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Colliers Survey: U.S. Sellers, Buyers Poised For Activity
根據 Colliers International 的調查:美國賣方及買方的交易活動平均成長

By: Lisa Benston (Colliers International)

The United States investment sales market has the potential for increased fluidity in the year ahead, based on findings from Colliers International's Q3 2010 Global Investor Sentiment Survey.

More than six out of 10 U.S. real estate investors responding to the survey indicated that they are considering selling property over the next year, up considerably from the 23 percent reported in the Q1 response. Meanwhile, 85 percent of U.S. investors expressed a desire to buy assets domestically during that time, with a focus on primary markets nationwide. The combined forces may position a significantly increased number of U.S. assets to trade over the next 12 months.

In particular, U.S. investors noted markets in California, Texas, New York/New Jersey and Florida, as well as Washington, D.C., Boston, Atlanta, Chicago, Denver and Seattle as key targets.

Further, 60 percent of U.S. real estate investor respondents expect to expand their portfolios in the coming year. An additional three out of 10 expect to maintain the size of their portfolios, with some of those expressing an interest in rebalancing their portfolios among different asset classes.

The survey, which includes investors from around the globe, also determined that the majority of U.S. respondents still believe that the "Property Clock" is at six o'clock, or at the bottom of the cycle. That is in sharp contrast to the average globally, which puts the time at eight o'clock, or at the beginning of an up cycle, but is similar to the U.S. sentiment in the first quarter of 2010.

The Property Clock equates market cycles to specific times of the day, with 12 o'clock representing the top of the market and six o'clock representing the bottom. Each six-hour period in between designates rising (after six o'clock to 12 o'clock) or declining (after 12 o'clock to six o'clock) cycles.

"With the Property Clock at six, it is no wonder why so many investors are seeking to expand their portfolios in the coming year," said Dylan Taylor, Chief Executive Officer of Colliers International in the U.S. "Investors recognize that prices are at the bottom and see tremendous value in commercial real estate. This kind of positive sentiment expressed by U.S. investors is often a precursor to a more active investment sales market. There is plenty of pent up demand and the survey suggests investors are ready to get off the sidelines and back into the game."

The survey also reflected overall positive momentum globally. Survey participants believe that most commercial real estate markets have passed the bottom and are on the rise. Improving markets are characterized by rising demand, falling availability and vacancy and rising headline rents.

Some additional key global findings of Colliers International's Q3 2010 Global Investor Sentiment Survey include:

- The largest group of respondents put the Global Property Clock for their regions at eight o'clock; the second and third largest groups were at six and seven o'clock, respectively. Most Q1 respondents placed their markets at between five and six o'clock.

- Ninety percent of respondents said they planned to expand their current level of real estate holdings within a year or maintain them at current levels.

- New York, Chicago, San Francisco, Washington, London, Sydney, Singapore and Hong Kong were listed as key cross-border investment destinations. Emerging markets mentioned include Poland, Ukraine and Brazil.
- Nearly 80 percent think debt will be easier to access in the next 12 months. Respondents who said they believe the cost of debt would rise in the next 12 months fell slightly from the first quarter of 2010, with 44 percent predicting an increase vs. 52 percent six months ago.

Some additional key regional findings include:

- In Western Europe, 60 percent of respondents intend to make cross-border investments, a notable increase from the figure of 30 percent for Q1 2010.

- 73% of Asian investors expect to expand their property portfolio in the next 12 months, up from 65 percent in Q1 2010.

- Looking ahead to the next 12 months, fewer Pacific investors (46 percent) expect to expand their property portfolio compared to the 68 percent who expected to expand in Q1 2010.

- Across Central and Eastern Europe, the range of locations being targeted by investors was quite diverse, although Warsaw remains the most popular destination, notably for office product. Other popular targets quoted were Kiev, Prague, Moscow and Bucharest.

The Q3 2010 Global Investor Sentiment Survey was conducted from August 15 to September 7, 2010. More than 200 major institutional and private investors with holdings of US $710 billion and representing a broad cross-section of property investors across the globe participated. The primary purpose of the survey is to better understand global investor attitudes in the current marketplace at a global and regional level, including investors' outlook for the coming 12 months.

