STC 資產管理 MANAGEMENT
Lic. No. 01299442

COMMERCIAL REAL ESTATE MARKET UPDATES

GENERAL
市場概括

- Investment Climate Highly Favorable for REITs
  房地產投資信託基金近期十分活躍：2010 年至今已融資 300 多億美元，并投資近 150 多億；2011 年預計將投資更多
- Have CRE Prices Bottomed Out?
  商業房地產是否已達谷底？
- Retail Vacancy Rates Fall, But Does it Mean Recovery?
  購物商場空屋率稍有下降，但這是否意味著復蘇？
- Majority of Property Investors Plan Purchases as Prospects Rise
  大多數投資者預計未來 12 個月內進場

FINANCING
貸款與資金

- Resolution of Extended Stay Loan Helps CMBS Delinquency
  隨著近期幾個高金額的拖欠貸款被解決，商業抵押擔保證券的拖欠率也出現一年多以來第一次的下降
- Information on SBA Loan Program
  小型企業管理局針對自用業主貸款的條件很優厚
- 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

Investment Climate Highly Favorable for REITs
房地產投資信託基金近期十分活躍：**2010** 年至今已融資 **300** 多億美元，并投資近 **150** 多億；**2011** 年預計將投資更多

By: Mark Heschmeyer

REITs have been some of the most active players in the CRE investment market in 2010. What's more, REITs also make up a substantial portion of the widely discussed "capital on the sideline" ready to pounce on commercial real estate investment opportunities as they arise -- seemingly enjoying the best of both worlds..

In their third quarter earnings conference calls, REIT executives spent a lot of time discussing the investment climate and answering analysts' questions on their strategies. Several common themes were evident in those calls.

Deal flow is growing as more product is coming to market;

Money is cheap from an interest-rate perspective and hence the ability to raise new equity in the capital markets is strong as investors look to REITs for growth;

The current price of properties on the market represents a deep discount to replacement costs; and

Core markets are generating the most interest while international markets are also becoming attractive.

According to: Mark Fitzgerald, debt strategist for CoStar Group's Property and Portfolio Research (PPR), REITs are primed to increase their acquisition activity, too.

"REIT capital raised in 2009 was primarily used to fortify balance sheets," Fitzgerald wrote in a recent PPR Daily Update, "whereas recent capital raises are being deployed for acquisitions. In 2009, public REITs raised almost $35 billion via the public markets, yet net acquisitions were negative $2.6 billion. However, in 2010 (through September), REITs raised another $32.5 billion in the public markets, with net acquisitions of almost $15 billion."

Fitzgerald said their ability to raise cheap capital in the public markets also allows them to bid aggressively on certain assets.

"Of course, capital raised in the current year is not necessarily the best indicator of the capacity of these firms to make further acquisitions," Fitzgerald added. "For example, it doesn't capture excess capital already held on the balance sheet and also ignores increased purchasing power via leverage."

Even if they don't refinance their debt maturing in 2011, REITs have about $16 billion available for acquisitions in the near term, Fitzgerald calculates. And if they are able to refinance half of their maturing debt, their cash available for acquisitions would balloon to more than $25 billion.

"Additional capital raises could increase these numbers significantly, as could leverage," Fitzgerald said, "For example, net retail acquisitions by REITs are just under $4 billion in 2010; in the 50% refinance scenario, the capacity exists for almost twice this activity in the short term, and using 50% leverage, we could see REITs doing four times as many acquisitions."

Of the five major property types, retail and hotel should benefit the most from public REIT capital, Fitzgerald said.

Of course, while many REITs are ramping up acquisitions, others are taking the opportunity to sell assets in pricing environment that has improved significantly over the past year -- for example, ProLogis recently sold $1 billion of assets to Blackstone, Fitzgerald said.

Even with ProLogis, though, the selling of properties is a prelude to more acquisitions, as Walt Rakowich, ProLogis CEO, explained in his earnings conference call this past week. What follows are comments pulled from various REIT earnings conference calls regarding the current investment climate and strategies.

