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- Monterey Park Luxury Residence
  蒙特利公園豪宅

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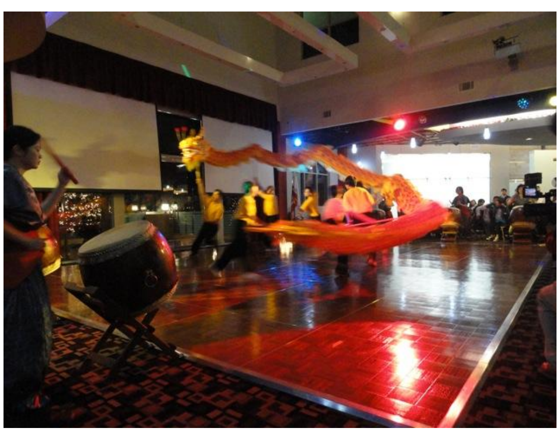


Retail Space Demand Turning Positive in 2011
購物商場需求量在 2011 年會增加

By: Ben Johnson (KCRE View)

As the specter of Black Friday and now Cyber Monday kick off the formal 2011 holiday shopping season, a new report suggests that retail real estate has a fairly bright future in the months and years ahead.

In fact, the U.S. retail real estate sector's availability rate is expected to drop to 12.7% by the end of 2011, according to new analysis from CBRE Econometric Advisors (CBRE-EA).

CBRE-EA forecasts that the ongoing pick-up in retail sales combined with limited supply will slowly decrease the national availability rate for neighborhood and community centers.

(NOTE: Availability is space that is actively being marketed and available for tenant build-out within 12 months.)

According to CBRE-EA's upcoming Annual Trends 2011 report, retail demand for space in 2011 will be positive for the first time since 2007. However, the increase is expected to be modest and high availability will keep pressure on rents until 2012, when retail center owners should finally have enough momentum to increase rents.

However, historic rent growth figures (above 3%) will not return until 2013. As of third-quarter 2010, retail availability was 13.0%.

"Availability rates across retail types are so high that a full rent recovery is five years away on average," said Abigail Rosenbaum, Economist, CBRE-EA.

However, the study also notes that because of low supply, the first sign of demand is already beginning to reduce shopping center availability. During the downturn, supply growth for malls and neighborhood and community centers was between 0.5% and 1.5%. The amount of new space expected to come online over the next two years is even lower.

Beyond the next two years, annual supply growth for neighborhood and community centers is only expected to amount to 1% — well below its level between 2000 and 2008, before the downturn began.

"This anticipated low rate of supply growth underscores that developers did not over speculate and were forward-looking, which will be a long-term, positive contributor to retail real estate's recovery," said Rosenbaum.

The CBRE-EA analysis finds that while retail sales are coming back, the online sales market presents a continuing challenge to the need for expanding brick-and-mortar. Electronic shopping has shown substantial strength during this consumer recovery and year-over-year sales growth in this category has been positive since late 2009 with monthly increases recorded in the double-digits in 2010. The report anticipates that the share of electronic shopping sales compared to core retail sales will continue to increase in the coming years.

“Core retail sales growth has remained flat over the past two quarters while electronic shopping sales have seen double-digit growth, indicating that the consumer recovery has not stalled but rather has been a bit uneven,” notes Rosenbaum. “Going forward, we expect that the recovery will continue with positive growth, though continuing to be uneven.”

According to Annual Trends 2011, there will be increasing consolidation of grocery stores, retailer migration to urban areas versus suburban areas, and a merging of formats such as lifestyle and outlet centers.

"Cautious, but Optimistic" Becomes the Mantra at New York ICSC Show
在上周紐約舉行的國際零售業商場聯盟會議中，參與者對購物商場前景的看法是謹慎的樂觀

By: Elaine Misonzhnik (Retail Traffic)

The second day of the ICSC New York National Conference and Dealmaking offered many of the same themes that played out at the beginning of the show. The mood of the attendees seemed noticeably more upbeat than in the past two years and everybody walked around the show floor with a sense of purpose, ready to close deals and drum up new business. Some industry insiders even brought up the word "development"—nothing scheduled for next year, certainly, but there was some expectation that new projects would start popping up within 24 months.

