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COMMERCIAL REAL ESTATE MARKET UPDATES

GENERAL
市場概括

- FDIC Kicks Off 2010 with $1 Billion CRE Loan Sale
  2010 年初 **FDIC** 以四億六百萬的價錢賣出價值十億美元的商業房貸
- Office, Retail See Some Encouragement in Latest Labor, Sales Data
  近期趨穩的失業率讓辦公樓和購物商場看到一絲曙光
- West Coast Bank Sells REO Assets at 58 Cents on the Dollar
  西岸銀行以 **5.8** 折的價錢賣出法拍屋
- U.S. Senate considers carried interest tax hike
  參議院考慮將附帶權益的稅率從 **15%**漲到 **35%**
- Evictions rise for commercial real estate
  越來越多商業房客被強制遷離

RETAIL
購物商場

- Stability Among the Chaos: Grocery Stores Prove Their Value as Anchors
  混亂中的穩定：超市證明了自己作為主要後盾房客的價值

FINANCING
貸款與資金

- Capital Market Recovery Will Take Time, but It Could Start in 2010
  資金市場復蘇還需時間，但 **2010** 年或可見到復蘇跡象
- Latest Residential Loan Rates [Slightly Higher than Last Week]
  最新住宅地產貸款利率【比上周稍跌】

STC 2009 Client Appreciation Party at Pacific Palms
STC 2009 年終晚宴精彩實況

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FDIC Kicks Off 2010 with $1 Billion CRE Loan Sale
2010 年初 **FDIC** 以四億六百萬的價錢賣出價值十億美元的商業房貸
By Mark Heschmeyer

The Federal Deposit Insurance Corp. (FDIC) kicked off the year with a huge portfolio sale of commercial real estate loans. Investment vehicles managed by Colony Capital LLC, a private, international investment firm, including Colony Financial Inc., were the buyers through a newly formed limited liability company.

The transaction included 1,200 loans with an aggregate unpaid principal balance of $1.02 billion, consisting of substantially all senior secured commercial real estate loans. Approximately, 70% of the loans were delinquent and about 75% of the collateral of the portfolio is in Georgia, California, Nevada and Florida. About one-third of the total was reportedly backed by land and not buildings. All of the loans were from 22 banks that have failed during the past 18 months.

The portfolio was effectively acquired at 44% of the unpaid principal balance of the loans, with a purchase price by the Colony Investors of $90.5 million (exclusive of working capital and transaction costs) for its 40% equity interest. The company’s pro rata share of the Colony Investors’ interest is between 24.9% and one-third, or $22.5 million to $30.2 million. The financing of the transaction includes $233 million of notes provided by the FDIC.

As a comparison, from last January through Nov. 30, the FDIC announced loan sales with a total book value of $1.66 billion. The commercial real estate loans sold went for about 51% of book value combined. Broken down by quality of loan, the bulk of those sales were for performing loans ($1.16 billion), which sold at 57% of book value. The FDIC sold $387.5 million in nonperforming CRE loans last year at 39% of book value. The remainder of those loans sold last year were for mixed portfolios of performing and non-performing loans. Those totals do not include Starwood Capital Group's winning bid of $2.77 billion for a portfolio of distressed commercial real estate assets valued at $4.5 billion that the FDIC seized from failed Corus Bank NA. Starwood's bid came in at 61.6% of book value.

Deutsche Bank served as advisor to the FDIC on the sale to the Colony Investors. The sale was conducted on a competitive basis with bids received on Dec. 17, 2009. A total of 21 groups submitted bids.

Colony Capital will provide for the management, servicing and ultimate disposition of the LLC's assets.

"Colony is honored to be selected to partner with the FDIC again and we look forward to working with the FDIC over the coming years and resolving this portfolio," said Thomas J. Barrack, Jr., Founder, Chairman and CEO of Colony Capital LLC and Chairman of Colony Financial Inc.

Office, Retail See Some Encouragement in Latest Labor, Sales Data
近期趨穩的失業率讓辦公樓和購物商場看到一絲曙光
By Mark Heschmeyer

The U.S. lost 85,000 more jobs in December, keeping the national unemployment rate at 10%. Job losses continued in construction, manufacturing and wholesale trade, while financial and temporary help services and health care continued to add jobs. During 2009, monthly job losses moderated substantially. Employment losses in the first quarter of 2009 averaged 691,000 per month, compared with an average loss of 69,000 per month in the fourth quarter.

Ken McCarthy, managing director of research for Cushman & Wakefield, said the decline in construction is likely at least partly a result of the severe winter storms that hit the country in mid-December, while the decline in manufacturing continues a trend that has been ongoing for most of the decade.

"While overall employment fell in December, this latest report continues to affirm that there are positive employment trends beginning to take hold, particularly for the office-using industries," McCarthy said. "While we don't expect an immediate impact on commercial property fundamentals, we can now be more confident in our time horizon for the beginning of a commercial real estate recovery in the middle of 2010."