PROLOGIS: RECYCLING

"Our strategy has been to recycle out of non-strategic assets in predominantly secondary U.S. markets," Rakowich said. "This transaction [with Blackstone] moves us forward in the accomplishment of that objective. Of the direct-owned sale portfolio, 72% of the assets are outside of the major logistics corridors in which we have chosen to concentrate our investment."

"In addition, the average tenant size of 44,000 square feet is about 40% smaller than our average across the company and only 8% of the square footage in the portfolio is leased by our global customers," Rakowich added. "So after the completion of the transaction, we'll have an additional $2 billion to $2.5 billion of non-strategic industrial assets that we'll target for distributions in future years. By recycling proceeds from these sales into new development, we believe we will substantially increase the [net asset value] of the company."

"In addition, we're going to look to exit our remaining investment in non-industrial properties, which primarily consists of retail and other assets we acquired during the Catellus merger," Rakowich said. "Historically, there were tax consequences to selling these assets before 2014 given the 10-year tax prohibition of selling assets that were once held in a C corporation. However, the recent Jobs Bill recently passed changed that provision for 2010 and 2011, and we now have a window to sell these assets sooner without C Corp tax consequences."

As for future acquisitions, Rakowich said ProLogis strategy "will be more concentrated in the major markets from a long-term, capital investment perspective, which we believe will serve ourselves better in the years ahead."

GLIMCHER: BLACKSTONE ALSO FIGURES IN

In the third quarter Glimcher Realty Trust entered into an agreement along with the Blackstone Group to purchase Pearlridge Center in Honolulu for $245 million. The center will be acquired by joint venture, which is owned 80% by Blackstone and 20% by Glimcher.

"Without the emergence of robust acquisition environment, it is extremely important to be able to take advantage of the limited quality opportunities that become available," said Michael Glimcher, chairman and CEO of the retail REIT. "Accordingly, we are pleased to be directly involved with the acquisition of this high quality mall. We are also

excited to be able to expand our strategic relationship with Blackstone through this investment. We believe this partnership [puts us in] in the best position to pursue future opportunities that present themselves within the market place."

"We do recognize that there is more work to be done on the delivering front but we now have more flexibility in time to execute on our strategy," Glimcher said. "We will also continue to focus on finding additional growth opportunities and would like to be in a position to not only raise capital to continue the delivering process, but to able to pair up with strategic investments in acquisitions as well. Finding the right opportunities that not only make sense from a pricing perspective but which also enhance the overall quality of the portfolio continues to be one of our major areas of focus. We are working hard and being creative in order to make this happen and we are actively in the market today looking for potential opportunities."

HOST HOTELS: LOOKING AROUND THE WORLD

"This is a unique period of time in the acquisition market as the spread between unlevered return and our cost of capital has rarely been higher and the discount to replacement cost for an acquisition has seldom been more attractive," said Ed Walter, president and CEO of Host Hotels & Resorts Inc. "We will continue to look for additional acquisition opportunity that meet our investment criteria. Overall we continue to have a solid pipeline."

For Host, a lot of that opportunity lies overseas.

"As you look around the world and focus on market like Brazil, India, China, you certainly see a lot better economic growth to what we are projecting to see in the U.S. and we know that economic growth ultimately translates into hotel demand growth. And that's the most fundamental reason why we felt it was important to explore our opportunities internationally," Walter said.

BOSTON PROPERTIES: EXPLORING INTERNATIONAL, BUT THERE'S NO PLACE LIKE HOME

"We're also open to investing outside the United States," Mort Zuckerman, chairman and CEO of Boston Properties, said. "We haven't found -- shall we say -- opportunities that we think are comparatively more attractive than staying in the United States. We don't have a problem in terms of investing in some other countries. I mean I would say that given the fact that I once used to speak French, I still would limit myself to the English-speaking markets."

"As I say, it's a matter of communication, it's a matter of understanding the political systems, it's a matter of understanding the legal system, and to some extent to have a better understanding of the way business works," Zuckerman said. "So, I think this is something that we wouldn't preclude forever. I mean, we're going to be a very, very large factor as a company in this country and perhaps in other countries, but we're going to move very carefully. We still believe and I think a lot of other people believe that far and away our best opportunities still are within the United States."