"This show has been a lot better [than previous ones]. We didn't anticipate it being as busy as it has been," said Greg Maloney, CEO of Jones Lang LaSalle Retail, an Atlanta-based third party property manager.

At the same time, it seemed like most of the attendees had either completed all of their business on Monday or were wrapping up appointments by Tuesday morning. The hallways were a lot less crowded and many people were planning to take mid-afternoon flights back home.

Overall, people had a positive outlook on the industry's growth prospects in 2011, but Maloney cautioned that some of those expectations might be a bit too optimistic. He predicts that the industry will likely have a strong holiday season, but momentum on both retailer sales and retail investment sales might slow down in the first half of 2011 (investment sales should pick up considerably in the second half of next year, he says). In other words, 2011 will look a lot like 2010—a sentiment expressed by a few seasoned industry professionals.

The main thing worrying retail real estate professionals right now is consumer confidence. Though the holiday sales season got off to a strong start, it looks like the middle-market consumer feels only marginally better about his financial security in 2010 compared to 2009. Many conference participants noted that the retailers with the best sales performance right now are discounters and luxury stores. When it comes to mid-market shoppers, the sky is no longer falling, but it's not clear whether those customers will continue to buy discretionary goods after the holidays are over.

That's partly what's driving a lot of retailers to invest in what has become widely known as "portfolio optimization."

"In today's world, mitigating risk from a retailer's perspective is the most important thing," says Lew Kornberg, managing director of corporate retail services with Jones Lang LaSalle.

That means a lot more attention to lease administration, in addition to much more stringent requirements for new store openings. On the plus side, retailers are beginning to invest more money into store remodels than they have in the past several years, seeing remodels as a cost-effective strategy to promote their brand.

"A lot of what we are seeing is an attempt to enhance customer experience," notes Kornberg.
Jones Lang LaSalle's retail outsourcing services, for instance, is working with Family Dollar to remodel 4,000 of their stores.
Another chain retailer that is looking at multiple store remodels over the next few years is Lord & Taylor. The department store chain used the ICSC New York National Conference to give a presentation on the recent remodel of its New York flagship store. That remodel focused on making the shopping experience more comfortable and interactive for its customers. Lord & Taylor plans to use some of the ideas incorporated into its New York remodel to freshen up other locations around the country.

Record Property Price Gain Could Be Temporary
九月的地產售價上升可能只是暫時

By: Matt Hudgins (NREI)

U.S. commercial real estate prices climbed 4.3% in September from the previous month, according to the Moody's/REAL Commercial Property Price Indices (CPPI). That's the largest one-month gain in the index's nine-year history, and is encouraging for a market that has wrestled with deflated property values for nearly three years now.

Yet experts debate whether the gains will last, or will instead prove to be one in a series of severe fluctuations. The spike is small in relation to the overall, 42.7% value decline the index has tracked since the market peaked in October 2007. The CPPI measures transaction price changes for commercial real estate assets based on repeat sales valued at $2.5 million or more.

And there is no guarantee that September's positive performance will be repeated in a year marked by index volatility. In the first nine months of 2010, the All Property Type Aggregate Index has logged five monthly gains and four monthly declines. In fact, the past year's ups and downs have nearly balanced out: The All Property Type Aggregate Index was up just 0.3% in September from a year ago.

Moody's analysts chalk up the recent volatility to economic uncertainty and low sales volume. But the changing mix of trading properties is also having an effect on index values, according to Dan Fasulo, managing director at New York-based Real Capital Analytics, which provides the sales data reflected in the Moody's/REAL Indices.

Many of the assets selling today involve some form of distress, which can result in lower prices than willing sellers would accept, explains Fasulo. Investors, too, are branching away from an exclusive focus on core assets in primary markets to acquire real estate with greater risk profiles and lower prices. "There are lower-quality assets now in the data set and it is causing these pretty violent changes month to month," says Fasulo.

Results were mixed among property types, with apartments and retail showing price gains while industrial and office assets continued to lose value nationwide.
In the largest metro areas, retail and office properties showed positive returns exceeding 9% in the third quarter from the second quarter. Industrial properties logged losses of nearly 10% during the same period, according to Moody's.

