STC 資產管理 MANAGEMENT
1985
Lic. No. 01299442

COMMERCIAL REAL ESTATE MARKET UPDATES

STC EVENTS
STC 活動預告

- STC Management presents its Halloween Costume Contest Party, to be held at Seasons Place (18558 E. Gale Ave., City of Industry, CA 91748) on October 30, 2010 from 6:00 PM until 10:00 PM
  萬聖節化裝舞會, 10 月 30 日星期六 @ 四季廣場

GENERAL
市場概括

- How This Year's Nobel In Economics Relates to Real Estate
  今年諾貝爾經濟學獎得主的理論亦適用於房地產
- Forget "Location, Location, Location," It's Now "Timing, Timing, Timing"
  目前地產市場最重要的是"時機、時機、時機"而不是"地點、地點、地點"
- Real Estate Buzz: Selling Local Retail as an Amenity
  地產新潮流：讓本地商業成為賣點

INDUSTRIAL
工業倉庫

- Industrial Market Gains as Absorption Increases, Vacancies Improve
  工業倉庫的空屋率有所好轉

FINANCING
貸款與資金

- Refinancing Surge Lifts Banks Amid Foreclosure Scrutiny
  重新貸款是銀行目前唯一的亮點
- 3Q Investment Sales Rise 35% to Highest Level Since 2008
  2010 年第三季度的投資地產買賣量比第二季度上漲 35%，為 2008年以來最高
- States with High Unemployment = States with High CMBS Delinquencies
  高失業率=高商業抵押擔保證券拖欠率
- Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
  消費者市場利率：房貸、基本利率、等等

STC LISTINGS
STC 獨家代理物業出售

- San Gabriel Office/Retail
  聖蓋博獨棟商用物業
- Santa Ana Preschool/Redevelopment Opportunity
  橙縣幼稚園/重新開發機會
- Main St. Alhambra Retail/Office Mixed Use
  阿罕布拉零售/辦公樓


HALLOWEEN
COSTUME CONTEST
萬聖節化裝舞會
at
STC CENTER | 四季廣場 SEASONS PLACE
October 30, 2010
6 PM to 10 PM
Can you be the scariest? Can you be the cutest? Come and show off !!
Great Music! Great Fun! Prizes for everyone!! And enter to win the grand prize!
Bring your friends and family!
Free Admission!!
at
18558 E. Gale Ave., City of Industry, CA 91748
All proceeds will be forwarded to Rowland Council PTA
Sponsored by:
Rowland Council PTA | 東區第一會館 | STC CENTER | STC 資產管理 MANAGEMENT | 四季廣場 SEASONS PLACE
For more information: (562) 695-1513

How This Year's Nobel in Economics Relates to Real Estate
今年諾貝爾經濟學獎得主的理論亦適用於房地產

By: William C. Wheaton (CB Richard Ellis)

The recently awarded Nobel Prize in Economics went to three scholars, Peter Diamond (MIT), Dale Mortensen (Northwestern), Chris Pissarides (LSE), who developed the field of frictional markets. The premise of this literature is that there are markets in which the product being transacted is very heterogeneous—just the opposite of commodity markets. Certainly this is true of labor, and probably next in line for heterogeneity are housing and then commercial real estate. Literally no two properties are exactly alike, as would be the case with jobs and workers.

In these types of markets, sellers list their products, often with asking prices, and buyers visit them, inspecting and then making offers. "Visiting" (e.g. interviewing) takes time and effort, but is the only way for a potential buyer to inspect the product. Costly searching gives rise to "bargained prices", once buyers find sellers with acceptable product. The buyer realizes that if his offer is too small, it will be rejected and he will have to jump back into the market—expending more effort on search. The seller surely realizes that an offer in hand is worth two in the bush; if she rejects an offer, it may be a long time before another buyer appears who happens to find her product acceptable. With some very clever thinking, Diamond, Mortensen and Pissarides are able to derive bargained wages (or real estate prices) that both seller and buyer find acceptable, when weighed against the alternative of continued searching.