On the U.S. front, Doug Linde, president and director of Boston Properties, said a lot of the properties for sale and being sold currently have come about because of the aggressive financial structure that was used to purchase them during the last cycle.

"There is however an abundance of capital seeking high-quality investments in our markets and it's resulting in pricing that some may perceive as exceeding expectations from either a value per square foot or cap rate basis," Linde said. "We haven't changed our view on what we are anticipating for the types of returns we're looking for. We never expected to see double-digit unlevered yields on the kind of assets, the high-quality buildings in sub-markets that we are looking for."

STC 資產管理 MANAGEMENT Lic. No. 01299442

KILROY REALTY: SIMPLE AND STRAIGHTFORWARD

"Our investment strategy is simple and straightforward. We aim to take advantage of certain inflection points as the real estate cycle progresses," said John Kilroy, CEO of Kilroy Realty. "In the early stages where we're right now, our strategy is to buy high-quality, irreplaceable core assets in top tier markets at discounts to replacement cost. We seek well-leased properties with sufficient term to get us to a better point in the cycle. This should generate good stabilized yields with the ability to grow them over time."

"As the recovery begins to gain steam and job growth occurs, we will move further out on the risk curve to purchase more value-added acquisitions with more lease-up opportunity," Kilroy added. "Finally, when we reach a strong recovery that includes significant tenant demand, lower vacancies and higher rent growth, we anticipate that we will once again focus more of our investment attention on development."

"Our buying criterion is disciplined," Kilroy said. "We stick to what we know, for pursuing opportunities in key West Coast's locations, where we have deep market knowledge and experience. We buy properties at prices below replacement cost, and include significant amenities, and great access to transportation and infrastructure. We look for properties where we can increase rents, as well as those that are well leased to provide current cash flow."

Have CRE Prices Bottomed Out?
商業房地產是否已達谷底?

By: CoStar

Investment grade real estate continued its positive trend from August with a strong 5.48% increase in September, according to CoStar Group's newly released Commercial Repeat-Sale Indices (CCRSI).
For the first time since the second quarter of 2007, the four primary property types within the commercial real estate repeat sales index showed an increase in pricing in the third quarter.

The CoStar investment grade real estate index remains down 4.89% from the same period last year, and down 29.08% from two years ago. However, for the third quarter, the investment grade real estate index increased 5.46%. This is a significant reversal from the previous quarter, as the investment grade real estate index was down 3.24%. The CoStar investment grade index is therefore showing positive price movement quarter over quarter.

The CCRSI September report is based on data through the end of September, 2010. In September 574 pair sales were recorded compared to 611 sales pairs from August. Typically we receive additional data that adds a few percent to the numbers from 2 months ago and up to 12% more data from one month ago, so it appears that sales volumes are stable.

This volume is up from a year ago in September when we saw 513 sales pairs. The general volume appears down while the investment grade (institution grade below) was up for the month.
Overall, there has been an upward trend in pair volume going back to 2009. January 2009 appears to have been the low point in the downturn in terms of pair volume, when 376 transactions were recorded. Since then, pair dollar volume has increased overall and the average deal sizes for both general and investment grade have increased.

CoStar's index is the only repeat sales index that also tracks commercial real estate transaction prices less than $2.5 million. The CoStar index that takes into account all property sales including those less than $2.5 million is referred to as the general commercial real estate index.
The general commercial real estate index continued its quarter to quarter fluctuations, most recently reversing the negative price trends from the second quarter and turning positive once again in the third quarter.

In the third quarter general commercial real estate index increased 2.29% for the quarter with a positive 3.68% increase for the month of September. The general real estate index is down 7.38% from a year ago and down 20.99% from two years ago. However the general commercial real estate index has shown less volatility than the investment grade property index.

In the past quarter, of the four major CRE categories, the US multifamily index moved up the most with a positive 8.98% increase, with the office index increasing 6.08%, followed by the retail index increasing 5.56%. The industrial index remained mostly flat with a slight increase of 0.49% for the quarter. The increase in retail property represents a huge reversal of prior trends in that category, but retail property is still down 8.25% from a year ago.