Commercial real estate price indexes have been good, general indicators of pricing trends, according to Jamie Woodwell, vice president of commercial real estate research at the Mortgage Bankers Association.
"The (upward) trajectory was pretty clear during the 2005-2007 period, and you had pretty clear (downward) direction in the 2007 through early 2009 period," observes Woodwell. "Since then we have seen those fluctuations, and it's hard to pin down exactly what those mean."

Fluctuations may obscure subtle trends, as Woodwell points out. On the other hand, the volatility that seems to be clouding index returns may in fact be a close indicator of pricing trends, according to David Geltner, director of research for the MIT Center for Real Estate and one of the engineering forces behind the CPPI's methodology.

"This type of extreme volatility probably largely reflects what is actually going on in the U.S. commercial property market, as asset markets typically display greater volatility during periods of fundamental uncertainty, rapid economic and institutional or political change, and transition in the markets," Geltner writes. The MIT researcher's observations on the September index results are posted in a column titled The Professor's Corner on the Real Estate Analytics LLC website at http://www.realindices.com/. Real Estate Analytics developed the Moody's/REAL Indices.

Plenty of Data

Insufficient data, at least, is no longer a hindrance to price index calculations, according to Fasulo. Low sales volume in 2009 has given way to a more robust market this year, with 153 repeat-sale transactions in September alone, Moody's reported. Sales volume by dollar amount jumped to $3.7 billion from $1.85 billion in August. That gave September the largest dollar amount of repeat-sale transactions since January 2008.

"There are certainly enough data points to calculate the index at this point and we are way past the low point of the transaction cycle by now, so I don't see that as being a problem going forward," says Fasulo. Geltner suggests that mushrooming sales volume is perhaps the best corroborating evidence that September's pricing gain is the beginning of an upward trend. Looking beyond repeat sales to include all commercial real estate sales, September trading volume was $10.4 billion, a two-year high. "Indeed, volume has been trending gradually upward every quarter this year," he writes, "with energetic activity in both the upper/trophy and bottom/distressed segments of the market."

Taking a long-term look at the indexes, Fasulo notes that the severe decline in asset values that began in late 2007 had run its course by the third quarter of 2009. He reads the results from the 12 months since then as indicating a market at the bottom of the transaction cycle.

Further, he believes that's where the market will stay until returning job growth and economic expansion can boost demand for commercial real estate. "Until underlying fundamentals recover in a really strong way, with rents and occupancy levels showing a clear upward trend nationwide, you'll continue to see the index bounce along the bottom."

For Investors, Not All Class A Office Assets Are Alike
雖然頂級辦公樓很受投資者歡迎，但空屋率較高的頂級辦公樓售價仍被壓低

By: Mark Heschmeyer (Retail Traffic)

Despite the common perception that investors are bidding up prices for any major Class A office building brought to market, an analysis of recent sales activity finds a decided risk aversion to high vacancy among Class A office investors.

Call it an occupancy premium or cash flow premium, but investors appear very discerning in what they are willing to spend. Just as there is a clear bifurcation in the office investment market between core and noncore properties and markets, there also appears to be a clear bifurcation among core Class A office properties.

Values for Class A office properties with low occupancies and their related lease-up risk remain under pressure, while similar properties with high occupancies are going for huge premiums - an indication that the appetite for risk remains low even in core assets.

Assets with quality cash flows in primary markets such as New York, D.C., Boston, and San Francisco have fetched some eye-popping prices this year. The weighted average price per square foot for core assets in primary markets in the second quarter increased by nearly 44% from the previous quarter and it appears the trend continued in the third quarter.

As one example, in September Generali Immobilier bought the 146,648-square-foot office building at 900 17th St NW in Washington, DC for $93.5 million or $637/square foot. At the time of purchase the building had just a 2% vacancy.

But then compare that pricing to what high vacancy buildings are going for. First Potomac Realty Trust paid $13.66 million in April for a Class A, 180,000-square-foot building across the Potomac in Fairfax VA, - a little less than $76 per square foot. The building had an 89% vacancy rate at the time of purchase.

That disparity in prices between high- and low-occupancy office properties was found throughout Class A office property sales in the last four quarters, according to data from CoStar Group, Inc.