When there is unemployment, whether job seekers are more or less picky about accepting employment offers will depend on how plentiful other jobs are and how painful unemployment is,. When there is lots of labor turnover, many vacancies, and cushy benefits, workers (and employers) become picky. In the opposite situation, workers take almost any job and employers accept any worker. This literature can also identify an "optimal" level of unemployment (or benefits therein). Cushy unemployment leads to good worker-employer "matching" and high productivity for filled jobs—but at the same time, fewer filled jobs. Painful unemployment gets people back to work, but with less productive matching in each job.

In real estate markets, vacancy plays a similar role. When there is a lot of vacant space, owners realize that it may be a long time before an offer arrives, so they adjust their expectations downward. Tenants, realizing that they have numerous options, become picky—this lowers their offers. In a market with little vacancy, tenants regard themselves as lucky to find any suitable space, and landlords, knowing this, hold out for higher offers. In owner-occupied real estate, the inventory of units for sale plays a similar role. The literature here has shown that "duration"—the ratio of inventory to sales—reflects the likely time that it will take (under certain statistical assumptions) for a buyer to find a suitable unit and for both parties to reach an acceptable "bargained" price. As duration rises, sellers adjust their reservations downward and buyers lower their offers.

Forget "Location, Location, Location." It's Now "Timing, Timing, Timing"
目前地產市場最重要的是"時機、時機、時機"而不是"地點、地點、地點"

By: Chris Macke (NREI Contributing Writer)

Okay, so don't completely forget about location. It is, however, necessary to focus on timing in addition to location.
Until now, most commercial real estate acquisitions have focused on real estate fundamentals. That's because information on the space markets is widely available and easily understood. Consciously or unconsciously, the maxim "location, location, location" has driven most acquisitions at the expense of investors, banks and taxpayers.

Sound real estate fundamentals are no guarantee against losses. All types of investors, including institutional investors, have suffered capital losses because they purchased real estate at the peak of the market and then sold at a time that the market no longer supported the prices originally paid. Examples include the experience of Japanese investors in the late 1980s, pension funds, and the experience of investors during the recent cycle.

According to the National Council of Real Estate Investment Fiduciaries, even the most conservative real estate investors experienced significant losses in the value of their properties in the past few years. In the third quarter of 2009, those properties had declined in value by an average of 26.5% from a year earlier, according to data from NCREIF, which tracks returns for more than 6,000 properties owned by institutional investors.

The average annual increase in property values from 1979 to the first quarter of 2010 has been a paltry 1.1%. Conversely, institutional investors garnered positive annual returns from property income every year during that period, with 5.1% growth in the worst-performing year.

Because income levels increased every year, capital losses must stem from changes in capitalization rates. Thus the timing of acquisitions is critical.

What time is the right time?

So how do investors know when to execute acquisitions? While there is no shortage of credible research reports on property fundamentals available to project trends in the space markets, reports that can help time acquisitions have been scarce at best. The default tool to limit capital losses has been appraisals.

Appraisals are good at accomplishing their objective, which is to determine value at a point in time. Because appraisals rely heavily on sales comparables and what I will call "capitalization rate and discount rate comparables," appraisals only reveal what everyone else is currently paying. Appraisals provide no indication of the risk of capital loss. Thus, appraisals can give a false sense of security.

Given that regulators, banks and purchasers all rely on appraisals, that false sense of security can extend throughout the commercial real estate market. This dependence has consistently led to the greatest acquisition activity occurring during periods when the risk of capital loss was the greatest.
An example of the effects of this systemic risk is a major Wall Street-based commercial real estate fund that acquired more than 80% of its real estate assets in 2007 and 2008. The managers subsequently had to write down more than $1.5 billion of their fund's value.

The key point is that when an investor makes an acquisition is as important, if not more so, as where the acquired asset is located.

Doubters need look no further than Rockefeller Center in the heart of New York City, arguably the best location in the world. Mitsubishi Estate Co. purchased the 22-acre complex in 1989, only to suffer a substantial loss in the early 1990s when commercial properties across the nation lost as much as half of their value.

"Location, location, location" is a catchy phrase, and location is important. But ignoring timing has proven costly in every cycle. While timing the market perfectly is impossible, an investor doesn't have to time the market perfectly to significantly reduce the risk of capital loss.
Ignoring timing altogether is like Cinderella not wearing a watch to the ball, and then wondering why her carriage turned into a pumpkin.