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Slowly, the Shopping Center Industry is Striding Toward Recovery
購物中心已緩慢復甦

By Denise Kalette (NREI)

ATLANTA —When Gar Herring, president and CEO of Dallas-based developer The MGHerring Group asked a luncheon crowd at the Southeast Conference of the International Council of Shopping Centers (ICSC) on Tuesday if they thought the recession was over, an overwhelming majority of hundreds of attendees raised their hands to show they feel it isn't over yet.

Just a year ago, commentators were comparing the U.S. economy to that of the Great Depression of the 1930s, Herring said, but despite the prevailing sentiment that shopping center developers, owners and managers are still enduring hard times, there are a number of signs that the industry is improving.

Same-store sales rose in the first nine months of 2010 on a year-over-year basis by 3.4%, according to ICSC, said Herring, who is vice president of the group's Southern division. And ICSC forecasts that holiday retail sales will increase by 3- to 3.5% over 2009 levels, the largest spike since 2006.

"Conditions are improving, albeit slowly," says Herring. "We can draw encouragement from the fact that retailers and shopping center operators have responded creatively to the many challenges thrown their way since the dark months of 2009."

Shopping center professionals and brokers have put their leasing, management and marketing skills to "the sternest imaginable test," and now shoppers are returning and traffic is up at the retail centers, says Herring. "Retailers have generally shifted from a position of having to mark down a glut of excess inventory to selling at full price."

However, the retail tide is not yet lifting all boats. The discount sector remains strong and the luxury segment of the industry has been strengthening, but the middle market has been slower to rebound.

Discounter Dollar General plans to expand its 9,100 stores by another 1,200 within two years. Fast food retailer Burger King plans to add 500 stores, while Quiznos will add 1,200.

As jobs and consumer spending lead to greater sales and profits for retailers, and renewed demand for store space in malls and shopping centers, retail leasing is expected to strengthen further.

Occupancy Perks Up

The number of properties with occupancy below 80%, the tipping point for severe distress, declined in the third quarter compared with fourth-quarter 2009, according to the CoStar Group. However, among community shopping centers, the number of properties with occupancy of less than 80% is still increasing somewhat, as is the number of regional malls with high vacancies.

Still, the number of power, lifestyle and strip centers with occupancy below 80% has declined since late 2009. The 12.9 million sq. ft. absorbed in the 62 largest U.S. retail markets in the third quarter demonstrate the fifth consecutive quarter of positive absorption since 2009, when the market recorded 26.7 million sq. ft. in negative absorption, ICSC reports.

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“As long as the recovery continues in the broader economy and the amount of new supply delivered remains low, retail vacancy rates should continue to decline through mid-2013,” says Herring.

Meanwhile, rents are still declining but at a slower rate, and falling vacancies and shrinking supply are expected to gradually shift the imbalance between supply and demand and lift retail rental rates and sale prices.
‘Bust’ markets struggle

The national retail vacancy rate edged down slightly from 7.4% at midyear to 7.3% in the third quarter, although the availability rate — space that's being marketed but is not yet vacant — is still hovering around a peak of 10%. Some retail markets have fared better than others. In Texas, where the housing crisis did not cause as much economic harm as in other states, retail leasing and occupancy have remained stronger than in “residential bust” markets like California, Florida, Nevada and Arizona, says Herring.

In Denver and Atlanta, where retail space overhangs are a problem, recovery may take longer than in markets such as those in Texas.

What will it take for the industry to recover? Restraint, when it comes to expansion, for one thing. And new ideas. “Getting our shopping centers back to full strength will, in many cases, happen because of the growth of new retail concepts,” says Herring.

“Retail chains that over-saturated prior to the global financial crises, and have been forced to cut back their store portfolios, are not likely to simply return to the kind of freewheeling expansion of the old days.”

