


Excerpts from the: 2012 BOMA Forecast

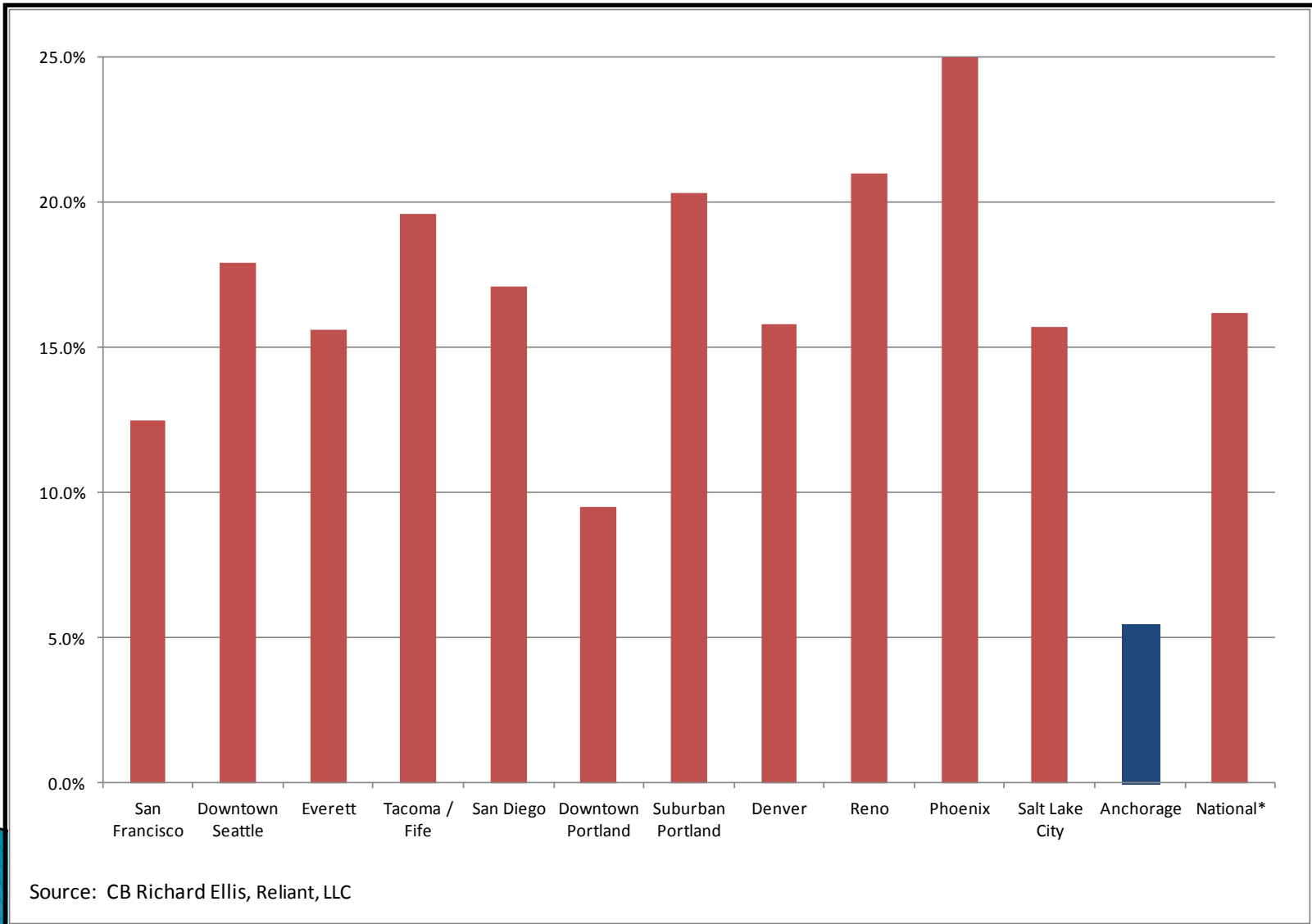
Theodore Jensen, MAI



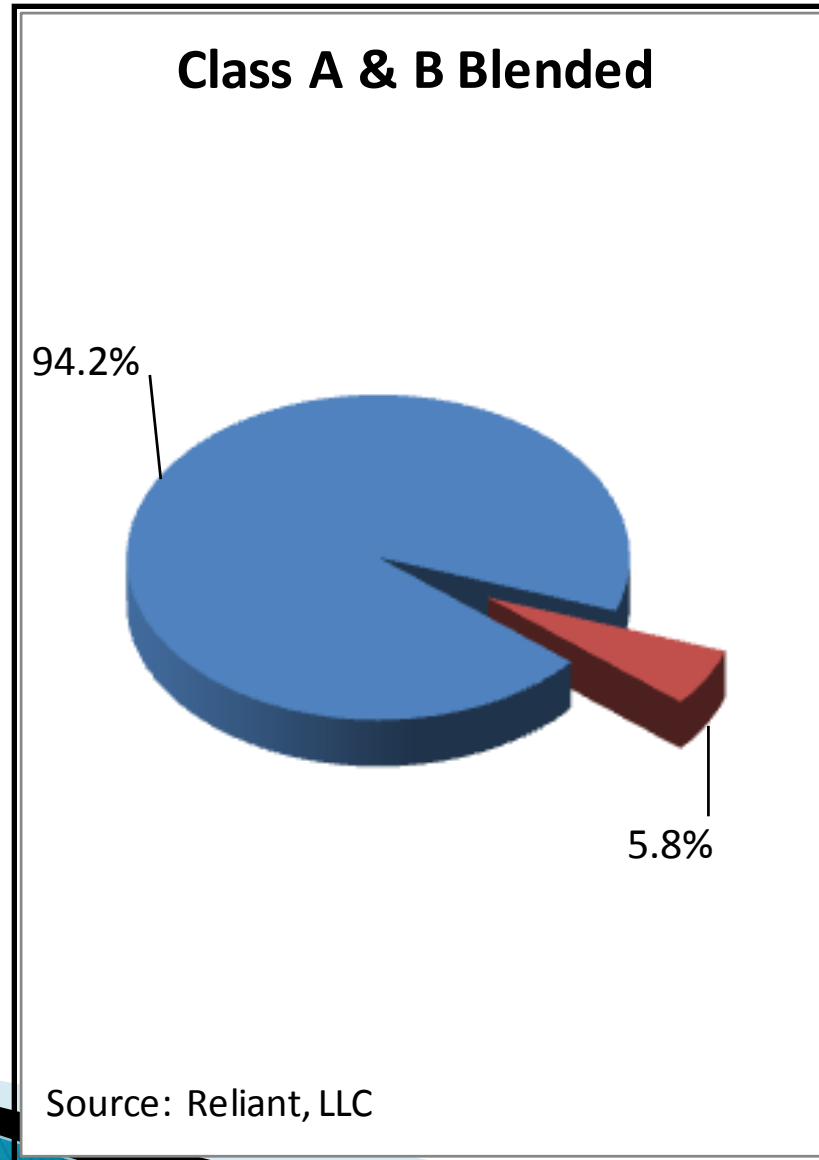
National Office Vacancies:

- ▶ Over the last 20 years the national office vacancy rate had not been below 8.5%...
 - ▶ Until 2007.
 - ▶ The current vacancy rate nationally is 16%.
 - ▶ While it's begun to gradually decrease, it will take some time to return to more historically typical levels.
- 


Current West Coast Vacancies



Overall Vacancy:




Class B Observations:

- ▶ Half of the Downtown Class B vacancy is attributable to the new ARRC Freight Shed and the Alaska Anvil Building.
 - ▶ This will change in 2012 as the Forest Service moves from Calais to the Freight Shed.
 - ▶ Also, there has been some interest from potential buyers for the Anvil Building, and they would likely occupy much of the vacant space.
 - ▶ The seeming improvement in Class B occupancies is mostly the result of “musical chairs”, such as the relocation of Denali Family Services from an Eastside building (not in our survey) to the Carr Gottstein Buildings in the South district (in our survey).
- 

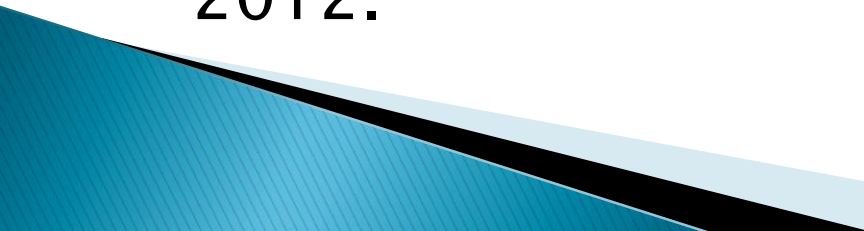
Class A Observations:

- ▶ Most of the Class A vacancy is still in the 3 new towers in Midtown.
- ▶ Vacancies in the new buildings did decrease during 2011, but it was mostly from “musical chairs” – not new tenants to the area.
- ▶ There will be some significant movements in 2012 as approximately 170,000 sq ft comes on-line and tenants continue to relocate.
- ▶ This will almost certainly impact Class A vacancies in East Anchorage (ANTHC).
- ▶ The net impact in Midtown remains to be seen (i.e. Forest Service space in Calais is mostly back-filled already, Dankor Building will mostly draw from Class B...) – but vacancies should be up overall.

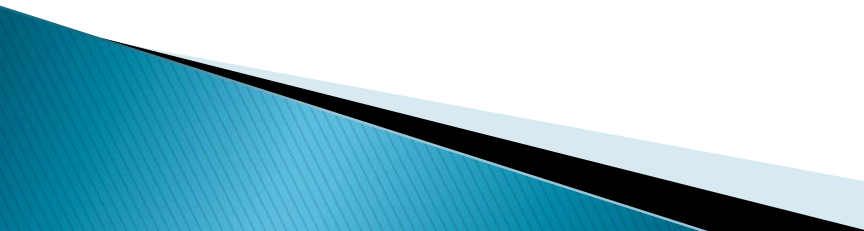
Rent Observations

- ▶ The majority of leasing activity is still in renewals vs. new leases, although there were a few large leases done in 2011.
 - ▶ For most renewals, rates are holding steady over the prior period.
 - ▶ Vacancies still are not generally high enough to swing the pendulum too far in the tenant's favor.
 - ▶ However, there has been some downward pressure on rates in specific segments.
- 

New Supply Will Be Noticeable

- ▶ Only one new Class A building in 2011 – CIRI (Doyon Building) in South Anchorage.
 - ▶ There is roughly 850,000 sq ft of proposed product waiting in the wings...
 - ▶ Buildings have been proposed for all districts except for East Anchorage.
 - ▶ However, these projects are basically on hold as they await adequate pre-leasing.
 - ▶ Still, over 200,000 sq ft will come on-line in 2012.
- 

New Demand Will Be Limited

- ▶ Neal projects positive 0.6% employment change in 2012.
 - ▶ This implies minor positive demand, which is still better than the losses in 2009/2010 – and most of the Lower 48.
 - ▶ The office market is a trailing indicator of employment and economic conditions, so this change may not show up immediately.
 - ▶ Wildcard: What will happen with the oil sector? The federal government?
- 

As I consult the magic 8-Ball...

- ▶ The current vacancy rate is very healthy.
- ▶ 2012 Will likely see limited new demand.
- ▶ But, it will be met with significant new supply.

Bottom Line:

- ▶ Market conditions will soften somewhat in 2012 in terms of vacancy.
- ▶ Lots of “musical chairs”...
- ▶ Rents at the upper end will likely continue to see some downward pressure. Other rents mostly flat.
- ▶ The market will remain solid, and continue to be one of the better performing in the country.



**Coming soon:
The annual Market Watch
office survey and newsletter.**

**Contact BOMA Anchorage to join and
subscribe.**