Real Estate Buzz: Selling Local Retail as an Amenity
地產新潮流：讓本地商業成為賣點

By: Marc Stiles (Daily Journal of Commerce, Real Estate)

Three years ago, when condo fever was raging, developers sought to entice buyers with amenities ranging from standard workout rooms to not-so-standard wine caves and infinity pools.

GTS Development took a different approach at Trace by attracting homegrown restaurants and shops to the mixed-use project on Seattle's Capitol Hill, and promoting them as an amenity.

It has turned out to be a symbiotic success. Creative entrepreneurs in street-level spaces draw condo buyers and other customers, and condo buyers and other customers, in turn, patronize the shopkeepers and restaurateurs. “We talked about that from day one,” said GTS Principal Ted Schroth of the retail-as-the-amenity strategy. “We always said that's what's going to make this project a success. It makes it a place people want to live.”

Only 11 percent of the 17,000 square feet of commercial space at Trace is still vacant, and a user has signed a letter of intent for the last storefront. The newest retailers are High 5 Pie, which Dani Cone of Seattle-based Fuel Coffee is opening, and Barre 3, a Portland exercise studio that combines ballet, yoga and pilates.

Upstairs, 123 of the 142 condos have sold. Like most developers, GTS dropped prices but the company has avoided having to auction units.

Renting to big national chains would have been more profitable and less risky. Their credit is better than mom-and-pop businesses, and Schroth estimates he could have grossed 20 percent more rent. He had chances to lease to larger companies, he said. There were “a couple of dance with the devil situations, but I just couldn't do it.”

It wasn't an easy choice for a developer that has to weigh his own profits as well as those of his investors. “I'm not in this purely for altruism and neighborhood making,” said Schroth. But he's betting that “doing it right” will lead to longer term success.

Anne Marie Koehler of CB Richard Ellis marketed the Trace retail space and Matrix Real Estate is marketing the condos.

So what's next for Schroth, who also redeveloped the 1908 Odd Fellows Building a few blocks away? He's scouting for opportunities in what he calls the Trace Triangle: between East Pine and East Madison streets and Broadway. The limited size of that area and that fact that it's already mostly developed means the next project will likely be an adaptive reuse.

“We've talked to a lot of people,” Schroth said, but there's nothing in the pipeline.

New real estate player at UW

Seattle's largest employer, the University of Washington, has a new chief real estate officer: Todd Timberlake. He fills a new position at the UW, and his hiring signals a big shift in how a major player like the university will operate.

A university spokesperson said Timberlake is responsible for off-campus real estate interests, with a specific focus on one of the Northwest's most high-profile assemblages: the Metropolitan Tract, 11 densely developed acres in

downtown Seattle. Unico Properties has managed the tract for some 60 years under a lease that expires in three years.
According to his job description, Timberlake will evaluate staffing to make sure that management of the tract and other real estate matters are covered as Unico's lease ends and after. He'll also work closely with the UW real estate advisory committee, which includes prominent members of the Seattle real estate industry.

Also, according to the job description, in creating the new post the UW decided to is moving its Real Estate Office from under the Treasury Group to oversight by Timberlake.

Timberlake was a senior vice president at CB Richard Ellis, principal at Trammell Crow, and a development manager at Microsoft and Plum Creek Timber.

25% jump for apartment rents

Apartment development is heating up and to understand why turn to page 4 of Dupre + Scott Apartment Advisors' new report. The Seattle company says Puget Sound-area rents could climb almost 25 percent in the next five years and 50 percent between now and 2020.

Dupre + Scott bases its outlook on historic rents and incomes, and what economists Dick Conway and Doug Pedersen forecast for per capita income. Going back 30 years, Dupre + Scott found a remarkable correlation between incomes and rent. True, actual rents fell during the last two recessions, but not that much. And when the economy rebounded, rents bounced back quickly.

Supply and demand could throw the correlation off track, said Mike Scott. Currently, his company projects the supply of new units will remain extremely constrained. Squeezed between tighter lending standards and equity partners who want better returns, Dupre + Scott says the region will see only 2,000 units open next year, the lowest production level in 40 years.

Even 2012 will be slow, according to the company, which expects 3,000 units will open then.

Industrial Market Gains as Absorption Increases, Vacancies Improve": PDF Attachment
工業倉庫的空屋率有所好轉

By: Randyl Drummer

Add another commercial property type that is now on the path to recovery. The U.S. warehouse market joined the office market in clear recovery mode after logging another quarter of positive absorption and improving conditions as the national industrial vacancy rate edged down for a second consecutive quarter.