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Famed Architect Ronald Altoon Shares Lessons Learned on Resolving Distressed Assets
著名建築師 Roland Altoon 分享解決法拍資產的經**驗**

By David Bodamer (Retail Traffic)

Retail Rescue: Visions + Strategies for Repositioning Distressed Retail Properties profiles 36 projects that Altoon has helped turn around during his career.

Discussion about distressed assets typically centers on evaluating balance sheets. In many cases, opportunistic investors are looking for situations where borrowers have become overextended — taking on more debt than can be paid back through the income being generated by properties. The decision on whether to buy and what to bid is seen purely as a financial assessment.

According to Ronald A. Altoon, founder and partner-for-design of Los Angeles-based Altoon + Porter Architects LLP, that is precisely the wrong way to go about evaluating distressed real estate opportunities.

Altoon, an ICSC trustee and former president of the American Institute of Architects, has worked on helping resolve distressed assets for decades. In his experience, the real problems that need to be addressed when assuming control of a distressed asset are often the ones you can't see on the balance sheet.

For that reason, architects can play a vital role in assessing troubled situations and help turn properties around. Altoon has worked on helping reposition 54 distressed assets during his career. And he's now taken that lifetime of experience and authored a new book, "Retail Rescue: Visions + Strategies for Repositioning Distressed Retail Properties."

Altoon recently spoke with Retail Traffic on how he came to write the book and what kind of advice he has for distressed real estate investors today.

Retail Traffic: How did this project come about?

Altoon: This all started in January 2009. I was invited to give a lecture at Columbia University and ended up going a day early to attend the annual Association of Foreign Investors in Real Estate (AFIRE) conference.

That night I was invited to a dinner with about 40 people and worked the room. I said, "Tell me where I'm off base. You're looking to purchase real estate. You're looking for companies in trouble and properties distressed because nobody is going to sell you an A asset. The opportunity is going to be C property, and turning it into B or B+, or B [property] and turning it into A. The way you'll analyze it is to take a group of young MBAs and they will sit down and look at the balance sheet and you'll make your choices." They said, "That's right." And I answered, "Well, how stupid is that?"

You're talking about distressed assets. Many of those properties have toxic materials that have to be encapsulated or removed, or they have American with Disabilities Act issues that will come into play and you'll have to upgrade for that. And many are built under building codes that have been supplanted by other codes and will have to comply with that.

If the center is losing tenants, what will you do to replace space? What about traffic? What does the competition look like?

There are so many unknowns that are not on the balance sheet. You can't buy just based on a financial calculation. That's just one small piece of the puzzle.

I realized that there was an opportunity to fill a void and educate people.
RT: What did you do next?

Altoon: I went home and found I had done 54 of these kinds of retail projects in my career. What we did ran the gamut —facelifts, vertical expansions, horizontal expansions, fusions where we added new pieces, total transformations, renovations or converting to another use.

I went through those and pulled data — costs, sales figures, whatever information I could share — and put together a PowerPoint presentation. That became the basis for a presentation that I took to Europe where I met with 11 pension funds and other investors. Going through the examples showed them that they did not have capability to analyze projects in this way.

That, in turn, became the basis for the book.

RT: Who is the book primarily aimed at?

Altoon: It talks about all the things an investor may need to know. It goes into whole categories of improvements, depending on issues and conditions that are there.

RT: How many projects do you cover in the book?

Altoon: We pulled about 36 projects. In it we go through issues, opportunities we saw and then the solution. It has before and after drawings and photography and, where information was public, before and after sales information.

RT: What are the biggest takeaways for investors looking at distressed retail assets?

Ronald A. Altoon

Altoon: Do not underestimate the seriousness of the challenge. Whatever it is, it will not be obvious. It's the things that you don't see that are the things that are going to hurt you the most.

For example, in Fort Worth, one of our clients bought a large mall with four department stores for $11 million. Only after they bought it did they find out that three were planning to leave, and the building was riddled with asbestos.
We were ultimately able to make it work out, but the project ended up being nothing like he imagined it would be. We were also able to manage to get two of the department stores to stay. Only when they saw what we were planning to do could they appreciate the potential upside.

