assets \$100bn - \$1tr		Total Assets \$25bn - \$100bn		Total Assets \$1bn - \$25bn		Total Assets <\$1bn		Total All Banks	
	Number of Banks											
Loan Type	Size (\$bn)	% of CRE	Size (\$bn)	% of CRE	Size (\$bn)	% of CRE	Size (\$bn)	% of CRE	Size (\$bn)	% of CRE	Size (\$bn)	% of CRE
Construction & Land Dev.	\$91	27.5%	\$82	28.1%	\$71	30.7%	\$169	30.7%	\$110	28.8%	\$522	29.2%
Multifamily	\$61	18.4%	\$28	9.6%	\$37	16.0%	\$61	11.1%	\$30	7.9%	\$217	12.2%
All Other CRE	\$179	54.1%	\$182	62.3%	\$123	53.2%	\$320	58.2%	\$242	63.4%	\$1,046	58.6%
Total CRE Loans	\$331		\$292		\$231		\$550		\$382		\$1,785	
Total Bank Assets	\$7,415		\$5,394		\$1,435		\$2,069		\$1,366		\$17,679	
% CRE of Total	4.5%		5.4%		16.1%		26.6%		28.0%		10.1%	

## CRE Exposure by Bank Size

Source: Credit Suisse, SNL Financial

This means there will be repeated bank failures and subsequent takeovers and auctions by the Federal Deposit Insurance Corporation (FDIC). In the **United States**, these auctions will undoubtedly comprise one of the greatest areas of opportunity for distressed funds since the savings and loan (S&L) crisis of the late 1980s, a crisis that ironically created the CMBS market. Investment managers are raising between \$118 billion and \$138 billion to buy properties and **real estate securities**.<sup>4</sup>

In **Europe**, where bank failure is less likely, there is a widespread policy of “extend and pretend” in dealing with balance sheet issues. Maturity dates are being pushed back and covenants amended to overcome short-term loan to value issues. This is helping to avoid wide-scale disposals and means that expected opportunities for so-called “vulture funds” have not been forthcoming. Where banks are seeking to reduce positions, many are doing so in joint ventures with existing clients and other asset managers to be able to take advantage of potential upside in the future. One exception to this practice is likely to be Ireland’s National Asset Management Association (NAMA), where approximately €50 billion of property and land assets will be disposed of over 10 years.

## Banking health outlook

Country	Current Outlook
United States	Small banks are failing at an alarming rate in 2009 with a major culprit being the exposure to construction and land loans. Though failure rates are still far from the levels seen in the early 1990s as a result of the S&L crisis, the FDIC had seized and closed 115 banks through October, compared with just three in all of 2007. Conversely, most large U.S. banks are performing well. Some are on track for record profits, giving them the time and ability to earn their way out of problematic positions.
Mexico	The Mexican banking system remains healthy as a result of conservative lending practices. The economy is expected to resume growth with a 3.1 percent increase in GDP forecasted for 2010.
UK	Bank failures are not prevalent due to either substantial government support or prudent risk controls, but several banks have been partially or completely nationalized. Major financial firms including Northern Rock, Bradford & Bingley, RBS and Lloyds TSB have been sustained not only by capital infusions but also credit guarantees and considerable liquidity from the Bank of England.
Germany	Hypo has been nationalized, and the impact of the financial crisis has highlighted the need to restructure several Landesbanken, including, HSH Nordbank, WestLB, LBBW and BayernLB.
Spain	To date, the local banking system has weathered the global financial crisis successfully with no need for capital support from the state due to its retail banking focus and limited exposure to structured investments. There are concerns about some banks' development loan books, however, principally with regard to residential developments.
France	Government measures addressing liquidity and solvency support have worked well, and most of the country's main banks have engaged in the repayment of Tier 1 capital instruments received from the state. A shift away from investment banking, a major profit contributor for France's top banks, toward retail banking is perhaps one of the most lasting strategic features of the crisis.
China	Banks are lending at record levels with RMB 7.76 trillion (US\$1.14 trillion) of new loans in the first half of 2009, compared with RMB 5 trillion (US\$732.5 billion) in all of 2008. Loans have been allocated as follows: 14 percent for consumer and farmer loans, 5 percent for property developers, 25 percent for infrastructure projects and 56 percent for corporates.
Japan	Japanese banks have raised ¥2.3 trillion (US\$25.6 billion) in new capital in 2009 year to date including ¥1.35 trillion (US\$15 billion) in common equity issuance. This puts banks on track for the largest year of capital raising on record and YTD common stock issuances that are nearly three times the peak in 1999.
Australia	The Australian financial system has proven remarkably resilient, given the comparatively mild nature of the overall economic slowdown in Australia, the absence of large-scale exposures to structured securities and the country's relatively conservative lending practices, particularly for housing.