Similar to its office market counterpart, the industrial real estate market is also seeing the pace of recovery vary quite a bit from market to market, according to CoStar Group's Third Quarter 2010 Industrial Real Estate Review & Outlook.

Recovery is slower to take root in the sales market and probably won't be as robust as some would like to see, but with so little new warehouse supply on the horizon, any growth in demand could quickly cause the rate of recovery to accelerate, CoStar senior director of research and analytics Jay Spivey said in a webinar presentation this week with Hans Nordby, director of advisory services.

"We could be surprised at the level of recovery, given the low levels of supply we've seen," Spivey said.
Seven of the previous eight quarters prior to second-quarter 2010 posted negative absorption. However, the market absorbed 10 million in the second quarter and 8 million square feet in the third quarter. While far from broad-based, "it's official - we're in recovery," Spivey said.

The amount of gross square footage leased quarterly has remained a "picture of stability" through the downturn, even spiking to a decade high of 620 million square feet in 2009, one of the worst years on record for the economy. The Inland Empire, (positive 5.6 million square feet), Philadelphia (5.1 million), Houston (4.6 million) and Phoenix (3.2 million) topped the list for net space absorbed, with Chicago and Cincinnati tied for fifth at 2 million.

While four of the top six markets reporting positive absorption are large distribution hubs, not all major distribution regions are doing well. On the down side, some of the largest, Atlanta, the San Francisco Bay Area and Los Angeles, all posted negative absorption exceeding 5 million square feet in the quarter, with New York, Dallas, Chicago and New Jersey also giving back significant space. Seven of the eight markets with the highest negative absorption have been hard hit by the housing and manufacturing busts.

The good news for the market, Spivey said, is that very few new warehouse construction starts are slated for the next couple of years. New supply will hit another all-time low in 2010 -- so low that any significant growth in demand could cause a fairly dramatic decline in vacancy rates and quickly accelerate recovery.

A look at the percentage of submarkets with declining vacancies in the third quarter shows how fast industrial occupancy is poised to pick up as a result of diminished supply. Submarkets vacancies are a leading indicator for the national warehouse market because they generally start to decline much sooner than the national rate.

Almost 55% of the nation's industrial submarkets saw falling vacancy rates in the third quarter. During the last recession in the early 2000s, it took about 11 quarters to reach that level of submarket recovery, largely due to the huge amount of new space that hit the market early in the decade. With limited supply, declines in submarket vacancy have been much steeper in the current cycle.

Quoted rents have declined steadily for two years in the current downturn by about 11%, a bigger drop than the last recession. With quarterly occupancies rising in about half the nation's industrial markets, rent declines appear to be slowing.
CoStar forecasts relatively mild absorption through 2014 -- much lighter than the last recovery, when deliveries dramatically outpaced demand. "Overall, we're going to see improving fundamentals, declining vacancies and rising rental rates," Spivey said.

PORT MARKETS: A BASTION OF STRENGTH

In a study of core markets with ports that handle a large share of the nation's trade, real estate economist Shaw Lupton found that sea ports and large inland national distribution hubs didn't decline as fast during the recession and have rebounded more quickly in recent quarters

Three-quarters of cargo throughput as measured by container traffic is captured by these sea ports, which include Seattle-Tacoma, Oakland, Los Angeles/Long Beach, Houston, Miami and New York/New Jersey. Throughput of imported and exported goods drives warehouse demand. Inbound cargo traffic as measured by Twenty-Foot Equivalent Units (TEUs), loaded cargo containers, took a dive in 2007 through 2009 as consumers and businesses cut back spending. Outbound TEU traffic faltered along with the general economy in 2009. With the recent rebound in imports and exports, however, port throughput is up 8.5% year over year.

Overall, the sea ports most exposed to imports, Los Angeles, New York and Seattle, had the largest overall traffic decline in 2009. However, that trend has reversed in 2010; the ports with highest imports exposure are seeing the biggest bumps in traffic.

CoStar generated an index of historical demand for industrial space at seaport-oriented markets since 2005 and benchmarked it against overall metro demand. The study found stronger demand and rents at port-oriented markets than metros as a whole over the last five years. Port rents rose faster during the up cycle and declined less steeply during the downturn.

SALES MARKET RECOVERY LAGS

Like other property types, industrial sales transaction volume, measured as a percentage of the total market, remains far below historical averages and well below the trough of the previous recession. Most markets are plagued by poor liquidity, though a few, including Raleigh-Durham, Richmond, VA, Washington, D.C., Inland Empire, Tampa/St. Petersburg and Charlotte, are seeing higher square footage sold as a percentage of their total market size. Buyers and sellers remain at odds on selling versus asking prices, though the number of properties withdrawn from the sales market is starting to level off.

The CoStar Repeat Sales Index, which measures the price differential between properties that have sold more than once, shows that industrial prices remain in decline, though larger investment-grade properties are seeing some price appreciation. Investors coming back to the market prefer the safety of those high-ender properties.

The largest industrial sales in the third quarter were portfolios, with three of the top four acquired by REITs, including the purchase of seven data center properties in Arizona, California and Virginia by Digital Realty Trust from Rockwood Capital for $725 million. Portfolios made up 40.6% of total sales volume in the third quarter.

Refinancing Surge Lifts Banks Amid Foreclosure Scrutiny
重新貸款是銀行目前唯一的亮點

By: Jody Shenn (Bloomberg)

A rush by U.S. homeowners to refinance at near record-low interest rates marks a rare bright spot for the mortgage industry, under attack for choking the economy with shoddy loans and botched foreclosures.

Wells Fargo & Co., the biggest U.S. mortgage lender, received $194 billion of loan applications in the third quarter, the second-most in its history, Chief Financial Officer Howard Atkins said last week. About 80 percent were to refinance. Bank of America Corp. CFO Charles Noski said lending margins are up and demand should remain robust through yearend.

As the Mortgage Bankers Association opens its annual conference today in Atlanta, lenders that survived the real estate crash are finding the pickup in refinancings overshadowed by a national foreclosure investigation and fresh investor efforts to force loan buybacks. They are also concerned that new consumer-friendly regulations will be burdensome.

“After 22 years of fielding our survey of attitudes and behavior, I have never seen lenders respond with such uncertainty,” Jeff Lebowitz, founder of Mortech LLC, said in an e-mail after the Bend, Oregon-based research firm this month released its yearly survey of industry executives.

The report found that two-thirds of firms with annual lending volume of more than $5 billion expect that the issue affecting them the most in the next year will be adapting to rules created in response to the global financial crisis, which was triggered by record defaults on housing debt.

Charlie Brown

Mortgage lenders feel like comic-strip character Charlie Brown, John Courson, president of the Mortgage Bankers Association, said today at the group’s conference. “We’ve got a lot of ‘Lucys’ in our life these days, people who, just as we think we’re moving down the field, pull the football out from under us.”

The Dodd-Frank bill passed this year seeks to rein in predatory lending by requiring banks to make a “reasonable and good-faith” determination that borrowers are able to repay some kinds of loans. It also instructed regulators to define which types of mortgages banks can make and package into bonds without retaining a slice. In addition, the bill created the Consumer Financial Protection Bureau, which will have the authority to regulate “unfair, deceptive or abusive” mortgage transactions and other credit products.

Absorbing Change

Changes related to mortgage disclosure and fee requirements in an update of the Real Estate Settlement Procedures Act are among the most challenging for lenders, said Wil Armstrong, chairman of Cherry Creek Mortgage Co. in Greenwood Village, Colorado, which made $3.4 billion of home loans last year.

“The industry can’t absorb change after change after change,” he said.
Refinancing applications have more than doubled since the start of the year, hovering for the past 10 weeks near levels not seen since May 2009, according to Mortgage Bankers Association data. Rates for 30-year fixed-rate loans declined to 4.19 percent in the week ended Oct. 14, according to Freddie Mac, the lowest since the McLean, Virginia-based company began tracking the data in 1971.

With fewer competitors in the market, per-loan profit on making and selling mortgages is rising, with the difference widening between average rates on new loans and yields on Fannie Mae-guaranteed bonds into which they can be packaged. The gap is about 1 percentage point, up from about 0.45 percentage point in the past decade, according to data compiled by Bloomberg.