Another lesson is that in many cases you're not going to be able to improve a property forever. You may have to settle for getting 10 years out of it before life catches up. The trick, then, is to see if 10 years is enough to make your investment work and if there is an exit strategy or a way to figure out how to adaptively reuse the property.

RT: What are some other lessons?

Altoon: You have to transform a property in people's psyches. Subtle improvements are not enough. If you're going to make a difference, it has to affect people's lives. It's not just a visual difference. The offering has to

enhance their sense of self. They have to feel better being there than being somewhere else. They have to feel their self worth is enhanced by this place.

Whatever changes one makes, one really needs to go beyond building an investment or building a project. You have to build a community. Retail in my mind has spilled over into the immeasurable — the subjective side of life. You have to connect with people and who they think they are. It is the subjective side that will endear them to you.

Liquidity for Retail Assets Increases Even as Fundamentals Lag
零售資產的資金流動增加,但市場基本面落後

By: Elaine Misonzhnik (Retail Traffic)

Commercial real estate lending has loosened up considerably in the past six months, leading to more acquisition activity and making it easier for borrowers facing maturity to refinance their loans. And most industry experts feel that liquidity will only increase in 2011.

The bad news, however, might be that the capital marketplace has recovered from the credit crunch a bit too quickly, with many transactions spurred on by record low interest rates rather than improving property fundamentals.
Industry leaders gathered to discuss these and other topics at ICSC's 2010 Capital MarketPlace Conference in New York City on November 8.

"The lending market has gotten much more aggressive than even a few months ago," Wells Fargo Managing Director Joe Tufariello said during the "Is Stabilized Lending Stable Again?" panel at the conference. "And it's still an evolving market."

Wells Fargo, for instance, has been among a dozen or so banking institutions to put together a CMBS pool this year. In October, Wells Fargo and Bank of America brought to market a $735.9 million CMBS issue. The issue included 37 commercial mortgages originated by Wells Fargo, Bank of America and Basis Real Estate Capital II on 59 properties. Retail represented more than 30 percent of the loans in that deal.

By the end of the year, total CMBS issuance will amount to about $12 billion, according to Tufariello. In 2011, Tufariello projects the figure might spike to $40 billion.

Not only has it become much easier for retail owners to secure financing, including CMBS loans, but the terms of the transactions have gotten more favorable. In 2009, it was virtually impossible to secure a loan with a loan to value ratio (LTV) greater than 50 percent. Today, CMBS lenders are willing to go up to 75 percent, while life insurance companies have lately been offering up to 70 percent.

What's more, with the Federal Reserve keeping the Federal Funds Rate below 0.25 percent, the prime rate banks charge their best customers stands at 3.25 percent. As a result, the best borrowers can secure fixed 10-year interest rates below 4 percent on some assets. Six months ago, getting an interest rate below 5 percent was unimaginable, Key Bank Senior Vice President John Manginelli said during a session entitled "Finance and Bridge Capital." Today, "we are all nudging down from that," he noted.

Asset quality, however, still matters. Most lenders want to see stable, existing cash flow before they agree to commit capital. They also want to have the retail sales and occupancy cost comparisons for tenants—information that many owners are unable to provide, according to Prudential Managing Director Melissa Farrell. (Farrell spoke on the same panel as Tufariello.)

If the cash flow numbers pencil out, conduit lenders have been willing to throw in some class-B assets, along with the higher quality stuff, into their pools, to get higher yields. But life insurance companies still prefer to stick with grocery-anchored shopping centers and regional malls in primary markets, says Farrell.

The life insurers also put an emphasis on strong sponsors and give more attention to those centers where the anchor tenants occupy the majority of the space.

Owners of centers populated by mom-and-pop shops might have better luck with the regional banks, which have local market knowledge and are more willing to look at properties with "a story," according to Deanna Polizzo, New York-based vice president with NorthMarq, a capital solutions provider. While most other lenders concentrate on the bigger mortgages, regional banks have been a great source for loans under $10 million, she added. (Polizzo also spoke on the "Is Stabilized Lending Stable Again?" panel.)