## Investors and occupiers seek transaction value

Investment transaction levels are beginning to improve despite continued declines in many market fundamentals. A trading bounce is beginning as investors look to the future against the backdrop of historically low values and high yields.

In the **Asia Pacific** region where investors almost exclusively emphasized residential and retail sectors earlier this year, they now have broadened their sights to include office buildings. Chinese insurance companies were granted the ability to invest in commercial real estate on October 1. Although forecasts about the impact of this change vary, it is generally agreed that as much as \$50 to \$100 billion of insurers' money ultimately will make its way into commercial real estate. In **Shanghai**, for example, several prime grade office buildings are expected to trade in the coming months at pricing levels in excess of their 2007 purchase prices as investors regain confidence in the occupier market.

In **Europe**, more than €1.6 billion of transactions took place in October, with a growing number occurring in the €100- to €300-million range. Encouragingly, deals are happening outside of **London**, with half of the 10 largest in Europe occurring in **France** and **Italy** taking a growing share. That said, transaction volumes in the **UK** are likely to account for as much as one third of the €75 billion total in 2009 for the region as a whole. This level rivals that of 2008, confirming that the **UK** has come back sooner than the European region as a whole.

Underscoring how quickly certain markets can rebound, even in the absence of improving fundamentals, cap rates for big-box retailers in the **UK** have retreated about 200 bps in recent weeks to approximately 5.5 percent. Anecdotally, a transaction in **Bicester, England** was recently completed at a cap rate of 6.5 percent that would have been over 8 percent as recently as a month ago.

As further evidence of just how much liquidity has been restored to the European investment markets in recent months, German investors are expressing dismay that they are not able to access transactions at reasonable prices due to stiff competition.

In the **United States**, transaction activity to date in the fourth quarter has exceeded levels posted in each of the prior three quarters. At the same time, bid/ask spreads continue to compress, with buyers looking to purchase at cap rates of roughly 9 percent while sellers are looking to transact at yields in the 8 percent range. As an example that liquidity may be slowly returning to quality assets in the Americas, Jones Lang LaSalle represented Brandywine Realty Trust in the sale of two Class A office buildings in **Trenton, New Jersey** for \$85 million. A private investment group, which purchased 33 West State Street and 50 East State Street, was able to secure \$45.5 million in third-party financing through an undisclosed national bank.

Elsewhere in the Americas, the **Brazilian** commercial real estate market continues to heat up, fueled by a wave of foreign and local investor capital and by banks' willingness to provide medium- and long-term capital. In a sign of market momentum, Jones Lang LaSalle has agreed on terms to sell three individual office buildings in **Rio de Janeiro** totaling an aggregate US\$115 million and 30,300 square meters of property. The largest of these transactions is a 15,520-square-meter, Class A office building developed and owned by HCB, Hines and CalPERS Brazil. Jones Lang LaSalle is also finalizing the sale of a renovated building leased to Eletrobrás and a partial sale-leaseback to one of the firm's corporate clients. Initial yields range from 11 to 13 percent. Real estate developers who have built up considerable land banks during the past two years, are on the move. Tishman Speyer recently announced a \$300 million+ residential development. Meanwhile, Multiplan, one of country's biggest players in the retail sector, announced a new mixed-use project to be developed in a partnership with Aliasce Shopping Centers.