Refinancing Obstacles

Not all applications are turning into new loans. Many consumers can't qualify because of tightened lending standards or because their homes are valued at less than their existing mortgages, a situation known as being "underwater" that is a major obstacle to a real estate recovery.

Completed refinancings in the third quarter were an estimated 56 percent below the second quarter of 2004, after applications earlier that year touched similar levels, data from the bankers' group show.
Meanwhile, home sales remain depressed.

Compared with a year earlier, existing home sales were down 19 percent in September before adjusting for seasonal patterns, the National Association of Realtors said today. Sales fell to a 4.53 million annual rate, exceeding the 4.3 million pace that economists forecast, according to the median projection in a Bloomberg News survey.

'Fell Off a Cliff'

Ethan Gregory, a broker for First Coast Realty Associates in Jacksonville, Florida, said sales "fell off a cliff" after the first-time homebuyer tax credit expired earlier this year. Low interest rates haven't made a difference, he said. 'It's unbelievably low rates," he said in a telephone interview. "But activity because of that doesn't seem like much."

The Mortgage Bankers' meeting convenes a little more than a month after GMAC Mortgage stunned the industry by suspending foreclosure evictions in 23 states. The company, a unit of Detroit-based Ally Financial Inc., said it would review procedures amid allegations by homeowners that it employs teams of "robo-signers" to push through hundreds of repossessions a week without verifying the accuracy or existence of documentation. Lenders including Bank of America and JPMorgan Chase & Co. followed suit, while San Francisco-based Wells Fargo didn't, saying it stood by its filings.

GMAC and Bank of America, based in Charlotte, North Carolina, resumed foreclosures a few weeks later, saying they were confident their procedures were solid.

Foreclosure Investigation

The attorneys general of all 50 states on Oct. 13 opened a joint investigation into foreclosures to determine whether banks and loan servicers used false documents and signatures to justify hundreds of thousands of foreclosures. Other practices are also questionable, Harvard Law School visiting professor Katherine Porter said in a phone interview. "With all of those misbehaviors, it is utterly implausible to think any of the mortgage servicers have gotten that cleaned up in the past month," she said.

About $2 trillion, or a third, of the U.S. home loans bundled into securities from 2005 through 2007 have defaulted or eventually will, analysts at New York-based JPMorgan said Oct. 15. Among the bad loans being fought over are ones securitized by Countrywide Financial Corp., once the top U.S. home lender and now part of Bank of America.

Bond Losses

Owners of some of the bonds, which now include Pacific Investment Management Co. of Newport Beach, California, and the Federal Reserve Bank of New York, have suffered almost $8 billion of losses on the mortgages, and more than $22 billion of the remaining loans are at least 30 days late, Bloomberg data show. The underlying loan balances, originally $105 billion, stand at $47 billion after defaults, refinancing and home sales. Pimco, New York-based BlackRock Inc. and the New York Fed are seeking to force Bank of America to repurchase soured mortgages, people familiar with the matter said last week.

Bank of America has said there is no need to take back loans that went bad because of the weak economy. “Each loan is different,” Jerry Dubrowski, a spokesman, said in an e-mail.

Such battles have been good news for Imarc, one of the firms being hired to scour the files of defaulted loans. The company has expanded to 150 employees and about $12 million in annual revenue, from six people and about $1 million in sales three years ago, according to Bob Simpson, president of the Santa Ana, California-based firm, formally known as Investors Mortgage Asset Recovery Company LLC.

Examining Loan Files

“There’s a lot of desire to find out what’s in these loan files: Whether it’s mortgage insurers or investors, people want to know like never before,” Simpson said in a telephone interview. “I feel like we’ve really grown up. We’ve got a HR department, 401(k)s, health care for everybody.”

Some lenders are turning to outsourcing companies such as Genpact Mortgage Services to help keep up amid refinancing at “overall volumes rivaling some of the highest they’ve ever seen,” said Taylor Woods, president of the firm, a unit of Hamilton, Bermuda-based Genpact Ltd. Requests to Genpact for U.S.-based support work have risen about 30 percent in the past year, he said in an interview last month.

“The biggest issue for the industry other than bad loans and foreclosures is capacity,” said David Lykken, president of Mortgage Banking Solutions, an Austin, Texas-based firm that provides advice to home-loan companies.