The credit markets seem to have bounced back from the brink so quickly, longtime industry insiders like Michael Fascitelli, president and CEO of diversified REIT Vornado Realty Trust, worry that "we might have another financial bubble brewing with this."

Fascitelli, whose company owns the Toys 'R' Us retail chain in addition to its real estate holdings, noted that retail CEOs are still seeing customers shop paycheck-to-paycheck. Fascitelli's comments came during the event's keynote address. Consumer confidence might be up from its low point in 2009, but it's still nowhere near its long-term average, he added, which means that retailers will likely try to keep their real estate growth at a minimum in the coming years.

"We have seen cap rates come down and it's not because the rents are up," Fascitelli said. "The capital markets are ahead of fundamentals. They've always been ahead of fundamentals. The question is, are they right?"

Cap rate compression may be good news for some borrowers, as it means that many assets that were expected to come underwater in the next two years now won't face defaults. But while lenders have been willing to bet on primary markets and on strong assets in secondary cities, most still avoid retail centers in tertiary markets like the plague. Many of those centers have not yet entered foreclosure, either because so far they've been able to hobble along or because lenders avoided dealing with troubled assets for most of 2010.

But as one conference participant put it, "the number of regional malls that are going to crater over the next couple of years is unimaginable."

Has the CMBS Market Turned the Recessionary Corner?
商業抵押擔保證券市場是否有轉向衰退？

By: CoStar

Deal Flow, Demand, Pricing and a Drop in Delinquency Rates Seem To Indicate New Momentum

For the past 12 months, activity in the commercial mortgage-backed securities (CMBS) market has been ever so slowly building momentum. U.S. CMBS loan delinquencies declined last month for the first time in 33 months. The market is also finally seeing demand for new CMBS transactions as three CMBS deals went to market in the past couple of weeks, marking the most active period since the downturn.

It's not all good news in the CMBS world, but the recent trends are being viewed as a positive indicator for 2011, when the volume of new deals is projected to more than double from this year.

"Recent CMBS figures indicate market improvement is beginning to show up but is yet still fragile," said Howard L. Michaels, chairman of Carlton Advisory Group speaking at a Bloomberg Real Estate Briefing Report this past week. "CMBS issuance is expected to approach $15 billion this year and expected to reach $35 billion in 2011, after tumbling to $11 billion in 2008 from a record $234 billion in 2007. Spreads reached more than 15 percentage points in November 2008."

The biggest positive by far was the news of the decline in CMBS delinquencies.

CMBS delinquencies dropped 88 basis points (bps) to 7.78% due largely to the resolution of seven loans (totaling $5.2 billion), according to Fitch Ratings. The resolutions included the $4.1 billion Extended Stay America loan, collateralized by a portfolio of 682 hotel properties.

At the same time, only $304 million of hotel-backed loans became newly delinquent. This led to a large drop in hotel delinquencies to 14.14% from 21.31% in September, the largest drop recorded of any CMBS asset type by Fitch Ratings.

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

Of the record $6.6 billion of resolutions from the index in October, $4.4 billion corresponded to hotel loans.

Current delinquency rates by property type are as follows: multifamily: to 14.57% (from 14.45%); hotel: 14.14% (from 21.31%); retail: 6.25% (from 6.10%); industrial: 5.83% (from 5.79%); office: 5.38% (from 5.48%).

Borrowers are also sensing an uptick.

"I can tell you that we have two mortgages that we are putting on two office buildings that are at 65% LTV, with great tenants. I expect to see the lenders put these into CMBS. So I would say the feed to the pipeline is growing," said Charles Cecil, CEO of the Phoenix-based Southwest Fund, a commercial real estate hedge fund.
On the negative side, legacy CMBS loan prices dropped a bit in September and defaults on legacy loans are projected to increase in the coming year.