In **Mexico**, the largest hotel transaction since late 2007 closed in early November when Meridia Capital acquired the 240-room Four Seasons Mexico City Hotel from Strategic Hotels & Resorts for \$54 million at a yield of 6.2 percent. Disposition interest is now expanding to offices. Jones Lang LaSalle is selling three Class A office buildings in Mexico with an aggregate rentable area of 55,547 square meters and an estimated value of US\$170 million. The process has

generated substantial interest among international and local investors with initial offers totaling to US\$700 million at single-digit to low-teen cap rates.

### Corporate occupiers eye opportunities as mindset shifts

The meltdown of financial markets and the wider economic downturn have generated a number of changes in the collective mindset of occupiers. The most recent shift has been from an attitude of pure survival to a more structured and strategic approach to future facility needs and opportunities. Some corporate real estate executives are now making real estate decisions based on driving down long-term occupancy costs and on securing future flexibility. Slow economic growth will continue to drive corporate real estate outsourcing, and the sale of surplus facilities will remain a challenge. For stronger, more astute occupiers, 2010 will present significant opportunities to upgrade space and location, expand their core facilities at attractive pricing and use leverage to enhance economic and non-economic lease provisions. Those with strong balance sheets also will be able to buy core assets at attractive values.

Corporations, aided by improving sentiment and better-than-expected earnings results, are moving quickly after deferring most real estate decisions. Prime examples of burgeoning occupier activity include Vestas, the leading supplier of wind power solutions, which retained Jones Lang LaSalle to renew and double its **Beijing** office occupancy. In **Singapore**, the firm won 100,000-square-foot tenant representation assignments from both Aviva and Dell. In **Australia**, Jones Lang LaSalle negotiated the largest lease in **Brisbane** in the past three years, securing 160,000 square feet for Queensland's Department of Environment and Resource Management. In **India**, the firm represented Unitech Wireless for leases in Delhi and Bangalore totaling 85,000 square feet.

In **France**, Jones Lang LaSalle has advised EDF on a 10,300-square-meter lease in Levallois, a Paris suburb.

Jones Lang LaSalle also completed two large transactions for a major healthcare organization that renewed its corporate headquarters in **Oakland, California**, and secured 200,000 square feet of new space in **Washington, DC**.

During 2010, companies will seek to capitalize on opportunities to purchase properties at attractive valuations and to reduce their occupancy costs. By mid-2010, this activity is likely to be a significant driver of a commercial real estate recovery. Nicolas Lepère, Real Estate Director of MACSF, described his company's motivation in undertaking a similar transaction, the purchase of Triangle de l'Arche in **Paris**:

*"Being an owner-occupier, we are now controlling our occupancy cost and are able to generate significant savings. In the long term, the French state 'Grand Paris' plan to enhance Paris economic development was an additional driver to acquire a well-located facility rather than leasing it. The solution provides a significant investment opportunity reflecting a yield above 6 percent."*

An expected increase in merger and acquisition activity will also be a factor in 2010 as companies seek to drive out redundant costs. Likewise, private equity players will search for ways to cut costs as they rationalize their portfolio holdings and ready them for possible sale.