Class A office buildings with vacancies of 5% or less (virtually full buildings) were selling for an average of $327/square foot between Oct. 1, 2009, and Sept. 30, 2010. On the bottom side, Class A office buildings with vacancies of 95% or more (virtually empty buildings) were selling for an average of one-third of that -- $118/square foot.

Examining this trend further, Class A office buildings with occupancies of 80% or more were selling for an average of $266/square foot, while buildings with 79% occupancy or less were going for $162/square foot.

This discrepancy between and high- and low-occupancy Class A asset prices is also showing in building performance and rents as well.

Class A properties with occupancies of 80% or more purchased between Oct. 1, 2009, and Sept. 30, 2010, posted net absorption over the past four quarters of nearly 4 million square feet. The average vacancy rate of these buildings has dropped from 11% to 6%. Average asking rents have increased from a low of $28.29/square foot to $29.50 in that time.

On the opposite end, Class A office buildings with 79% occupancy or less posted negative net absorption 1.24 million square feet. The average vacancy rate of these buildings has increased from 44% to 50%. Average asking rents have decreased from a high of $25.76/square foot to $25.28.

Ready for Reform? Dodd-Frank Requirements May Put the Squeeze on Borrowers
今年 7 月通過的 Dodd-Frank 華爾街改革消費者保護法預計會減少商業抵押擔保證券的發行

By: Michael Hamilton

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law. The risk retention requirements under Dodd-Frank for asset-backed securitizations, including commercial mortgage-backed securities, have garnered substantial attention from the lending and originator community. This article focuses on the anticipated effects of the risk retention requirements from the perspective of another important but often overlooked stakeholder – the borrower.

By mid-April 2011, federal banking agencies and the Securities and Exchange Commission must propose regulations requiring issuers of asset-backed securities, or in certain cases, originators of the assets, to retain an economic interest in the credit risk for the securitized assets. The final regulations will become effective within two years. Securitized loan documentation may begin to reflect these new requirements as early as 2011.

The 5 Percent Rule

Dodd-Frank generally requires securitizers/originators to retain not less than 5 percent of the credit risk for the subject asset, or less than 5 percent if the originator meets certain underwriting standards. T e SEC previously proposed a similar rule, commonly known as the "vertical slice rule," that sought to impose a 5 percent risk retention with respect to all classes of securities issued in a securitization offering. Based on input from industry participants, Dodd-Frank emphasizes risk retention with respect to the underlying asset, as opposed to retained risk in each class of securities. Dodd-Frank regulations also will prohibit the direct or indirect hedging or other transfer of the risk required to be retained. New regulations also may impose minimum risk retention periods. Market participants are widely opposed to both of these requirements.

CMBS Application

In simple terms, the 5 percent rule is intended to promote improved underwriting and to better align the risks of the investor and the originator. T at is, if the originator is now required to hold a portion of the debt, one might presume that the originator will look more closely at the underwriting. Further, if the asset does not perform, the originator's return, like that of the securitization investor, will be adversely affected, thereby assuring alignment of interests.

Such reasoning overlooks or gives little credence to specific industry practices that are intended to promote the same outcomes. For example, an originator of CMBS assets of en is required to make qualitative representations and warranties about each asset it contributes to a securitization. Furthermore, it may be required to repurchase assets if those representations prove to be incorrect.

Recognizing that the 5 percent risk retention rule needs to account for such industry-specific practices, Dodd-Frank expressly contemplates flexibility and custom tailoring for CMBS. T e risk retention

regulations for CMBS are anticipated to specify alternative types, forms, and amounts of risk retention that meet the requirements of the 5 percent rule. (Read "Alternative Risk Retention for Commercial Real Estate" at www.ciremagazine.
com.)

Effects on Borrowers

Pending final regulations, the effect on stakeholders from the Dodd-Frank risk retention provisions remains uncertain. Borrowers are, however, anticipating some or all of the following.

Less available credit. Retained risk likely will lead to diminished lender liquidity and fewer deals, resulting in less available credit to borrowers.