In the critical office-using sectors employment increased for the fourth consecutive month, rising 48,000 in December. Financial employment increased by 4,000, a small increase but the first rise in that sector's employment since July 2007. Since the end of August, office using employment is up 154,000 jobs.

The "report suggests we are entering 2010 in better shape than we entered 2009, but the economy remains fragile and job creation continues to be elusive," said Sandy Kennedy, president of the Retail Industry Leaders Association in Arlington, VA.

Other recent data, including December retail sales figures reported by a number of U.S. retailers, indicate that the U.S. economy is stabilizing and turning toward recovery, Kennedy said.

While there were some signs of encouragement, Donald B. Marron, visiting professor at the Georgetown Public Policy Institute and the Retail Industry Leaders Association outside economist said the job report: "Shows that the labor market remains weak despite the return of economic growth. Layoffs have slowed substantially, but employers are still putting off hiring. Other recent data suggest that the economy is recovering, but it will take time before that positive momentum translates into new jobs."

West Coast Bank Sells REO Assets at 58 Cents on the Dollar
西岸銀行以 5.8 折的價錢賣出法拍屋

By Mark Heschmeyer

West Coast Bank in Lake Oswego, OR, sold 69 residential properties in Oregon and Washington held in the bank's portfolio of foreclosed real estate to an entity affiliated with Sierra Capital Investment Partners. The properties sold for $12.67 million or approximately 58% of the current list prices of the properties.

The completed residences were sold as is, except that the bank has 30 days to deliver a title policy for each property. The bank has agreed to pay the costs of title insurance and one-half of all escrow fees and costs and has agreed to indemnify the Purchaser against any mechanics liens stemming from the period prior to sale.

As of Sept. 30, West Coast Bank held $76.6 million of foreclosed properties on its books, including $2.4 million in commercial real estate.

Last October, West Coast Bank entered into a cease and desist order with the FDIC and the Oregon Division of Finance and Corporate Securities prohibiting it from reducing bank capital.

Last month, it entered into a written agreement (with the Federal Reserve Bank of San Francisco and the Oregon DFCS agreeing to similar terms.

West Coast Bank had $2.65 billion in assets as of Sept. 30.

U.S. Senate considers carried interest tax hike
參議院考慮將附帶權益的稅率從 15%漲到 35%

By Mandy Jackson

Once again, the profit that general partners reap from managing a real estate partnership is the subject of a massive federal tax hike proposal.

The U.S. House of Representatives passed legislation last month that more than doubles the tax on carried interest. Real estate trade associations are out in full force this month encouraging their members to contact their legislators in time to stop the bill from passing in the Senate and changing the way that private entities invest in real estate.

Under House Resolution 4213, passed by the House on Dec. 10 and also known as the Tax Extenders Act of 2009, the tax on carried interest would increase from the capital gains tax rate of 15 percent to the ordinary income rate of up to 35 percent. The Senate could consider the bill later this month.

If the legislation passes, the tax rate for carried interest will nearly triple for the highest income earners at the start of the 2011 federal fiscal year on Oct. 1 of this year, when the tax rate for ordinary income is scheduled to rise to more than 40 percent.

Officials from NAIOP have said the increase for carried interest amounts to the largest tax increase for real estate

investors since the Tax Reform Act of 1986.

In a letter to senators, Vicki Cox Golder, president of the National Association of Realtors, said most of the $1 trillion of privately owned real estate in the United States is held in partnerships, and those businesses would be devastated by taxing carried interest at ordinary income rates.

Partnerships Reconsidered

In real estate, carried interest is a general partner's share of profits after the limited partners that provided equity for an investment or development get an initial cut of proceeds from rental income or the sale of a property.

Yunna Barats, a partner at accounting firm RBZ LLP in Los Angeles, said raising the tax rate on carried interest could change the factors that motivate the parties in a real estate partnership.

"If I was a real estate developer and faced with this I would structure the deal with potential investors coming in as lenders, not partners," Barats said.

Providing a loan instead of equity makes the investment more risky for the general partner because it increases the level of leverage. To reduce its risk and make up for the fact that certain tax benefits, such as depreciation, are no longer available to them, investors in partnerships who are now mezzanine lenders are likely to require the general partner to provide more guarantees for the secondary loan.

Even though developers and investors can use other structures for real estate transactions, Barats said she doesn't see how more than doubling the tax rate for carried interest could help the real estate industry given the change in dynamics for real estate partners in alternative deal structures.

A higher tax rate on carried interest will not stop real estate investors from doing deals, but it will make transactions more risky and investors may have to be willing to accept lower returns.

"If real estate developers have to pay 35 percent on their gains, maybe investors would have to accept lower after-tax returns as well," Barats said.

Scott Farb, managing principal in Los Angeles at accounting firm Reznick Group, said he is talking to clients about the proposed changes to carried interest taxation almost daily as they put together funds to invest in real estate.

The tax increase would take away the incentive and penalize real estate entrepreneurs for making investments and providing returns for their investors, Farb said.