### Industrial markets move through the cycle

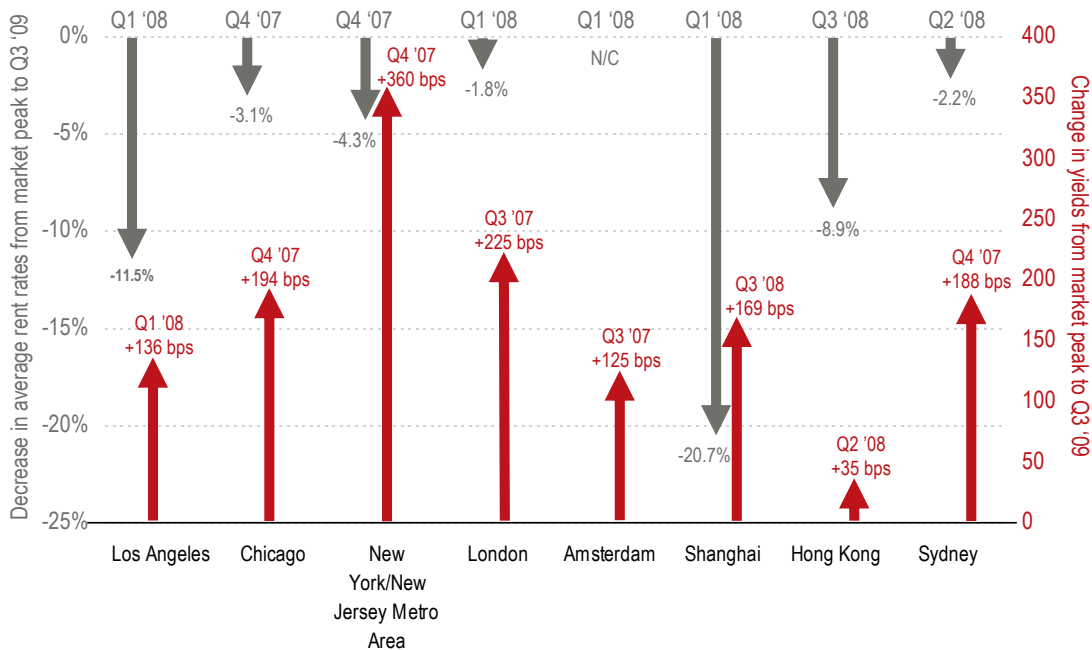
In the **Asia** industrial market, export volumes showed signs of stabilizing in the third quarter, although trade activity is projected to remain depressed across the region in 2010. Logistics operators remain generally cautious about business expansion. Rents for logistics space are starting to stabilize, while in **Singapore**, rents for high-tech space are likely to fall significantly over the medium term as tenants take flight-to-quality office space that has become more affordable. Limited new warehouse construction in **Australian industrial markets** in recent quarters is expected to support rentals in 2010. Capital values of warehouses in **Hong Kong** are likely to bottom out by the end of 2009, while prices of logistics facilities in **Shanghai** and **Beijing** are expected to post small positive gains over the next 12 months, given foreign investor interest in industrial projects in and around Tier I cities in **China**.

In **Europe**, the majority of warehousing markets recorded increased leasing activity during the third quarter, up 35 percent overall. Direct industrial investment reached €1.55 billion in the third quarter of 2009, marking the second consecutive quarter of rising investment activity. Prime yields also started to fall in line with their 10-year average, compressing to 7.8 percent. The investment market is generally improving because the amount of capital chasing super prime investments currently outweighs opportunities to purchase. Yield levels are expected to remain fairly stable over the next 12 to 18 months. Less development activity will reduce vacancy levels throughout 2010 which will have a stabilising effect on rents.

Total vacancy for investor-owned industrial assets in the **United States** hit 13.5 percent in the third quarter of 2009, as anaemic demand put additional downward pressure on rents. Quarterly net occupancy declined by 30 million square feet, while average asking rents eroded another 1.9 percent. The industrial sector's recovery will not be sharp, as substantial job growth will be necessary to instill confidence in American consumers and reverse the downward trend in net industrial occupancy. A bounce in inventory levels may help stabilize demand in the industrial sector during coming months, although longer-term and sustained recovery may not occur until 2011.

### Global industrial markets move through down-cycle

Comparative average rent declines and net change in yields from market peak to Q2 2009



Quarter of peak rent and low yield indicated for each market

Source: Jones Lang LaSalle

## Outlook

### Rhythm of recovery in 2010

Real estate recovery in the year ahead will follow the specific rhythms of a given market, while occupiers and investors will try to strike a balance between challenges and opportunities.

#### Asia Pacific outlook

The region has emerged from recession, and its economic prospects continue to improve. According to Global Insight, real GDP growth of 5 percent is expected in 2010, considerably stronger than in 2009, although still lagging 2003-07 average growth due to the region's reliance on overseas demand. Overall leasing demand remains weak but is starting to improve as occupiers take advantage of major rent corrections. In most office markets, rents are starting to stabilize following typical falls of 40 to 60 percent from their peak. Leasing conditions will continue to be favorable to occupiers until at least mid-2010 in most markets, with supply-constrained markets likely to see the earliest turnaround in rents. Investor sentiment is improving although overall investment activity is still significantly below levels of two years ago.

Although data suggests that capital values are generally likely to fall further in 2010, some markets have already bottomed and others will in early 2010. In a few markets, particularly those in mainland **China** and **Hong Kong**, prices have already begun to rebound, largely driven by strong buying interest among local investors. Against that backdrop, however, governments around the region have signaled their intention to restrain the development of asset bubbles, and this is expected to limit the extent of upward movement in values in 2010.