Increased fees, costs, and expenses. As noted by the Mortgage Bankers Association's response to the SEC's proposed 5 percent retention rule: "Lenders would have no choice other than to raise the cost of borrowing and certain lenders would simply decline to participate in the market." Fewer deals mean diminished fees for originators, potentially resulting in higher fees on individual transactions. In addition, it would not be surprising to see new annual servicing fees imposed on borrowers to compensate for periodic administrative costs associated with retained risk. Greater due diligence by originators also would increase loan origination expenses for borrowers.

Stricter underwriting. Some may argue that stricter underwriting is exactly the point of such regulations; however, this ignores market mechanisms that typically drive the types and extent of underwriting. Further, it seems unlikely that enhanced underwriting will result in any corresponding benefits to borrowers.

Underwriting flexibility. With appropriate disclosure, market investors are able to assess and account for risks associated with underwriting issues through pricing, demand for the issuance, and other factors. A lender that must retain a portion of the loan on its balance sheet for sustained periods without the ability to hedge may have different risk tolerances than market investors, particularly with forthcoming capital requirements and accounting standards. These risk tolerance differences may result in a "race to the bottom" as the needs of the most cautious investor are met.

Conflicts of interest. The tug of war currently being waged between special servicers and investors with respect to loan workouts, and the related claims of conflicts of interest, may be further complicated by the introduction of yet another party — the party that is required to retain the risk under Dodd-Frank.

Stricter loan terms. Risk retention requirements may increase asset monitoring and prompt loan agreement provisions intended to pre-empt asset-level risks. For example, borrowers may witness the reintroduction of "material adverse change" devices, as to periodic reporting and defaults; enhanced insurance requirements; more-restrictive management and transfer rights; increased and more frequent reporting obligations; new financial covenants; and other loss-monitoring and loss-mitigation mechanisms.

Diminished appetite for CMBS. Borrowers generally perceive CMBS requirements as onerous, and the loan workout and servicing challenges over the last two years have only reinforced negative impressions of CMBS. Risk retention rules that result in greater costs of capital and other effects noted above may lead borrowers to prefer alternative financing sources, such as conventional mortgage loans.

As the discussions between stakeholders and regulators evolve, the actual effects of Dodd-Frank and risk retention requirements will become known. Borrowers should hope — and advocate — for tailored regulations that reflect the unique risks and needs of commercial real estate. Such regulations also must be responsive to the challenging economy and impending day of reckoning for maturing real estate debt.

The Rise and Fall of Default
至 2010 年第三季度為止，商業地產貸款拖欠率已持續上升 17 季度

By: Sam Chandan (NY Observer)

The default rate for commercial real estate mortgages held by the nation's depository institutions—including mortgages at least 90 days delinquent and mortgages in non-accrual status—increased to 4.36 percent in the third quarter of 2010, up from 4.27 at midyear.

While the default rate continues to trend higher, the most recent increase is the second smallest in three years. Growth in the balance of defaults at banks has slowed considerably in recent quarters, according to Real Capital Analytics' analysis of bank filings. The $604 million increase in the default balance in the third quarter is less than one-tenth of the $7.2 billion increase in the second quarter of 2007.

As property prices and rent measures stabilize in many markets, the increase in strain on bank health related to commercial real estate is also becoming more measured.

Reasons for Caution

The third quarter's 9-basis-point rise in the commercial mortgage default rate is the 17th consecutive quarterly increase. At the low point in defaults, in the first and second quarters of 2006, the default rate was just 0.58 percent. By comparison, the current default rate is just 19 basis points shy of its record high of 4.55 percent, reported in 1992.

As banks have worked through only a subset of these loans—there are $46.8 billion in bank-held defaulted commercial mortgages as of the third quarter—the potential for losses related to resolutions of distress remains a key feature of the marketplace.

Multifamily Default Rate Rises

The multifamily default rate increased sharply between the second and third quarters, jumping from 4.13 percent to 4.67 percent. Between the first and second quarter, the multifamily default rate had fallen by 50 basis points, the first such decline of the cycle, raising hopes that the bank stress related to real estate exposures might have reached its inflexion point.