"Everybody putting together a fund right now is very concerned about the negative impact this legislation could have on their ability [to invest]," he said. "They're looking at creative ways to structure these kinds of partnerships to avoid this problem."

But without the final wording of the legislation and an understanding of how punitive the language will be, fund managers aren't sure if they can build a structure that gets around the tax hike.
"The irony is that private equity funds aren't making money right now, so whether or not the federal government generates a lot of revenue from this is uncertain," Farb said.

Next Step for Senate

Jennifer Bonar Gray, vice president for tax issues on the joint legislative staff of the National Multi Housing Council

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in Washington, D.C., said the Senate did not take up the House tax extenders legislation before Congress ended its session for the holidays and it's unclear when the Senate will take a look at the bill.

The Senate was scheduled to reconvene in Washington, D.C., on Jan. 19 for a regular session but is expected to spend a few weeks in party and caucus meetings while also finalizing legislation to overhaul the country's health care insurance system.

"There is some indication the Senate leadership wants to take a closer look at the [carried interest] issue," Gray said.
A carried interest tax hike also was included in the annual tax extenders bill in 2007 and 2008 but never stayed in final versions of the legislation in the Senate.

According to the Institute of Real Estate Management, Senate Finance Committee Chairman Max Baucus, D-Mont., has indicated that he opposes the tax increase for carried interest that was supported by House Ways and Means Committee Chairman Charlie Rangel, D-N.Y.

"We're working closely with the Senate on the concerns about carried interest, especially as they relate to real estate," Gray said.

She said there are some technical issues with the tax increase as it's written in the House bill that are particularly troubling for real estate. For instance, it would impact all real estate partnerships, no matter when they were formed, not just new partnerships.

"The legislation this year is much more detailed than what we saw in 2007 and 2008," Gray said. "There are a lot of technical differences between the 2009 bill and previous versions, but the nature of the intention to change the tax on carried income is still the same."

While previous proposals to increase the tax rate for carried interest have emerged in recent years and were quickly killed in Congress, Barats noted that the issue is a priority for president Barack Obama's administration. In his budget proposal for fiscal year 2011, carried interest would be taxed as ordinary income.
"The thing is, it was not originally aimed at the real estate industry; it was originally aimed at hedge funds," Barats said. "There are unintended consequences of this, because the law would apply to any investment-type partnership where profits are not split in the same ratio as capital contributions. There are certain industries where it applies and real estate is one of them."

Evictions rise for commercial real estate
越來越多商業房客被強制遷離

By Mandy Jackson

In an ideal world, landlords and tenants would settle all of their disputes promptly and amicably.

In reality, landlords with tenants that aren't paying rent and tenants with rental rates they can no longer afford sometimes find themselves at an impasse. That's why property managers and attorneys report that evictions are on the rise in commercial real estate.

According to the most recent data from the Office of Court Research under the Judicial Council of California, there were 1.58 million civil cases - including evictions cases - filed in the California court system for fiscal year 2008, which ended June 30 of that calendar year, representing a 7 percent increase in civil filings from the previous fiscal year.

Unlawful detainer cases increased 17 percent in that time. Unlawful detainers are commercial and residential evictions, including the eviction of homeowners from foreclosed houses and condominiums.

Patrick Conn, president of property management at Los Angeles-based Charles Dunn Co., said the firm has not done a lot of commercial evictions in recent years, but its property managers are being reacquainted with the law as they begin to prepare more eviction notices.

"We are seeing a dramatic rise on the commercial side," Conn said. "We try to work out a deferral or abatement of rent rather than go through the eviction process."
Most commercial real estate evictions seen so far in this economic downturn have been at retail properties, but some office and industrial tenants are receiving eviction notices as well.

"Most of the commercial landlords we work with not only attempt to work out their disputes with the tenants, but they are successful at it," Conn said. "But there are cases where there just is no other option for the landlord."

So far, there have been fewer evictions than might be expected for the current financial climate because landlords are being more flexible with lease terms to prevent vacancies at their properties, according to Rebecca Rogers, vice president - property services at Walnut Creek-based C&C RiverRock, a joint venture of brokerage firm Cornish & Carey Commercial and property management company RiverRock Real Estate Group.

"If I see that my tenant is struggling, I will go to them to see what's really going on here and get financial documentation from them and talk to the landlord about it," Rogers said. "A lot of tenants are looking for rent relief. It can prevent evictions."

Smoothing a Rough Process

It's important for property managers to document every conversation they have with tenants about their payment of rent and how their business is doing in case lease amendments are unsuccessful and the landlord decides to evict.

"Legal missteps can lead to losing time and wasting time in court," Rogers said. "Read the lease and make sure the notice is going to the appropriate address and to the guarantors of that lease. Adopt a course of action early on and stick to the plan."

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Conn said the eviction process should begin with the landlord or property manager contacting a capable attorney with experience in commercial evictions to make sure the process very closely follows the law and the language in the lease. A judge can order a landlord to start the eviction process all over again if the notices provided don't follow legal guidelines or the noticing timelines set forth in the lease.