#### European outlook

Economic growth is expected to be broadly flat. It will be driven by a catch-up in inventories and supported by government stimulus plans. Employment may not grow until 2011 at the earliest. Business confidence will remain fragile, although it will improve in next. Corporates in Europe are positioned for better times, and while occupiers will remain in cost-cutting mode without plans to expand, they should begin consolidating requirements in 2010. Net leasing will decline further as rents continue to fall or hold in several markets. Occupiers will also be able to grab attractive incentive packages that will remain in place throughout the next twelve months.

As for investment activity, a two-tier market will exist in 2010. Prime yields will continue to hover just below ceilings reached in 2009, with some markets seeing a marked bounce in values due to the lack of available properties. Meanwhile, non-prime markets, which represent at least 80 percent of the European property universe, will stay out of favor, and their pricing will reflect the fundamentals more accurately than prime properties. Direct investment volumes in 2009 will likely be around €75 billion, reflecting a slowly improving market rather than a euphoric bounce. In 2010, transaction volumes are expected to increase to roughly €100 billion, 40 percent of the levels during the peak years of 2006 and 2007. Limited or even no CMBS issuance is expected, but some banks have been lending on core spaces.

#### United States outlook

A US growth rebound began in the third quarter, but is expected to slow by the second quarter of 2010 to reflect a full-year expansion of just 2 percent. Any sustainable recovery will be tested as unemployment rises to nearly 11 percent by the third quarter of next year. The US leasing markets have experienced the sharpest declines, and office vacancy rates will generally not peak until late in 2010 at the earliest. Stabilization and a return to genuine growth in US leasing markets are likely to occur beyond 2010.

Sales transaction activity bottomed in the US during the first half of 2009, but activity is expected to increase by 30 to 50 percent in 2010. A tentative return of CMBS issuance is likely but not at the heights reached in 2005-2007. With the increase in volumes, yields should become more transparent and firmer during the first half of 2010, while values will

remain under pressure in most markets throughout the third quarter. These dynamics will pave the way for a number of corporate occupier and investor opportunities in 2010.

### Corporate occupier opportunities

Corporations will release the brakes, encouraged by improved operating environments and greater economic certainty. Cost-consciousness will remain the primary influence on behavior and will drive further real estate outsourcing activity. Well considered opportunism will be seen in 2010, along with further intensification of activity levels as corporations test the market. They should keep a keen eye on their intended markets as some may harden sooner than the statistics suggest.

In the next year, opportunistic industrial tenants will be able to capitalize on cyclically low occupancy costs to re-optimize warehouse/distribution operations and supply chain networks. Likewise, landlords with stable portfolios will be able to move with the market, offering short-term flexibility at a premium.

### Investor opportunities

As maturities mount, those with capital to pool will be able to buy distressed assets through faltering banks that need capital infusions. While the floor is in sight, now is a good time to get those investment pools ready to acquire distressed developments.

In markets such as **London** and **Paris**, where vacancy is low, demand will increase as the region recovers. That will prompt developers to launch new projects or restart those that were in process prior to the crisis. The restart of construction will signal that liquidity is flowing again.

## October survey highlights

We asked you to share your opinion about the state of the market in your part of the world. Some highlights from the responses received:

- Availability of credit was identified as the biggest issue facing commercial real estate in the Americas, while respondents in Asia and EMEA said it was occupier demand
- Respondents in the Americas ranked private equity investors as the most likely active buyers in 2010, while in Asia and EMEA high-net-worth investors received the highest average rank
- Next year, higher levels of pricing distress (across all commercial property asset types) are anticipated in the Americas than in other regions

We'll continue to seek and share your input throughout 2010. We invite you to send your viewpoints to [global.perspectives@am.jll.com](mailto:global.perspectives@am.jll.com). Also, if you prefer not to receive the **Global Market Perspective** in the future, you may make that request using this same e-mail address.

*This is the last issue of the **Global Market Perspective for 2009**. The publication will return in **January 2010** with fresh insights and outlooks.*