Most of the top 10 markets moved in the same direction as the property category trends showing the current capital appetite preference for larger markets. The index for the top 10 office markets was up 13.37% for the quarter, the index for the top 10 multifamily markets was up 7.91% and the index for the top 10 retail markets was up 5.61%, but the index for the top 10 industrial markets was down 9.17%, suggesting the larger industrial markets are seeing more distress than the smaller industrial markets.

STC 資產管理 MANAGEMENT Lic. No. 01299442

Sales transaction dollar volumes used to calculate our September indices were up slightly for investment grade and were stable for general commercial real estate. Overall transaction and dollar volumes were up slightly for the month of September.

Distress continues to be a significant factor in the index results. Since 2007, the ratio of distressed sales to overall sales has increased from around 1% of overall sales to about 22% currently.

STC 資產管理 MANAGEMENT

Lic. No. 01299442

Retail Vacancy Rates Fall, But Does it Mean Recovery?
購物商場空屋率稍有下降，但這是否意味著復蘇？

By: Elaine Misonzhnik (Retail Traffic)

Leasing fundamentals in the retail sector improved slightly in the third quarter of 2010, according to reports by Reis Inc., CoStar Group and CB Richard Ellis. The improvement broke a long dry spell for retail real estate during which rents slipped and vacancies rose for more than four years.

The firms monitor different markets and chop up the retail sector in slightly different ways. But all three measured improvements in the latest quarter.

Reis, a New York City-based research firm, found that the vacancy rate at community and neighborhood shopping centers remained flat at 10.9 percent, while the vacancy rate at regional malls declined 20 basis points, to 8.8 percent. The vacancy rate at community and neighborhood shopping centers had risen nearly every quarter since the second quarter of 2005. And it was the first decline in vacancy rate for malls since the third quarter of 2007.

Meanwhile, CoStar Group, a Bethesda, Md.-based research firm, revealed that the overall vacancy rate for U.S. retail properties fell 10 basis points for the second straight quarter and now stand at 7.4 percent. CoStar measured drops in the vacancy rate at general retail centers, power centers, shopping centers and specialty centers in the latest quarter while its figure for malls remained flat.

Lastly, CBRE Econometric Advisors, a Boston-based research firm, measured an overall retail vacancy rate of 13 percent for community and neighborhood shopping centers, down 10 basis points from the quarter prior. This came after 17 straight quarters of vacancy increases.

The question that faces the industry now is if the third quarter figures are a blip with conditions worsening in the months ahead or whether they represent the beginnings of improving fundamentals. Experts are split on the matter, although macro-economic indicators—including sluggish GDP growth, lingering unemployment and wavering consumer confidence—point to a tortoise-paced recovery at best. At worst, those conditions could spell continued declines.

“I think the retail market has survived better than people thought it would a year and a half ago,” says Robert Bach, Chicago-based senior vice president and chief economist with Grubb & Ellis, a commercial real estate advisory firm. “I don’t think that consumers are out there spending recklessly, but they feel more confident and they are taking advantage of deals. That’s having some effect.”

Another factor that has contributed to improving fundamentals is the fact that the amount of new retail space delivered to the market continues to shrink, says Chris Macke, senior real estate strategist with the CoStar Group. In the third quarter of 2010, the amount of newly delivered space totaled 5.6 million square feet. In contrast, during the first quarter of 2006, the market saw 82 million square feet in new retail properties, Macke points out. He expects that developers will continue to keep tight reins on the construction pipeline going forward. With minimal new space added to the market, if consumer spending simply stays stable, vacancy levels will gradually improve, Macke says.

He also notes that the declining rental rates might be playing a role in creating leasing momentum. Retailers that would not opt to expand otherwise are taking advantage of the available bargains. In the third quarter, average asking rents fell 1.4 percent from the quarter prior, to $15.18 per square foot, according to CoStar. The figure was also down 4.28 percent from the same period a year ago.