With respect to an eviction based on nonpayment of rent, the civil code sections of California law are about the same for commercial and residential evictions, Gordon Gerson of Gerson Law Firm APC in San Diego, said.

A tenant who's not paying rent would be entitled to a three-day notice to "pay rent or quit," with quit meaning to vacate the space. The difference between residential and commercial evictions is that commercial tenants often negotiate a five-day or longer notice to pay rent or quit.

If the tenant doesn't pay its rent after receiving the initial notice, the landlord can file a summons and complaint for unlawful detainer. Upon receipt, the tenant has five days to answer and the matter will generally go to trial about 18 days after that five-day response period.

If a landlord wins a court order following an unlawful detainer trial or after the tenant does not answer the case, a writ of execution is delivered to the local sheriff's department office. If the tenant doesn't vacate its space within five days, then the sheriff's deputies will arrive to escort the tenant off the property.

"You need to be firm on the goals of the landlord," Gerson said. "Also, you need to be sensitive that people's life savings have been invested and their world is turned upside down."

'Cutting Off Your Nose'

Michael E. Meyer, partner at law firm DLA Piper in Los Angeles, said he's surprised to see that commercial property evictions are on the rise.

"I think landlords need to have a bigger-picture perspective," Meyer said. "I have seen evictions take place where they didn't have a replacement tenant."

In one case that Meyer handled, the tenant provided services as an amenity to an office building. The tenant couldn't pay rent as outlined in its lease and wanted to negotiate a month-to-month agreement, but the landlord said no.

"Unless you have someone to replace them, you have to be careful you're not cutting off your nose to spite your face," Meyer said.

Jeffrey N. Brown, a partner in Los Angeles law firm Pircher Nichols & Meeks, said there has been an increase in tenants who are no longer able to pay rent at the amounts stated in their leases and when those numbers began to rise there was an immediate jump by landlords to begin eviction proceedings. That initial jump to eviction has reversed.

"Landlords are trying to work something out, but sometimes tenants can't afford to stay," Brown said.

But in shopping centers, where the bulk of commercial real estate evictions seem to be occurring, landlords might not be able to evict certain tenants without losing income from the remaining stores in their properties.
Co-tenancy clauses in retail leases give tenants the right to pay reduced rent if a certain tenant leaves the shopping center or if a certain percentage of the property becomes vacant.

"You could give tenants a reason to pay less in rent," Brown said. "A landlord wants to own a healthy shopping center or office building and doesn't want the appearance that that isn't the case."

Confidence and Communication Crucial
Some tenants are difficult to deal with in lease renegotiations because they don't think the landlord will kick them out of their space. That's why landlords should be confident they're going to go through with the eviction process if they are unable to come to new lease terms with tenants.

"You lose credibility if you're not going to move forward with that threat," Brown said. "The three-day notice tells the tenant, 'You need to come talk with me or I'm going to get a new tenant for that spot.'"

Unlike most residential evictions, Ted Kimball, partner in the Law Office of Kimball Tirey & St. John LLP in San Diego, said the goal for the landlord in most commercial evictions is to salvage the tenancy.

Sometimes an eviction notice is the motivation a tenant needs to agree to new lease terms that are reasonable for their business and their landlord. For every three-day notice to pay rent or quit that's served by a landlord and ends up proceeding to court, Kimball said there are many more that don't make it all the way through the eviction process because most tenants heed the warning to work something out with their landlords.

"We don't represent tenants, but our best advice to tenants is to communicate, because when you stop communicating you leave the landlord no other options," he said.

Kimball said there is some anecdotal evidence from court clerks that evictions are up by 50 percent this year in California, but data for the 2009 fiscal year is not yet available.

Commercial tenants usually have a harder time than residential tenants in defending themselves against an eviction, but they can delay the process and add costs to the eviction by asking the court for more time to, for example, complete a deal that might bring them enough revenue to pay their rent.

Kimball said an eviction is usually a four- to six-week process, but it can take up to eight weeks if the tenant is able to delay the judge's decision with the promise of new revenue to pay rent. Landlords can be required to start the process over again if the tenant successfully cites an issue with how or when the eviction notice was served.

Gerson said residential tenants are able to defend themselves in an eviction proceeding by claiming that the premises were not habitable, there's mold on the property or the landlord is retaliating or discriminating against them, but similar defenses often are not readily available to commercial tenants.
"Generally, a commercial tenant has signed waivers to defenses in their lease," he said. "It's much harder to defend a commercial eviction because the tenant is deemed to have more sophistication, they've had a chance to negotiate and the courts are not as sympathetic."

Stability Among the Chaos: Grocery Stores Prove Their Value as Anchors
混亂中的穩定：超市證明了自己作為主要後盾房客的價值

By Sasha M Pardy

During this recession, several retail chains have filed bankruptcy and met the fate of liquidation, while others have attempted to sell their companies fruitlessly and been forced to close stores. This is not the case for the grocery sector, however. Whether healthy or bankrupt, grocery store chains have proven attractive investment targets with a number of them sold, or in the process of being acquired by competitors or private equity companies over the course of the last year.

The latest news comes from Buffalo, NY-based grocery store operator, Tops Friendly Markets, which intends to acquire most of the assets of bankrupt Penn Traffic, a grocery chain that has been in Chapter 11 since November. Tops has proposed an $85 million bid to acquire all of Penn Traffic's 79 stores, while Schenectady, NY-based Price Chopper has offered $54 million to take over 22 stores. Tops also said it would eliminate $100 million in unsecured claims against Penn Traffic's estate.

Penn Traffic had accepted the Price Chopper deal prior to receiving the offer Tops made, but the company now says it prefers the Tops deal. If Price Chopper's offer ended up going through, then Penn Traffic would liquidate the 57 stores that would remain. Price Chopper president and CEO, Neil Golub, told the Syracuse Post-Standard that he expects the Tops deal to be the one that ends up approved. The auction date has been pushed back to the end of this month.

By April of this year, Giant-Carlisle, a U.S. division of Netherlands-based supermarket conglomerate Ahold, expects to be the new owner of Ukrop's Super Markets. Specifically, Richmond, VA-based Ukrop's has agreed to sell 25 of its 27 stores to Ahold for $140 million. All of the Ukrop's stores are located in the greater Richmond and Williamsburg areas, so the acquisition would fill a void for Giant-Carlisle, as the retailer currently has no stores located within a 20-mile radius of the two cities.

A sale of family-owned Ukrop's has been in the works since July 2009. Supervalu, Harris Teeter, Ahold and an unidentified private equity group were all rumored to by vying to acquire the regional grocery store chain.

In October 2009, Belgian-based Delhaize, through its Food Lion division, entered into a non-binding agreement to acquire a substantial majority of the assets of bankrupt grocery retailer, BI-LO, for $425 million. BI-LO, which filed bankruptcy in March 2009, operated 214 stores in NC, SC, TN and GA.

BI-LO elected to go on without Delhaize, however, as in November 2009, Delhaize's offer was not part of BI-LO's bankruptcy exit plan. Instead, the company's current owner, Lone Star Funds, said it would provide $350 million to repay Bi-Lo's debts. While Delhaize's agreement is no longer valid, the grocer maintains that it is still "strongly interested in acquiring certain Bi-Lo assets if an opportunity" arises. BI-LO has yet to emerge from bankruptcy.

In October 2009, Boston-based Berkshire Partners, said Grocery Outlet, a California-based discount grocery chain with 135 stores, was becoming part of the firm's private equity portfolio. Terms of the transaction were not disclosed; however, the New York Post reported that Grocery Outlet was being courted by two private equity companies -- Oak Hill Capital Partners (owner of Duane Reade) and CCMP Capital Advisors (owner of Quizno's and Vitamin Shoppe). Grocery Outlet's sale price was reportedly set around $400 million.

In July 2009, Arizona-based grocer, Bashas', filed bankruptcy. Since, the company has closed 30 stores and now operates approximately 130 stores in its home state. In October, the Phoenix Business Journal reported that

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Bashas' was having success in renegotiating leases with its landlords -- a key factor in the grocer's ability to emerge from bankruptcy. Currently, Bashas' has a reorganization plan on file that calls for the Bashas' family to continue to run the business and emerge from bankruptcy this quarter.

Why have so many traditional retailers filing bankruptcy during this recession met the fate of liquidation while grocery store chains gone bankrupt have emerged or been bought by competitors? Part of this answer lies in the relative stability of the sector's sales track record and employment figures.

According to the Census' December sales report, released Jan. 14, total retail sales at grocery stores for 2009 were flat in comparison to 2008. In contrast, sales for the entire retail industry (excluding motor vehicles and parts) were down 4.9% through the same period.

According to the Bureau of Labor Statistics, employment at grocery stores has been much more stable than the general retail trade throughout this recession as well. Pre-recession, grocery store/supermarket employment hit a high of 2.38 million in November 2007 -- two years later, employment in this sector is down 2.4% from that level. This decline is minimal in comparison to losses in the general retail sector. BLS statistics show that pre-recession, total retail employment hit a high of 15.59 million in November 2007 -- as of December 2009, retail sector employment is down 6.2% from this high.

With employment and sales results more stable than most other retail sectors, supermarket retailers continue to invest in their store portfolios through remodeling, expansion, acquisitions and new store openings.

Marcus & Millichap's Bernie Haddigan, managing director of the firm's National Retail Group said that while vacancy at the nation's shopping centers will most likely remain elevated for the next several quarters, "leasing momentum is picking up, particularly in big-box spaces as grocery stores target vacant parcels in high-traffic urban areas," said Haddigan in the firm's 2010 National Retail Outlook, released today.

Take a look at this run-down of store growth activity taking place at some of the nation's largest grocery chains.

KROGER

As of Dec. 17, 2009, Kroger operated 2,469 supermarkets and multi-department stores in 31 states under several banners including Kroger, City Market, Dillons, Jay C, Food 4 Less, Fred Meyer, Fry’s, King Soopers, QFC, Ralphs and Smith’s. As of Nov. 7, 2009, Kroger had opened, acquired, expanded or relocated 35 grocery stores during the prior nine months, in addition to 125 major remodels, thereby increasing its store square footage by 1.2% year-over-year. In the coming year, expect about one-third less activity from Kroger, however, as the company is moderating its capital expenditure budget.

SUPERVALU

Supervalu currently operates 2,380 grocery stores -- 1,180 of those are discount format Save-A-Lot stores, while the company's traditional regional banners include Albertsons, Shaws, Star, Jewel-Osco, Acme, Cub Foods, Shoppers Food & Pharmacy, Shop 'n Save, Farm Fresh, Bigg's, Bristol Farms, Hornbachers, and Lucky.

With consumers focused on value during this recession, the company's focus has been and continues to be on growing its Save-A-Lot division, while other capital has been spent on remodeling its existing store base. Supervalu expects to have opened 45 to 50 new Save-A-Lot stores during fiscal 2010, which ends next month for the retailer. In fiscal 2011, Supervalu said it would step up its expansion plans, with intentions to add 100 new Save-A-Lot locations. The typical Save-A-Lot store is approximately 15,000 - 20,000 square feet.

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SAFEWAY
Safeway has a network of about 1,730 stores in the U.S. with brands including Safeway, Dominick's, Genuardi's, Randall's, Tom Thumb, Carrs, Vons, and Pavilions. Like its major competitors, Safeway has also been primarily focusing its capital on remodeling stores -- the retailer opened 10 new "lifestyle format" stores during 2009. Most of the grocer's stores are approximately 35,000 square feet, however, the new stores it has been opening in the lifestyle format are approximately 55,000 square feet.

DELHAIZE
As of the close of its fiscal fourth quarter, the Delhaize Group operated 1,607 supermarkets in the U.S. under banners Food Lion, Hannaford, Sweetbay, Bloom, Harvey's and Bottom Dollar Food. During 2009, the company opened 30 new U.S. stores and completed a substantial number of remodels.

In December, Delhaize announced a new strategic plan, which includes tripling new store openings under its discount grocery banner, Bottom Dollar, in the U.S. over the next three years. With 28 current Bottom Dollar stores in its portfolio, the company already has 11 new store openings listed on its website -- by the end of this year, the chain could grow to 50 stores. According to CoStar Tenant, the typical Bottom Dollar Food store is 40,000 square feet.

On January 14, Delhaize announced a plan to consolidate U.S. operations and grow the U.S. business. In 2010, Delhaize plans to remodel 50 stores and open 50 new U.S. stores, which includes the aforementioned Bottom Dollar store openings.

PUBLIX
As of the end of 2009, Publix operated 1,014 supermarkets in Florida, Georgia, South Carolina, Alabama and Tennessee. The retailer opened 35 new supermarkets during the year. In July 2008, Publix acquired 49 stores from Albertsons and it has since been spending much of its capex budget on remodeling and re-branding the stores.

In 2010, Publix projects the opening of 27 new stores. The grocer opens new stores in four different prototype sizes of 28,000; 39,000; 45,000; and 54,000 square feet. The company is in a test period for two alternative format stores as well. It currently has four stores open under its Hispanic format banner, Publix Sabor, and has opened three stores under the Publix Greenwise Market banner, an upscale format focused on organic and natural foods.

WHOLE FOODS
Whole Foods Market opened 15 new stores during its fiscal 2009 year (ended in September), to operate 286 stores across the country under banners Whole Foods and Wild Oats. Whole Foods' new store pipeline includes 13 new stores in 2010, 17 in 2011, and 15 in 2012; however, this number will increase as Whole Foods continues to sign new leases for future store development. The average size of a new store in this pipeline is 44,800 square feet.

Not only has the grocery category continued to open new stores; but, as much of the capital expenditure budgets of these grocers has been going towards remodeling and improving their existing store base, the majority of grocery-anchored neighborhood centers in this country have been able to keep their anchor stores -- an issue most other shopping center types have struggled with throughout the last two years, a trend supported by an analysis using CoStar Property Analytics.

We looked at neighborhood centers across the nation as defined by the International Council of Shopping Centers: a neighborhood center is an open-air shopping center of 30,000 to 150,000 square feet that is anchored by a supermarket or drug store, where that anchor typically comprises 30% to 50% of the center's entire square footage.

According to Costar's information, neighborhood centers, like nearly all shopping center types, have suffered increasing vacancy throughout this recession; with the total vacancy rate at these centers has increased from 8.1% to 10.3% since the recession started. However, this newly vacant space is primarily being created from small shop tenants closing up shop at neighborhood centers, as opposed to supermarket anchor tenants vacating space.

CoStar data shows that only 10% of the nation's neighborhood shopping centers currently have a vacant anchor space (contiguous vacancies of 15,000+ sq. ft.) -- this level of anchor vacancy remained the same throughout 2009 and has remained generally static since 2001, wavering only between 9.8% and 10% over the course of time. This data shows that in general, the presence of an open and operating grocery store at a neighborhood center has remained relatively consistent, even in recessionary periods.

In a number of recently-released reports, retail real estate executives have also cited the stability of grocery anchor tenants and their resulting impact on neighborhood centers.

In its recently-released 2010 Retail Real Estate Forecast report, Grubb & Ellis said that while vacancy increased markedly at neighborhood and community centers during 2009, "Grocery-anchored neighborhood centers are the best performers in the retail pantheon, particularly those in mature trade areas."

In a press release this week, CB Richard Ellis' director of forecasting, Jon Southard, under the Econometric Advisors division said that the pace at which availability of retail space is rising has slowed consistently over the last three quarters. Consumers' "growing optimism and willingness to return to necessities spending" has enabled neighborhood shopping centers to "experience the lowest increase in availability rates in two years," said Southard adding these signs point toward recovery for retail real estate.

Jim Koury, managing director of Jones Lang LaSalle's retail investment sales practice recently said his firm is seeing an improvement in the investment sales market, starting with solid interest in grocery-anchored neighborhood centers. "Contrary to current conventional wisdom, we are experiencing growing demand for a wide range of retail properties; [however,] supermarket-anchored properties continue to garner the most interest" from risk-averse investors, said Koury.

In a special report released in late December by CB Richard Ellis titled, "The Upside of the Downturn: Opportunities in Commercial Property Investments," Jim Costello, principal and director of investment strategy said that there is investor demand for high-quality cash-flowing assets in the current market. He added that stable neighborhood centers anchored by grocery and drug store tenants "will experience very little of the current pain in the market" during 2010. He added that such centers up for sale will be able to hold strong on pricing, in contrast to centers on the "high-end of the market."

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Capital Market Recovery Will Take Time, but It Could Start in 2010
資金市場復蘇還需時間，但 2010 年或可見到復蘇跡象

By Mark Heschmeyer

The start of 2010 comes with fresh hopes in the realty capital markets, despite the continued impact of persistent recessionary burdens such as weak demand, falling values and constricted lending, as indicated by a string of commercial real estate industry outlooks.

After a turbulent 18-24 months since the market peaked, 2009 marked a year where transaction volume nearly came to a standstill. There is hope, though, that the economic uncertainty that has sidelined investors will recede resulting in more acquisition opportunities in the coming year as banks and financial institutions get around to cleaning up their balance sheets and move more aggressively to dispose of commercial real estate loans and financially distressed real estate assets, according to NAI Global's annual outlook.

Grubb & Ellis in its annual outlook is predicting an increase in sales volume of 20% to 30% over 2009 levels. However, prices, already down 40% from their peak in October 2007, may decline another 10% to 20% in order to meet buyers' expectations.

Property and Portfolio Research (PPR), is expecting an even bigger increase in transaction activity in 2010, fueled by increased distress on banks from loan delinquencies and "droves" of capital, led initially by foreign investors, expected to target major U.S. metro areas. In its recent "2010 Predictions" report, the CoStar subsidiary noted that, in the past year, banks were given and successfully used latitude in valuations and modifications. Along with the TARP injection, this latitude helped preclude a flood of distress and transactions.

PPR expects that trend to partially reverse in 2010 due to an expected increase in traditional payment distress and continued bank closures.

"Unlike loans with LTV issues, extensions are not the solution for those that cannot cover their payments, and many will be foreclosed upon and sold," according to the PPR report. "Delinquencies will continue to trend higher in 2010 as NOIs head lower."

Overall, the fact that banks likely will begin writing off their losses on distressed assets in 2010 means that the capital accumulating on the sidelines will start being deployed, and highly leveraged buildings, many without the capital necessary to attract tenants, will transfer to new ownership, removing what was a major impediment to recovery in the investment market, according Grubb & Ellis.

The hopes have been fueled by the federal government's financial industry stimulus money to prop up banks, financial support for the acquisition of some legacy assets and from the fed's continued support of low interest rates. In essence, the fed's action have created a "dual-personality" investment play, according to the Real Estate Capital Institute (RECI), a Chicago-based volunteer-based research organization that tracks realty rates data for debt and equity yields. Investors are seeking relief on legacy debt assets; while also trolling for fresh new debt and equity assets based on more attractively reset prices.

"Due to government intervention, the concept of distressed selling and buying did not materialize anywhere in North America," said Mark E. Rose, chairman and CEO of Avison Young in Chicago. "The U.S. government put money into the major banks, which in turn extended every loan they could to avoid realizing losses. The Securities and Exchange Commission watched from the sidelines and allowed the impacted lenders to postpone the inevitable."

