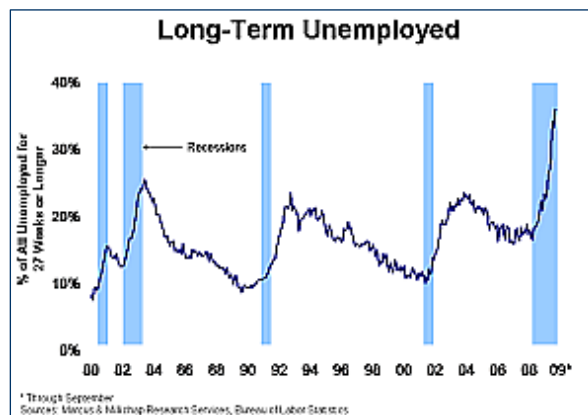




SEPTEMBER 2009 EMPLOYMENT

Headwinds Blow in September; 263,000 Jobs Cut

- The economy continues to face significant headwinds, as 263,000 jobs were cut in September, and the unemployment rate rose 10 basis points to 9.8 percent, indicating that the effects of the recession continue to linger. The worst of the job cuts may be over, though, as 768,000 positions were shed in the third quarter, compared with the elimination of about 2.1 million workers in the first quarter of this year.
- The severity of the recession has been extreme, as more than 7.2 million positions have been lost to date. Despite the moderation in job reductions, significant hiring is not expected to resume until well into 2010. In a recent survey, 13 percent of chief executive officers expect to add workers in the next six months, an improvement from the second quarter, when only 6 percent intended to hire. Nonetheless, this will not offset the 40 percent who expect to cut additional workers. The survey confirms that most CEOs remain cautious, pointing to slow employment growth ahead.



- The unemployment rate is forecast to climb to 10 percent by year end. Notably, the number of individuals unemployed for 27 weeks or longer increased from 2 million one year ago to more than 5.4 million in September. Individuals unemployed for 27 weeks or more account for 36 percent of all unemployed, the highest percentage in the past 29 years. The inability of the unemployed to find jobs will diminish the strength of a recovery by suppressing spending and the creation of new households. In addition, the average hours worked fell to 33 hours last month; employers will likely increase the hours of existing workers before resuming hiring.
- In the apartment sector, nationwide vacancy rose 90 basis points to 7.6 percent in the first half of this year and is projected to hit 8 percent in the third quarter. The unemployment rate in the prime renter age cohorts remains high, which will suppress rental demand in the months ahead. The unemployment rate for individuals ages 20 to 24 is elevated at 14.9 percent. Among individuals ages 25 to 34, the unemployment rate has increased to 10.6 percent.
- Weak employment continues to weigh on the office sector, where vacancy is projected to exceed 16 percent in the third quarter, compared with 14.5 percent at year-end 2008. Last month, 18,000 office-using jobs were eliminated, the lowest monthly total this year. As leases renew in the months ahead, however, the full effects of the loss of 1.2 million office-using jobs year to date will materialize.
- Hotel employment is one of the few sectors that has expanded this year. Although hotel employment is down year over year, about 30,000 jobs have been added in 2009 as a result of new hotels opening. Additions to hotel supply, plus a sharp decline in room revenue, have resulted in an 18.3 percent drop in revenue per available room, or RevPAR, so far this year, creating a strain on the operations of many properties. Opportunities to invest in distressed properties are expected to increase in the near term.