Yet Ryan Severino, a Reis economist, notes that this improvement in fundamentals might be short-lived, rather than signaling the beginning of a long-term trend.
Nothing in the current macro-economic picture suggests that retailers will become significantly more active about leasing new space, Severino says. National GDP grew only 2 percent in the third quarter and 1.7 percent in the second quarter, according to the Bureau of Economic Analysis, compared to growth of 3.7 percent in the first quarter. In September, the national unemployment rate remained unchanged from the month prior at 9.6 percent. And the Deloitte Consumer Spending Index, which measures consumer cash flow as a predictor of future consumer spending, fell to 4.5 percent last month, from a gain of 4.8 percent in August.

Likewise, Abigail Rosenbaum, economist with CBRE Econometric Advisors, a Boston-based research firm, note that there might be a slight bump-up in vacancy in the fourth quarter of 2010.

Severino expects a lackluster leasing environment to persist through 2011, with a modest recovery in 2012. In fact, Reis predicts that the retail vacancy rate might overtake the all-time high of 11.1 percent sometime next year, largely as a result of all the over-building that took place during the boom.

Third quarter numbers “look like a sort of temporary halting as opposed to any real change of direction,” Severino says. “A lot of it stems from the fact that things have not been worsening at the rate they once were. And there is some seasonality in the third quarter, such as back-to-school shopping, that supported the market. What we saw is a slowing down in deterioration, not any sort of a trend reversal.”

Majority of Property Investors Plan Purchases as Prospects Rise
大多數投資者預計未來 **12** 個月內進場

By: Simon Packard (Bloomberg)

A majority of real-estate investors plan acquisitions in the next 12 months as they expect lower vacancies and increased tenant demand to lift rents, according to a global survey compiled by Colliers International.

Sixty percent of respondents said they plan to make commercial property purchases in the next year, mainly in their home markets, according to the report released by the Seattle- based adviser. Those looking abroad favor Hong Kong, Singapore, Sydney, London, New York, Washington, Chicago and San Francisco, the survey showed. "Investors have considerably more confidence than just six months ago," Jamie Horne, chairman of Colliers Asia, said in the report. "Many still feel real-estate markets are unusually uncertain and will remain that way for some time."

Most investors said rents for offices, stores and warehouses had already rebounded from the bottom, supporting prospects for property income growth and higher prices. In Colliers's previous survey in the first quarter, most said the market was either at or near a trough. Rising confidence lifted global real estate sales by 56 percent to $379 billion in the first nine months from a year earlier, according to data compiled by New York-based Real Capital Analytics Inc.

The survey showed that about three-quarters of respondents said economies are unlikely to experience a "double dip" recession, and 79 percent expected the availability of debt finance to stay the same or increase in the next year.
Colliers International, the world's third-largest real- estate adviser and part of FirstService Corp., surveyed more than 200 investors that own or manage $710 billion of real estate across the globe from Aug. 15 to Sept. 7.

STC 資產管理 MANAGEMENT

Lic. No. 01299442

Resolution of Extended Stay Loan Helps CMBS Delinquency

隨著近期幾個高金額的拖欠貸款被解決，商業抵押擔保證券的拖欠率也出現一年多以來第一次的下降

By: CRE Direct

The resolution of a $4.1 billion mortgage on the Extended Stay Hotels Inc. chain last month helped drive the CMBS delinquency rate down for the first time in months.

According to Trepp LLC, the volume of loans that are now more than 30-days late fell to $58.3 billion, or 8.58 percent of the broad CMBS universe it tracks. It said the drop, from 9.05 percent in September, was the first decline in more than a year.

Meanwhile, Fitch Ratings, which classifies loans as being delinquent when they're more than 60-days late and tracks a smaller universe, pegged the delinquency rate at 7.78 percent, down from 8.75 percent a month earlier. It said the decline was the first in 33 months. It classifies 2,951 loans with a balance of $33.5 billion as being more than 60-days late in their payments. The universe it tracks totals $430.7 billion.

The resolution of the Extended Stay Hotels loan, which was securitized through Wachovia Bank Commercial Mortgage Trust, 2007-ESH, was facilitated by the sale of the hotel chain for $3.925 billion to a group comprised of Centerbridge Partners, Paulson & Co. and Blackstone Real Estate Partners VI. They lined up $2 billion of debt from JPMorgan Chase and Deutsche Bank that was securitized through Extended Stay America Trust, 2010-ESH. The deal priced earlier this week. Fitch said the loan would be hit with a relatively small 4 percent loss as a result of its resolution. The portfolio of hotels that secured it also supported $3.3 billion of mezzanine debt that has been all but wiped out.