Over the course of the downturn, the increase in the default rate for multifamily mortgages has been more dramatic than for commercial real estate. The current multifamily default rate is nearly 20 times higher than the 0.24 percent default rate measured in the first and second quarters of 2005. Banks' exposure to the multifamily sector is more limited, however, with total outstanding balances of $215.8 billion and mortgages in default of $10.1 billion.

Legacy Issues Constrain Bank Lending

The weight of unresolved distress is manifest in greater regulatory and supervisory oversight in making new loans, as well as adjustments in lending standards and many banks' willingness to extend new credit in the sector. Demand for loans has also moderated.

As a result of these shifts, banks have been drawing down their exposure to commercial real estate, making new loans at a slower pace than the pace at which maturities, amortization and distress have removed exposure from their balance sheets. In the third quarter, total commercial real estate mortgage balances fell by $8.8 billion. In 2010 year-to-date, balances have fallen by $18.5 billion. Multifamily balances increased slightly from the second to third quarter but also remain below their peak levels from last year.

Smaller Banks Exhibit Lower Default Rates

Default rates are highest at the largest institutions (those with $10 billion or more in assets), where the concentrations in commercial real estate are lowest and the capacity to absorb related losses benefits from diversification. At smaller institutions (those with less than $1 billion in assets), default rates are generally lower. For example, at banks with between $100 million and $1 billion in assets, the commercial mortgage default rate is 3.29 percent, 107 basis points lower than the national average. But concentrations in commercial real estate, multifamily lending and construction lending remain much higher at these smaller institutions.

Combined with the lagging recovery in values in secondary and tertiary markets, where these banks dominate lending activity, the greater concentration still implies a much more limited capacity to manage related losses. It is important to note that there is considerable variation in the default and loss experience of regional banks, in particular. Institutions of similar size and geographic footprints and with similar exposures to commercial real estate exhibit differences in losses that may relate to the effectiveness of workout strategies and not just the health of the underlying mortgages.

Implications for Credit Availability

As reported by Real Capital, increases in the lending activities of large institutional lenders, including life companies, have resulted in an improvement in credit availability in many of the largest and most liquid metropolitan areas and for the highest-quality properties. This trend will see further support from an increase in securitization activity.

But outside of the major metros—including New York, Washington, D.C., and San Francisco, among a select few others—transaction activity and credit remain constrained. The slowdown in bank-held commercial mortgage defaults suggests that the sector's contribution to bank distress may be nearing a plateau.

Nonetheless, banks still face serious challenges in drawing down their default and real-estate-owned balances and in working toward a normalization of credit in the markets where the bank-lending model is most appropriate.

Climbing the Capital Hill
業主和投資者在尋找貸款的路上依然面臨不少阻力

By: William E. Jones (CCIM)

Capital availability has improved since the dark beginning of the recession. T is year the real estate capital markets came off life support, although they still remain in intensive care. Well-capitalized firms and owners are taking advantage of inexpensive money. Real estate investment trusts have been able to raise funds in both the unsecured and secured debt markets, and although the commercial mortgage-backed securities market has not returned, class A office owners in major markets have been able to refinance assets through securitization programs.

The multifamily market has benefited from a surge of lending activity from the government-sponsored enterprises Fannie Mae and Freddie Mac and the Federal Housing Administration. Many multifamily owners have been able to finance their assets at rates below 4.4 percent, and in the case of FHA/U.S. Department of Housing and Urban Development financings, the rates have been below 4.0 percent with 35-year fully amortizing terms. For new construction of multifamily developments, FHA/HUD has provided owners and developers with construction loans below 5.2 percent for the balance of 2010.

Rumors persist of new lending platforms offering new capital infusion into the commercial real estate market, but the evidence of these ventures is scant. Very few new players have entered the market this year. Instead, 2010 has been more about waking up the old players: banks and insurance companies. Regrettably, most banks — overwhelmed by regulatory challenges and problem loans — have not returned to commercial lending. In some parts of the country, especially the Northeast and Upper Midwest, banks are lending on some prime office and retail space, as well as on multifamily. But for the most part, bank lending has not been a viable option for owners this year. Life companies also have been absent for most of 2010. They are producing some loans at very low leverage in certain markets, but no one would really claim they are a significant provider of capital.

Will Capital Flow in 2011?