The lack of staff industry-wide stems in part from the difficulty loans officers who don’t work at banks are having obtaining state licenses under federal rules created this year, Lykken said.

Fixing Foreclosures

It’s possible that fixing foreclosures “starts to consume large amounts of originator/servicer resources,” increasing the amount of time it takes to close on mortgages, Credit Suisse Group AG analysts led by Mahesh Swaminathan wrote in an Oct. 14 report.

Home-loan originations probably rose to $403 billion in the third quarter, according to the Mortgage Bankers Association, which is based in Washington. New loans may fall to $262 billion this quarter and total $1.06 trillion next year, down from $1.49 trillion in 2010.

Wells Fargo, Bank of America and JPMorgan accounted for almost 57 percent of new mortgages in the first half of this year, according to newsletter Inside Mortgage Finance. In 2006, the top three lenders, Countrywide Financial, Wells Fargo and Washington Mutual Inc., accounted for 35.4 percent. In 2008, Bank of America bought Countrywide before it went under and JPMorgan purchased most of Washington Mutual after it failed.

Housing Slump

An almost 30 percent slump in U.S. home prices since 2006 shut the market for private mortgage bonds and limited banks' lending, leaving government-supported Fannie Mae and Freddie Mac, the Federal Housing Administration and other federal insurers to buy or guarantee about 95 percent of all mortgages, according to Inside Mortgage Finance. That's up from about half in 2005 and 2006.

While only one private securitization of new U.S. mortgages has been completed in more than two years, Wall Street firms are "gearing up for volume and there's pent-up demand" among consumers for loans that don't fit into government-backed programs, said Sue Allon, founder of Denver-based Allonhill, which provides due diligence on mortgages.

3Q Investment Sales Rise 35% to Highest Level Since 2008
2010 年第三季度的投資地產買賣量比第二季度上漲 35%，為 2008 年以來最高

By: Commercial Real Estate Direct

Investment-sales volume in the third quarter climbed to $28.9 billion, the highest quarterly tally since 2008, according to Real Capital Analytics.

The volume was up 35 percent from the second quarter, and more than doubled the volume of the year-ago period, according to the New York research firm, which tracks transactions of at least $5 million.

The $66.2 billion of transaction volume so far this year puts the market on pace to top $100 billion of deals for the full year. That would compare with $54.4 billion last year.

Sales through the first three quarters are up from a year ago in all property sectors. Hotels saw the biggest gain, with sales up 132 percent to $6.5 billion; multifamily saw a 97 percent gain to $18.5 billion, and office-property sales increased 83 percent to $20.5 billion.

Rounding out the field, retail posted a gain of 78 percent to $11.9 billion and industrial's volume grew 57 percent to $9 billion.

Pricing has also increased, although not in lockstep with the sales-volume hikes. The office sector's average capitalization rate through the first three quarters dropped 173 basis points to 7.3 percent, while the industrial sector's average cap rate fell 42 bp to 8.4 percent. Multifamily's dropped 37 bp to 6.7 percent.

The retail sector's overall average rate dropped 46 bp to 7.8 percent. Shopping centers accounted for the entire decline as the subsector's average dropped 1.15 percentage points to 7.8 percent, while the average for mall-property transactions held essentially flat at 7.8 percent.

Real Capital did not determine cap rates for hotel transactions, but said that the average price on a per-unit basis has more than doubled for full-service properties this year.

Portfolio acquisitions, which were scarce last year when financing was especially tight for higher-priced transactions, have returned this year, driving a big chunk of the volume hike. Some $6.4 billion of portfolio transactions occurred in the third quarter and another $8.5 billion of deals have closed or are expected to close this quarter, according to Real Capital.

Portfolio deals helped make Blackstone Group by far the most active buyer this year. It is involved in the $3.925 billion acquisition of Extended Stay Hotels Inc.

Simon Property Group, which ranks second in terms of dollar volume of acquisitions this year, paid Lightstone Group $2.33 billion for Prime Outlets, which had operated 22 outlet centers with 8.2 million square feet.

Meanwhile, sellers' asking prices have become more aligned with what buyers are willing to spend, which has narrowed the "bid-ask gap' that had thwarted sales activity a year ago. In fact, $43.3 billion of properties were listed for sale in the third quarter.