The aggregate value of commercial real estate loans priced by DebtX that collateralize CMBS decreased to 80.5% as of Sept. 30 from 81% a month earlier. Loan values were 77.2% a year ago.

"The recent trend of rising loan prices paused in September, but is likely to continue due to tightening loan spreads and improving real estate conditions," said DebtX CEO Kingsley Greenland. "In September, however, an increase in delinquency rates and steeper yield curve impacted CMBS collateral prices."

Also on the negative side, Michaels of Carlton Advisory Group noted that many commercial mortgage loans underwritten before 2009 will continue to experience term defaults and would be difficult to refinance today.

The amount of outstanding commercial mortgages is about $1.3 trillion, Michaels said. The amount scheduled to mature in the coming years is as follows: 2011 = $130 billion; 2012 = $164 billion; 2013 = $112 billion; and 2014 = $152 billion.

"Based on current information from research and servicers, more than 40% or $560 billion of outstanding commercial mortgages are in some sort of trouble," he said.

"On the positive side," Michaels added, "we are finally seeing demand for new CMBS transactions with AAA tranches pricing at tighter spreads than were available one year ago. Portfolio lenders (insurance companies and banks) are providing mortgage capital again as well, albeit with more conservative LTV (loan-to-value) and DSCR (debt service coverage ratios) margins."

Issuances by Wells Fargo ($736 million), JP Morgan ($2 billion loan secured by Extended Stay America) and Goldman Sachs ($2.7 billion backing debt from Hilton Hotels) are currently being shopped with good initial response from investors, Michaels said

The Wells Fargo securitization is more diverse than other recent transactions, with retail making up just one-third of the pool versus 43% in the Deutsche Bank issuance and two-thirds in the JPMorgan deal.

The primary assets of the CMBS are 37 loans secured by 59 commercial properties having an aggregate principal balance of approximately $736 million. The loans were originated Wells Fargo Bank, Bank of America, and Basis Real Estate Capital II LLC.

The Goldman Sachs deal is unlike any that long- term investors have seen. It isn't rated and Goldman Sachs is marketing only the most senior portion of the $8+ billion mortgage on Hilton Hotels. Pricing is LIBOR + 175 basis points for the senior tranche, Michaels said.

Annaly Capital Management Inc. this month compared this batch and a few others of new offerings this year - sometimes referred to as CMBS 2.0 -- with the legacy CMBS of 2005-2007 vintage.

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Annaly's first observation is that CMBS 2.0 has a lower average loan count of 33.6 as compared to the legacy CMBS issuance that contained hundreds of loans. Not only are the pools more decipherable due to fewer loans but investors are also given more time to perform their due diligence. During the "go-go days" investment grade investors were given perhaps two to three days to review hundreds of loans.

S&P Expects CMBS Loan Defaults to Peak Next Year or Later
Ｓ＆Ｐ500 指數預期商業抵押擔保證券貸款違約率將在明年或之後創新高

By: CRE Direct

CMBS delinquencies might have retreated slightly in September, but it's not likely they've hit their peak.
In fact, Standard & Poor's predicts that defaults won't peak until 2011 and possibly later.

The rating agency, which recently updated its CMBS loan default study, said it took two years from when the last recession, in 2001, ended for loan defaults to peak. Using that road map, defaults won't peak until sometime next year at the earliest. It cautioned, however, that the length and severity of the latest recession could push the peak out further.

S&P classifies a loan as being in default when it is more than 60-days late.

For its latest study, the rating agency's analysts looked at the default and resolution characteristics of 69,433 loans with a balance of $950.86 billion that were securitized in transactions that it had rated since 1993.

It found that a total of 6,533 securitized loans defaulted during the period it studied, for a cumulative default rate of 9.41 percent. In contrast, the cumulative default rate was 7.68 percent last year and 4.61 percent in 2008. Through June this year, 1,200 loans had defaulted.

When looked at by principal balance, the cumulative default rate is 7.46 percent, up from 5.58 percent at the end of last year.

The rating agency found that 53.88 percent of defaults occur during the third to fifth year of a loan's life. That's up from last year's study, which found 50.44 percent of defaults taking place in that time.

That propensity to default in years three to five could partly be because loans are often underwritten when properties are at their peak cash-flowing levels. After that, operating expenses could increase, or tenants can vacate, which could pressure a property's ability to fully service its debt.

So it stands to reason that loans underwritten with conservative coverage levels would have a better chance of remaining performing than those with relatively low coverage levels. Indeed, loans written with debt-service coverage levels of 1.75x to 2.0x had a cumulative default rate of 5.79 percent. In contrast, loans with coverage levels of 1.0x to 1.25x had an 11.46 percent rate.

The same sort of relationship was found with leverage levels. For instance, the default rate for mortgages with loan-to-value ratios of more than 85 percent was 16.4 percent. S&P found default rates in the single digits for those with LTVs of less than 70 percent.

The average LTV ratio for defaulted loans was 72.08 percent and the average coverage level was 1.39x. In contrast, performing loans have an average LTV ratio of 67.97 percent and coverage level of 1.64x.
Not surprisingly, loss severities from resolved loans that suffered losses jumped to 41.57 percent last year from 18.49 percent in 2008. That's largely because so many more loans have defaulted in recent years and were being worked out during a period of poor liquidity in the mortgage market.

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But S&P found that the time it takes to resolve loans has been shrinking, to an average of 15 months this year, a clear sign that servicers have become more aggressive in working out or otherwise liquidating soured loans. The cumulative resolution time for loans resolved with losses was 20.5 months.
A total of 1,871 multifamily loans or 10.34 percent of all securitized apartment loans have defaulted, along with 1,773 retail loans, for a rate of 8.09 percent. A total of 1,071 office loans, or 9.23 of the total have so far defaulted. But hotel loans have the largest probability of default. A total of 887, or 19.99 percent of the total have defaulted. The default rate by balance is 9.34 percent for hotel loans and 13.38 percent for apartment loans.

The average loss severity for hotel loans resolved with losses is 39.79 percent. For retail loans, it's 34.75 percent and for apartment loans 32.47 percent.

Loans securitized in 2000 have the highest cumulative default rate at 14.23 percent, while those securitized at the markets' peak in 2007 have a 9.08 percent rate. But those loans only have a little more than three years of history. S&P expects the default rate for loans securitized between 2005 and 2007 to eventually exceed the rate for 2000 loans.

Street Aims to Reboot CMBS
美國股市期望重整商業抵押擔保證券

By: Kris Hudson (The Wall Street Journal)

Wall Street has learned a lesson from the battles that have erupted for control of the bankruptcies of hotel owners Extended Stay Inc. and Innkeepers USA Trust: There has got to be a better way to build a commercial mortgage-backed security.

The strategies used by some investors to gain control of these failed companies has exposed flaws in the structures of CMBS, the commercial real-estate industry's favorite boom-time financing tool. But now, as investment banks revive the market for the securities, they are making structural changes designed to close these loopholes and curb these tactics.

Tactics used by some investors to gain control of Extended Stay and other failed companies have led to court battles.
Doing this will help determine how quickly the CMBS market can be fully restarted after its recession-induced hiatus, which many consider critical to restoring health to the commercial-property industry. CMBS, a market in which mortgages are chopped up and sold to thousands of investors as bonds, accounts for roughly $750 billion of mortgages now outstanding.

CMBS, which were originated in the 1990s, had never been tested by a significant number of defaults until the current downturn. What investors and issuers realized was that the legal structure set up to deal with stress left a lot to be desired.

Under the terms of CMBS, when borrowers default the loan is turned over to a special servicer, which directs the loan's restructuring. Because the special servicer has so much power, there have been battles among investors within a given CMBS loan over who has the authority to hire or replace them.

In the restart of the CMBS market, which some are calling CMBS 2.0, securities are being structured so that the decision to select the special servicer is up to most, if not all, investors in the loan through a majority vote. For example, some new loans, including many originated by J.P. Morgan Chase & Co., require approval from 75% of a given loan's investors to replace the loan's special servicer.

Guidelines for hiring and replacing special servicers are "clearly changing so that it's not just in the hands of one [investor] class," said Anup Sathy, a partner specializing in corporate restructuring at law firm Kirkland & Ellis.

But it wasn't previously that way. In CMBS originated prior to the recent changes, the authority to pick the special servicer went to the "controlling stakeholder," defined as the junior-most investor whose claim still had value were the loan's collateral to be liquidated.

The trouble is, the controlling stakeholder's desired outcome might not match those of the rest of the investors in the loan. Investors with senior claims might favor immediate liquidation of the defaulted loan because they are guaranteed to be paid in full. In contrast, the controlling stakeholder often has a junior claim that would bring it only partial recoupment in liquidation. Therefore, that investor might push the special servicer to restructure the loan instead.

With so much at stake, the controlling-stakeholder structure spurred a lot of jockeying among investors in CMBS loans for the controlling position. Investors often bought slices of the debt in anticipation of their slice being

deemed the controlling stake, thus granting them the right to name the special servicer. In some cases, special servicers themselves did so in a bid to guarantee they could appoint themselves the job of overseeing a loan's restructuring.
That type of gamesmanship is highlighted in two recent lawsuits related to the bankruptcies of Innkeepers and Extended Stay. In the Innkeepers case, LNR Partners Inc. alleges in a lawsuit filed Oct. 27 in New York state Supreme Court that another investor reneged on an agreement to name LNR the special servicer overseeing Innkeepers' $825 million CMBS loan.

LNR alleges that it had a pact with CRES Investment, a division of Presidio Holdings II LLC, stipulating that CRES would hire LNR as special servicer if CRES's slice of the mortgage was deemed the controlling stake. As a side bet, LNR bought slices of the mortgage on its own to better its chances of getting the designation.

However, LNR claims in its lawsuit that CRES, once it was named controlling stakeholder, didn't hire LNR, instead keeping Midland Loan Services as special servicer. "CRES' failure to comply with its contractual obligations is depriving LNR of its bargained-for right to control workout and resolution of the Innkeepers loan," the lawsuit reads.

CRES representatives didn't return calls seeking comment. LNR declined to comment.

A similar dispute emerged in the Extended Stay bankruptcy. Trimont Real Estate Advisors Inc. alleges in a lawsuit filed Sept. 21 in U.S. District Court in Washington, D.C., that rival special servicer CWCapital Asset Management LLC owes it a portion of a $19 million restructuring fee. CWCapital received the fee as special servicer of Extended Stay's $4.1 billion securitized mortgage.

However, Trimont said it is entitled to some of the fee because it was the special servicer in the case for roughly a year.

Prior to a bankruptcy auction that resulted in a sale of Extended Stay and its 680 hotels, Trimont was abruptly replaced as special servicer with CWCapital by investors Bank of America Corp., UBS Securities and Cerberus Capital Management LP.

CWCapital has asked a judge to dismiss the case, noting in its court filing that "during the nearly one year that Trimont was the special servicer, it had no success working out the loan or resolving the bankruptcy case." CWCapital declined to comment. Trimont didn't respond to messages seeking comment.

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

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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	0.28	0.29	0.54	0.25	0.01	-4.62
Money market, annual yield	0.66	0.66	1.05	0.66	-0.39	-2.91
Five-year CD, annual yield	2.04	2.06	2.70	2.04	-0.60	-2.60
30-year mortgage, fixed	4.52	4.43	5.51	4.32	-0.66	-1.53
15-year mortgage, fixed	3.90	3.84	4.83	3.71	-0.76	-1.76
Jumbo mortgages, $417,000-plus	5.39	5.32	6.33	5.32	-0.73	-1.30
Five-year adj mortgage (ARM)	3.56	3.51	4.67	3.31	-0.58	-2.18
New-car loan, 48-month	5.67	5.68	6.85	5.66	-0.90	-1.23
Home-equity loan, $30,000	5.08	5.08	5.30	5.07	-0.21	-1.88