The resolution of the Extended Stay Hotels loan resulted in a massive 34 percent drop in the hotel delinquency rate, to 14.14 percent from 21.31 percent, according to Fitch's tabulation. Another $300 million of hotel loans were resolved during the month. Among those was the $200 million mortgage on the Renaissance Mayflower Hotel in Washington, D.C., that was securitized through Banc of America Commercial Mortgage Trust, 2007-3. The loan was moved to special servicing last February and became delinquent when the property's owner, Rockwood Capital, said it would be unable to continue making the interest-only loan's monthly payments. It sought a modification.

The loan's maturity date last month was extended to March 2013. And Rockwood, which made the loan's September payment, made an $11 million capital injection into a fund to cover improvements to the property.

"Whereas hotel-backed loans saw the most rapid performance deterioration, now the opposite is true," said Mary MacNeill, managing director at the agency. "Hotel loans are now well positioned to recover quickly when business and consumer spending resume and the economic recovery gains traction."

But large hotel loans weren't the only ones to be resolved last month. Fitch found that $2.2 billion of loans on other property types were also worked out. Among them was a $380 million mortgage on Columbia Center, a 1.5 million-square-foot office complex in Seattle. The property's owner, Beacon Capital Partners, defaulted on the debt, which is part of a $480 million loan package, last March. The $380 million loan, securitized through Morgan Stanley Capital I Trust, 2007-HQ12, was set to mature in 2012, but has been extended by three years to 2015.

STC 資產管理 MANAGEMENT
Lic. No. 01299442

Information on SBA Loan Program
小型企業管理局針對自用業主貸款的條件很優厚

In today's difficult economic climate, business owners seeking to establish themselves have turned to various alternative methods to obtain funding for their enterprises. One of the most popular recent developments is the SBA Loan (Small Business Administration Loan), which is essentially a loan provided jointly by the government and a bank – each supports up a portion of the loan. The program targets small business owners seeking to purchase or construct their own building and with the goal of occupying at least 51% of the property for business use.

Highlights:

- Low down payment, as low as 10%
- Up to 90% financing
- Most recent SBA 504 rate was 4.93% fixed for 20 years
- Closings in 30-45 days
- Temporarily eliminate fees up to 2 percent in fees for the SBA 504 loans and the guarantee fee for SBA 7a loans
- Long term financing for equipment and leasehold improvements from 10-20 year terms, for up to 40 percent of project costs
- SBA Size Standards for eligible businesses: (tangible) net worth of $15 million from $8.5MM and a 2-year average (net) income of $5 million.

Eligible Uses of SBA 504 Loans

- Land/Building
- Equipment
- Ground Up Construction
- Tenant Improvements/Leasehold Improvements
- FFE's as part of a project, Soft Costs, including Architectural & Engineering Costs

*For additional information on SBA Loans, or if you are interested in obtaining a loan for your business, please contact STC Management's investments division at (562)695-1513.

STC 資產管理 MANAGEMENT
Lic. No. 01299442

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	-	-4.50
Prime rate*	3.25	3.25	3.25	3.25	-	-4.25
Libor, 3-month	0.29	0.29	0.54	0.25	0.01	-4.60
Money market, annual yield	0.66	0.68	1.05	0.66	-0.39	-2.93
Five-year CD, annual yield	2.06	2.08	2.70	2.06	-0.58	-2.63
30-year mortgage, fixed	4.43	4.49	5.51	4.32	-0.84	-1.66
15-year mortgage, fixed	3.84	3.89	4.83	3.71	-0.77	-1.88
Jumbo mortgages, $417,000-plus	5.32	5.38	6.34	5.32	-1.02	-1.35
Five-year adj mortgage (ARM)	3.51	3.55	4.67	3.31	-0.71	-2.25
New-car loan, 48-month	5.68	5.89	7.08	5.68	-1.37	-1.23
Home-equity loan, $30,000	5.08	5.07	5.31	5.07	-0.23	-1.90