The first half of 2011 will remain challenging for the commercial real estate market, but not impossible. The Fed will continue to keep rates low through monetary easing or by going back into the market and purchasing securities on the open market. However, the continuation of low rates does not mean that those rates will flow to the commercial real estate market. Someone has to lend the funds. Banks should make a relative comeback to the commercial mortgage lending game in 2011.

Banks are now at a point where they have stopped losing money, so now it is time for them to make money. Bankers will need to lend and they will want to stay local. For borrowers in small markets, local lending could be the best source of financing. Moving business banking to community banks will help develop relationships.

Small commercial real estate owners and investors can forge relationships with local banks and be in a position to benefit from their return to the lending arena. Life companies also will have a more robust presence in the 2011 market. Traditionally life companies have desired long-term assets to pair up with their long-term liabilities. They retreated from the market during the financial crisis, but they have increased their lend lending activity in multifamily, and they are players for choice offices in major markets. Look for life companies to be aggressive lenders on multifamily deals with well-capitalized owners. Anecdotally, life insurance companies have complained that the GSEs and the FHA are crowding them out of the multifamily market. This is a sure sign that they are back to lending, but on a selective basis.

GSE/FHA Concerns

Expect Fannie Mae, Freddie Mac, and FHA to do a booming business next year. They are the primary sources for apartment financing, and in the case of FHA, the only source for new construction financing. GSEs and FHA are also the major funding sources for healthcare facilities, including skilled-nursing, assisted-living, and age-restricted independent-living developments. T e rates on GSE and FHA deals will continue to be priced off of the 10-year Treasury note. If Treasury yields stay low, GSE/FHA debt should stay low as well.

However, GSE/FHA rates are a function of the combination of the 10-year T-note rate, the 10-year interest rate swap rate, and the risk spread investors want to receive in order to purchase the loan after securitization. For example, an FHA refinance or acquisition rate would be the sum of the 10-year T-note rate (2.38 percent), the
10-year interest rate swap spread (.0988), and the investor spread of 100 basis points, producing
a rate of approximately 3.50 percent.

The wild card in this pricing is the investor spread. As more GSE/FHA paper hits the market, investors will want to increase their spreads as a function of supply and demand. They also could increase their spread demands because of asset allocation. Investors can look at the residential mortgage-backed securities market, compare it to the multifamily securitized market, and feel they will get better default protection and more-stabilized returns in the residential MBS market.

Investors will see the positive convexity of residential MBS, and they will want a greater spread on the multifamily product to compensate for what they believe will be negative convexity on the GSE/FHA product. Once investors become a little better informed about the uniform underwriting standards of GSE/FHA loans, their convexity concerns will diminish, and the spreads should drop somewhat. Regardless of where spreads and rates end up, they will remain attractive well into 2011. Multifamily owners should try to refinance as many of their assets as possible to lock in these low rates for the long term.

Conduit Lending

There is not much hope of the CMBS/conduit market returning this year. That market was built for size and speed, and neither exists currently. Conduits need to warehouse loans in order to aggregate
them into securitizations. T e origination, closing, and warehousing of conduit loans requires the conduit to have a large lending shelf in order to fund the loans, and a complex hedging operation to manage the inherent interest rate risk as conduit loans move from origination to securitization.

The means for a conduit to fund these loans is not available, and when it is found, it is very expensive. In addition, the hedging cost and the disclosure requirements from the U.S. Securities and Exchange Commission have made the prospect of CMBS/conduit lending in the near-term pretty bleak. Conduit lending may reappear at some point, but it will look very different than the conduits of the go-go years earlier this decade.

The loans will have lower leverage, and they will take longer to get to closing. T e conduits might fund deals that focus on a property type in one geographic area, such as malls in New England or office space in the San Francisco Bay Area. All of these new restrictions will be leased at higher prices than borrowers were used to circa 2004.

Fed Controls

While the commercial real estate capital markets are struggling, the picture is not nearly as bleak as two years ago. By keeping rates low, the current administration, in conjunction with the Federal Reserve, could help prevent the U.S. economy from slipping into another recession. And to help keep rates low, the Federal Reserve will use multiple tools. The principal tool most likely will be another round of quantitative easing, in which the Fed buys fixed-income securities on the open market.