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"2010 is shaping up to be more of the same, but with a slightly positive bias," Rose said. "Fundamentals have firmed, decision makers are getting their sea legs back and the second half of 2010 should produce favorable comparisons to 2009. This, in turn, will drive the confidence we have been sorely missing and allow for activity to return to more normal levels."

The hopes may be realized but only with some sacrifice and a rethinking of investment criteria.

"Before recovery can occur in 2010, private markets must solve their own problems, even if that means capitulation; the bid and ask spreads need to narrow; and we must see job growth in North America," Rose added.

John Oharenko, RECI's advisory board member, said he believes this year we'll be bouncing along the market bottom as values continue to slide, but at less dramatic levels than last year.

"Some of the greatest investment opportunities lie ahead, especially for those buyers willing to sacrifice current return and rely upon overall market momentum to improve during the next three to five years," Oharenko said.

Until the hopes for the new year begin to become reality, however, RECI suggests that investors will continue to be frustrated in that more funds exist than there are placement opportunities in which to sink their money. The main reason is that buyers still expect lower prices but sellers don't want to realize heavy losses unless it is forced upon them.

According to analysis by CoStar Group there seems to be a steady stream of private and public money flowing into investment funds. During the past year, public funds (mainly REITs) raised more than $25 billion of equity for income properties funds. And, more than 650 new funds and companies raised more than $65 billion last year for real estate acquisitions. Most of the money raised (almost half) was being targeted for debt investments; about 25% was being earmarked for traditional commercial real estate properties; and the remainder for other types of real estate, including residential development and construction funding.

"Senior debt purchases are preferred by many investors who prefer to avoid untangling equity positions often plagued by multiple capital tiers including preferred and mezzanine funds," Oharenko told CoStar Group. "Multifamily continues to be the 'darling' of the income-property capital markets as the agencies [such as Fannie Mae and Freddie Mac] provide ample liquidity into this sector. Otherwise, commercial real estate property fundings are mostly focused on refinancing and workouts."

"The short leases of multifamily would be a pretty good hedge against inflation, particularly if you had long-term fixed rate debt in place through Fannie and Freddie," said Dr. Peter Linneman, NAI Global chief economist and principal at Linneman Associates. "Multifamily held up better in the recession until the capital markets fell apart, and as they fell apart, multifamily production fell to the lowest level in the last 60 years. That will pick up, though more slowly [than single-family] because it's more capital market dependent."

"The recession has been over for six months and job growth is just months away, but the fact remains it will be impossible to predict what will happen next," Linneman said. "With significant tax, health care and regulatory proposals still in the offing, there is little clarity as to the ultimate outcomes or costs. We're concerned with commercial mortgage delinquency rates as they have been on the rise and could keep the commercial real estate industry in neutral for several more months."

Aaron Gruen, principal of Gruen Gruen & Associates, a Chicago-based economics, strategic marketing and land

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use/public policy analysis firm, told CoStar Group that: "Real estate market demand for many markets and uses can be expected to be weak over the next few years. Foreclosures are rapidly rising. Transactions/development was limited in 2009 but should increase in 2010. Core assets have already been repriced and some liquidity from balance sheet lenders is returning, but underwriting standards will be much higher and therefore highly leveraged transactions will be constrained."

"Historically, real estate was viewed as an income-producing asset that provides an inflation hedge and is not correlated strongly with equity securities," Gruen said. "It may be the pension and other groups investing in real estate funds will find this historic role appealing and focus on backing groups using relatively low level of leverage and buying well located core assets perceived to have less risk in the short term and better long-term potential to produce long-term cash flows. These kinds of properties are priced lower than has been the case for at least five years. But those that do not need to sell will hold on to them."

"Perhaps, given the stress and adjustments required, it will simply take some more time for sellers to become motivated and buyers to raise and place capital," Gruen continued. "After all, [the] Great Recession has permanently altered consumer, investment, and governmental behavior. Both public and private sector interests which influence land use and economic development need to reset their models and practices to work out projects and plans affected by the Great Recession and to respond to the opportunities the economic recovery will present. But this will take time and not be easy."

Latest Residential Loan Rates [Slightly Higher than Last Week]
最新住宅地產貸款利率【比上周稍跌】

Conforming rates for loan amounts of 100k to ~700k depending on County

- 40 Year FIXED @ 5.375%
- 30 Year FIXED @ 4.875% *Agency High Balance* @ 5.000%
- 30 Year FIXED Interest Only @ 5.375%
- 15 Year FIXED @ 4.250%
- 5 Year ARM @ 3.500%
- 5 Year I.O. ARM @ 4.000%

Jumbo rates for loan amounts of ~400K to 1 Million depending on County

- 30 Year FIXED @ 5.875%

FHA & VA rates for loan amounts of 100k to ~700k depending on County

- 30 Year FIXED @ 5.000% *FHA HIGH BALANCE @ 5.000%*
- 15 Year FIXED @ 4.500%