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U.S. OFFICE VACANCY RATE RISES TO 12.5% IN FIRST QUARTER
REACHING HIGHEST LEVEL IN THREE YEARS

- *Average per square foot asking rent declines 2.2% to \$39.50 per square foot*
- *Pittsburgh vacancy rate rises to 13.1%; Rent falls slightly to \$21.52 per square foot*

PITTSBURGH, April 23, 2009 – Cushman & Wakefield today released first quarter 2009 statistics for the U.S. office property market that show an increase in the central business district (CBD) vacancy rate to 12.5 percent from 11.2 percent at the end of 2008. The vacancy rate is at its highest level since the first quarter of 2006, when it was 12.6 percent, but is still below its decade high of 15.5 percent in the second and third quarters of 2003.

In Pittsburgh, the vacancy rate rose to 13.1 percent, above the national average and up from 12.3 percent at the end of last quarter. Despite the increase in vacancy, Pittsburgh still holds one of the lowest office vacancy rates in the country.

The national vacancy rise in the first quarter coincided with a 39.3 percent decline in overall office leasing activity in CBDs for the period, which totaled 10.6 million square feet, compared to 17.5 million square feet in the first quarter of 2008. Two additional factors that contributed to the rise in vacancy were new construction completions and a significant increase in available sublease space.

New CBD construction completions in the first quarter totaled 3.3 million square feet, with approximately one-third of that space still available for lease as of the end of the first quarter. The amount of available sublease space rose 24.5 percent quarter over quarter, increasing the sublease vacancy rate to 2.1 percent at the end of March.

The slowdown in leasing, combined with the increase in available space, contributed to a 2.2% decline in average asking rents. At the end of the first quarter, the average asking rent for U.S. CBDs was \$39.50 per square foot, compared to \$40.37 at the end of last year. Despite the decline, the average asking rent is still above the average recorded at the end of the first quarter of 2008, of \$37.69 per square foot.

Pittsburgh's leasing activity totaled 162,070 square feet in the first quarter, compared to 489,383 square feet during the first quarter of 2008. The market experienced a decrease in available sublease space during the quarter of 2,439 square feet. Asking rents fell during the quarter to \$20.19 per square foot from \$20.63 per square foot at the end of 2008.

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“The leasing market fundamentals clearly reflect an increase in supply and a slowdown in demand,” said Maria Sicola, executive managing director and head of Americas Research for Cushman & Wakefield. “For tenants in the market, this is a window of opportunity to reduce occupancy costs by renewing leases at more favorable terms or relocating to better or more economical space. For investors or owners, the bright spot is that the direct vacancy rate has remained relatively flat, which means occupancy rates and cash flow are still relatively stable.”

The direct vacancy rate – or space available directly from landlords – measured 10.4 percent at the end of the first quarter, up from 9.5 percent at the end of 2008 to its highest point since the second quarter of 2006. Despite the quarterly rise in overall vacancy in nearly all 31 CBDs tracked by Cushman & Wakefield, average asking rental rates continued to climb in 14 cities. Asking rental-rate changes ranged from the highest increase of \$1.20 per square foot in Baltimore, to the largest decline of \$6.63 per square foot in San Francisco.

Only one market, Dallas, experienced a vacancy rate decline in the first quarter, to 27.2 percent from 27.6 percent at the end of 2008. Atlanta and Orlando held steady at 17.4 percent and 21.1 percent, respectively, while four other markets – Philadelphia, Minneapolis, Palm Beach and Silicon Valley – experienced only slight increases of 0.2 percent or less.

Tim Goetz, president of Grant Street Associates, a downtown-based Cushman & Wakefield Alliance firm, said, “Present market conditions in Pittsburgh compare favorably to other areas of the country. Although vacancies have increased somewhat, from 12.3 percent to 13.1 percent and asking rents have declined from \$20.63 to \$20.19 in recent months, the overall market continues to be reasonably sound. If, however, the downturn worsens or shows signs of continuing long term, then we can certainly expect a further weakening resulting in higher vacancies, more subleases and lower rentals.”

Year over year, six cities experienced vacancy rate declines as of the end of the first quarter, including Fort Lauderdale, which declined to 18.5 percent from 20.7 percent; Atlanta, which declined to 21.1 percent from 23.3 percent; Dallas, which declined to 27.2 percent from 28.7 percent; Silicon Valley, which declined to 16.8 from 17.7 percent; Minneapolis, which declined to 16.8 percent from 17.0 percent; and Oakland, which declined to 15.1 percent from 15.3 percent.

The top five cities with the lowest overall vacancy rates in the nation at the end of the first quarter were New Haven, Conn., at 9.2 percent; Washington, D.C., at 9.4 percent; New York at 9.6 percent; Portland, Ore. and Philadelphia each at 10.2 percent. Considering Downtown Manhattan and Midtown South as individual markets within New York, the two submarkets each recorded the lowest vacancy rate in the nation at the end of the first quarter, of 8.1 percent. Downtown and Midtown South, with 88 million square feet and 65 million square feet of office space, respectively, would be the fourth and fifth largest office markets in the nation behind Midtown Manhattan, Chicago, and Washington, D.C.

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Lowest National Vacancy Rates: 1Q '09

CITY	VACANCY	QUARTERLY CHANGE
1. New Haven, Conn.	9.2%	+1.9%
4. Washington, D.C.	9.4%	+1.4%
3. New York	9.6%	+1.6%
4. Portland	10.2%	+1.5%
5. Philadelphia	10.2%	+0.2%
6. Boston	10.6%	+2.3%
7. Baltimore	12.0%	+1.7%
8. Bellevue, Wash.	12.1%	+1.3%
NATIONAL AVERAGE	12.5%	+1.3%
9. Seattle	12.6%	+1.6%
10. Houston	13.0%	+1.0%

Highest Average Rents: 1Q '09

CITY	RENT	QUARTERLY CHANGE
1. New York	\$65.01	-6.4%
2. Washington, D.C.	\$50.85	+1.0%
3. Fairfield County, Conn.	\$43.62	+0.2%
4. Boston	\$43.51	-6.3%
5. Palm Beach, Fla.	\$40.14	-3.6%
6. San Francisco	\$39.68	-14.3%
NATIONAL AVERAGE	\$39.60	-2.2%
7. Los Angeles	\$36.73	+0.3%
8. Bellevue, Wash.	\$36.12	-3.7%
9. Miami	\$33.83	+0.3%
10. Westchester County, N.Y.	\$33.18	+0.1%

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Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 230 offices in 58 countries and 15,000 employees. The firm represents a diverse customer base ranging from small businesses to Fortune 500 companies. It offers a complete range of services within four primary disciplines: Transaction Services, including tenant and landlord representation in office, industrial and retail real estate; Capital Markets, including property sales, investment management, valuation services, investment banking, debt and equity financing; Client Solutions, including integrated real estate strategies for large corporations and property owners, and Consulting Services, including business and real estate consulting. A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on its online Knowledge Center at www.cushmanwakefield.com.

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