With fixed income, rates move inversely to price, so the Fed buying assets will increase the price of bonds, causing the yield (rate) to decrease. T e Federal Reserve had success managing rates in the early part of 2010 using QE, and Fed policymakers have announced that they will return to the market for a second round of purchases. But do low rates alone mean salvation for the commercial real estate market? Clearly not. The salvation will have to come from those looking to invest. Investors seeking yield will have to return to the commercial real estate market as direct lenders or as purchasers of securities backed by real estate.

Borrowers looking to take advantage of a return of capital should expect much tighter underwriting standards than were in place earlier this decade. And don't expect a tidal wave of lending to hit the commercial real estate market. While the market for multifamily and healthcare lending is robust, it will take at least two years for lenders to return to all asset classes nationwide. In the meantime, owners and investors should continue to communicate and build relationships with all types of lenders in the markets where their assets are
located.

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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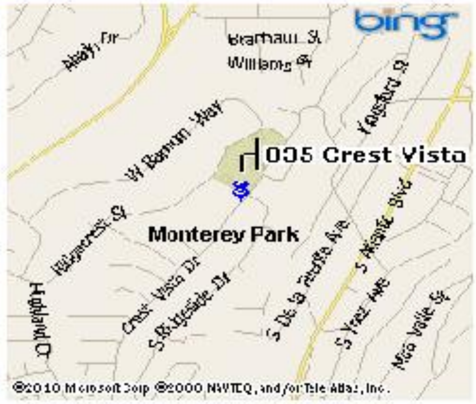
Consumer Money Rates

	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	-	-4.25
Prime rate*	3.25	3.25	3.25	3.25	-	-4.00
Libor, 3-month	0.30	0.30	0.54	0.25	0.05	-4.69
Money market, annual yield	0.65	0.64	0.95	0.63	-0.28	-2.87
Five-year CD, annual yield	2.03	2.03	2.70	2.02	-0.47	-2.41
30-year mortgage, fixed	4.95	4.77	5.51	4.32	-0.24	-0.95
15-year mortgage, fixed	4.32	4.12	4.83	3.71	-0.33	-1.20
Jumbo mortgages, $417,000-plus	5.61	5.53	6.33	5.32	-0.43	-1.26
Five-year adj mortgage (ARM)	5.79	3.64	5.79	3.31	-0.47	-2.10
New-car loan, 48-month	5.43	5.46	6.85	5.42	-1.39	-1.43
Home-equity loan, $30,000	5.13	5.10	5.28	5.06	-0.14	-1.66

Monterey Park Luxury Residence
蒙特利公園豪宅

ML# : H10118939	835 Crest Vista DR Monterey Park 91754	List Price: $ 1,250,000



Basic Information

Status:	**Active**
Property Type:	**Single Family Residence**
Map Book:	
Year Built:	**1986/SLR**
Sqft/Source:	**4,931/Assessor's Data**
Lot Sqft/Source:	**16,013/Assessor's Data**
View:	**City Lights**
Assoc Dues:	

Interior Features

Bedrooms: **11**
Bath(F,T,H,Q): **6, 0, 0, 0**
FirePlace: **See Remarks**
Cooling: **Central**
Laundry:
Rooms: **See Remarks**
Eating Area:
Floor:
Utilities:

Property Description

Beautiful traditional eastern-style home with numerous bedrooms and unique elegance. Large, spacious bedrooms on both floors in well-kept condition. Custom-built in 1986 with addition of the back part of the house in 1992. Spacious backyard with a zen garden, large waterfall, and bountiful fruit trees. Also includes a large storage shed. Home is located in a secluded, safe neighborhood right next to a large park and tennis courts, and provides views of a beautiful cityscape from its many balconies upon sunset. Please call for appointments at least 24 hours in advance.

Exterior Features

Pool: **No**
Spa:
Patio:
Sprinklers:
Structure:
Outdoors:
Fence:
Roofing:
Lot/Community: **Patio Home**
Legal:

Presented By

Contact: **John Hsu** Home Ph: **626-913-3881**
Contact DRE: **01093005** Fax:
Office: **STC Management**

School Information

School District:
Elementary:
Junior High:
High School: