

office space was 16.7% with regional rates ranging from 9% to 24%. Figure 10 shows the downtown vacancy rates in 11 American cities in 1987. For suburban locations, the national vacancy rate was 24%. Where a decade ago single-digit vacancy rates were considered enough to warrant additional construction, developers have recently begun to enter markets with vacancy rates of 12%. There is now more than 650 million square feet of excess Primary office space in the U.S. with an additional 300 million in leased but vacant space.

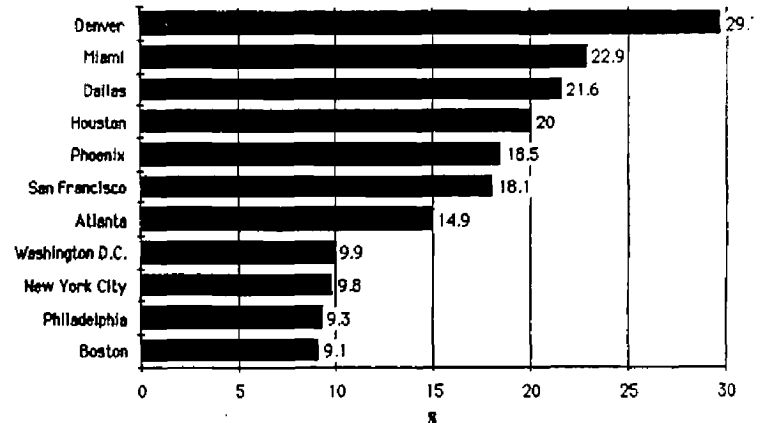


Figure 10: Vacancy Rates of Primary Office Space, January 1987

Source: Forbes, Jan. 26, 1987

2.4.2 Current Trends

The Tax Reform Act will curb speculative construction of office buildings.

One of the most significant events likely to brake commercial overbuilding occurred in 1986 through enactment of the Tax Reform Act which eliminated or reduced preferential tax benefits in speculative office building investment. Another constraining factor will be the sharp decline in rate of employment generation expected over the next decade to