A narrowing of the bid-ask gap is also encouraging investors to more aggressively pursue deals. AMB Property Corp. cited a general drop in property asking prices as a factor in its plans to make up to $800 million of acquisitions next year.

Distressed asset transactions have also increased throughout the year and reached $4 billion in the third quarter. The distressed sales volume, which was up 33 percent from the previous quarter, accounted for 19 percent of all third-quarter deals and 14 percent of the total dollar volume of deals.

Real Capital said that pricing for distressed assets has been falling, despite the gains in pricing overall.

States with High Unemployment = States with High CMBS Delinquencies
高失業率=高商業抵押擔保證券拖欠率

By: CoStar

Loans secured by properties in economically challenged states are defaulting at an elevated rate and driving U.S. CMBS delinquencies higher, according to the latest U.S. CMBS delinquency index results from Fitch Ratings. CMBS late-pays rose 18 basis points (bps) to 8.66% last month.

"Though certain macroeconomic indicators have been more encouraging of late, CMBS delinquencies will not subside anytime soon," said Mary MacNeill, Fitch Ratings Managing Director. "National employment underpins demand for every property type and a jobless recovery for the U.S. economy foretells continued challenges ahead for commercial real estate."

Fitch Ratings found a noteworthy positive correlation between the state-specific delinquency and unemployment rates. Currently, 10 states with CMBS loans rated by the agency have delinquency rates in excess of 10%. All but one of those states (Hawaii) ranks among the worst with respect to unemployment levels. States with the highest delinquency rates are as follows.

Nevada: 25.85%

Hawaii: 18.03%

Michigan: 15.66%

Arizona: 14.75%

Mississippi: 12.26%

Georgia: 12.05%

Indiana: 11.65%

South Carolina: 10.61%

Florida: 10.42%

Tennessee: 10.22%

Also contributing to September's increase in CMBS delinquencies was a record $901 million of maturity defaults. Loans classified as non-performing matured represented approximately one-third of the $2.7 billion of new delinquencies recorded last month. As a percentage of all outstanding delinquencies, non-performing matured loans represent a smaller proportion (12.6%). This is because many loans in maturity default tend to be resolved within a few months, either as a result of the borrower obtaining refinancing to repay the loan in full or the servicer granting an extension on the loan. Non-performing matured loans have represented nearly one-third of all resolutions from the loan delinquency index over the past 12 months.

Delinquency rates for all property types, except retail, are rising slightly.

"Retail loans appear to be the most actively refinanced property type as seen in the concentration of new issuance CMBS," said MacNeill.

Current delinquency rates by property type are as follows.

Hotel: 21.31% (from 20.80%)

Multifamily: 14.45% (from 14.18%)

Retail: 6.10% (from 6.11%)

Industrial: 5.79% (from 5.55%)

Office: 5.48% (from 5.06%)

U.S. CREL CDO DELINQUENCIES NEARING 13%

Delinquencies for U.S. CREL CDOs in September rose to 12.9%, with 19 new delinquent assets reported, according to Fitch.

"Loans secured by office and multifamily properties represented over 70% of all new delinquencies," said Stacey McGovern, a Fitch director. "Among the September delinquencies were eight term defaults, seven matured balloons and four credit impaired securities."

In September, 34 of the 35 CREL CDOs rated by Fitch Ratings reported delinquencies ranging from 1% to 41.3%.

Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

Consumer Money Rates

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0.00	0.00	0.00	-	-4.75
Prime rate*	3.25	3.25	3.25	3.25	-	-4.50
Libor, 3-month	0.29	0.29	0.54	0.25	0.01	-4.72
Money market, annual yield	0.69	0.69	1.07	0.68	-0.38	-2.98
Five-year CD, annual yield	2.11	2.14	2.70	2.11	-0.59	-2.64
30-year mortgage, fixed	4.44	4.51	5.51	4.34	-0.80	-1.58
15-year mortgage, fixed	3.86	3.93	4.83	3.74	-0.80	-1.79
Jumbo mortgages, $417,000-plus	5.44	5.46	6.37	5.43	-0.83	-1.23
Five-year adj mortgage (ARM)	3.50	3.53	4.67	3.31	-0.83	-2.25
New-car loan, 48-month	5.88	5.92	7.24	5.87	-1.36	-1.05
Home-equity loan, $30,000	5.08	5.08	5.77	5.08	-0.69	-1.78