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Welcome to the New Normal
經濟學家預計 **2011** 年的商業地產將會逐漸回歸泡沫之前的狀態

By: Mariwyn Evans (International Business Times)

2011 is the first full year of what many economists see as an entrenched period of slow economic growth, high unemployment, and volatility.

2011 is the first full year of what many economists see as an entrenched period of slow economic growth and high unemployment.

What does the "New Normal" look like for commercial real estate? It's not 2006, but it's a lot better than 2009. Brokers in major markets are seeing multiple bids on Class A, top-tier properties even if the transaction numbers are still a fraction of those in 2007 or 2008. Lenders are taking calls again-if not yet making many commercial real estate loans. Cap rates for some Class A properties are nearing pre-credit crisis level.

In some ways, "we're not seeing a New Normal as much as a return to the 'Old Normal' before the bubbles of the early 2000s," says Mark Dotzour, chief economist with The Real Estate Center at Texas A&M University in College Station. In the Old Normal, he says, nonrecourse commercial real estate loans were a rarity, and home owners didn't spend the equity in their homes at the mall.

"We need to erase the period from 2004 to 2008; that was built on unrealistic refinancing," agrees Ken Riggs, cre, CEO of Real Estate Research Corp. in Chicago. The commercial real estate market is recovering, he says. "It's just going to play out at a leisurely pace."
A Bump in Job Growth

What will speed up the recovery? Jobs. The good news is that "the pace of new job creation should pick up to about 100,000 jobs a month in the near future," says Jim Costello, principal with CBRE Econometric Advisors in Boston. "We have a lot of highly qualified workers who can be rehired quickly once the recovery gets underway," he says. Costello estimates that the increase will begin in mid-2011 and last a year or so before leveling off. In the longer term, however, he says, job growth will "settle down to about 50,000 a month." That's much slower than the 2003-2007 recovery, but still the fastest growth of any developed economy, he says.

Another positive factor: the record high corporate profits and funds available for investment. As of the second quarter of 2010, U.S. companies saw the internal funds available for investment increase by $61.1 billion, according to the U.S. Bureau of Economic Analysis. The addition of $30 billion in federal funds for small-business lending in fall 2010 could also boost business confidence and thus hiring. Quantitative easing by the Federal Reserve, issuing more money and then buying back Treasury bonds to support the market, is a policy meant to encourage banks to lend and businesses to invest, says Timothy Riddiough, professor of real estate and urban land economics at the University of Wisconsin, Madison.

Why isn't this money translating to more jobs? Most attribute it to fear. "There's still a huge amount of uncertainty because the pace of recovery has been so uneven," says Robert Bach, senior vice president and chief economist for Grubb & Ellis. He anticipates that this slow hiring could keep office space from reaching equilibrium until 2013.

Small businesses are also worried because they don't know how regulations and laws in areas like bank policy and health care will affect them, says Dotzour. "Businesses are fearful, so they hoard cash," he says.

An Uptick in Confidence and Spending

While business confidence lags, consumers seem more resilient, at least at the cash register. Consumer spending has also risen close to 2008 levels, "a pleasant surprise," says Bach. Yet, uncertainty about employment and home values have kept consumer confidence numbers fluctuating. Revolving consumer credit, which includes credit cards, declined 9.6 percent in 2009 and was projected to fall 8.75 percent last year, according to the Federal Reserve, cutting into retail purchasing power. "Cap rates for retail are dropping, and I'm having more tenants asking for rent reductions," says Richard Forsyth, cpm, president of Westerra Realty in Salt Lake City.

Declining retail sales also put pressure on industrial and warehouse properties, but they too may be turning the corner. "We saw a 0.3 percentage point decrease in industrial vacancies during the second quarter of 2010, which is significant in a 1 billion-square-foot national market," Bach says. He credits a recovering manufacturing sector, buoyed by exports to emerging markets and a restocking of business inventories in late 2009 and early 2010. "People and businesses are more comfortable that they're not going to see a repeat of the Depression, which is helping all properties," he says.

Rents have also repriced, but instead of moving up to better space, some tenants are shying away from top-of-the-line space, says David Zimmer, sior, president of Zimmer Real Estate Services/ONCOR International in Kansas City, Mo. "Companies don't want to be perceived as overspending," he says. He adds that he believes this shift away from ostentatiousness to value is all part of the New Normal lifestyle.

Lifestyle choices, demographics, and the fallout from the housing crisis continue to make apartments a top choice for investors. "Demand is good, and supply has been kept in check," says Riggs. "We're seeing a lot more deal activity and offers on multifamily, and cap rates are pretty compressed for Class A and B assets," says Nick Fluellen, ccim, associate vice president of investments at Marcus & Millichap Real Estate Investment Services in Dallas. The aggressive cap rates haven't yet trickled down to C-class product, he says. RERC's preliminary research indicates that in the third quarter of 2010, investors wanted an average going-in cap rate of 6.6 percent for unleveraged apartment properties.
Investors Get off the Fence

A prevailing sense of economic uncertainty is also making commercial real estate more attractive to investors, says Costello. "It's a hard asset and provides some protection to capital, as well as a possible inflation hedge." Most of what investors are buying falls into two diverse pools-Class A core assets in major markets or severely distressed properties.

"Investors are yield-starved, and the combination of safety and yield spreads over 10-year Treasuries makes core commercial real estate very attractive," says Robert White, cre, president of Real Capital Analytics in New York. The high occupancies, long-term leases, and financially sound tenants in core properties are often netting multiple offers and producing cap rate compression as low as 5 percent, he says. Ironically, the spike in Class A real estate prices might actually provide some fuel for inflation in coastal cities with constrained inventories, Riddiough says.

The quest for the best has increased the deal volume through August 2010 to $54 billion. That's half of the deals done over the same period in 2008 but up 45 percent from 2009's lows, according to Real Capital Analytics. With the volatility and no clear trend in the economy, "occupancy is worth a lot and vacancy is worth little," White says. Another encouraging sign is that buyers aren't just institutions. Small investors are also returning, often through the mechanism of private and nonlisted REITs, Riggs says.

At the other end of the investment spectrum, distressed buyers are still active. "Vultures with patience are being rewarded with more product to choose from and price drops of about 20 percent last year compared to 2007 highs," says White. "We started having more asset managers call us in mid-2010 about disposing of property. Lenders had taken on too many extend-and-pretends and had to move some off their books," says Larry Culbertson, broker and regional director of KW Commercial in Atlanta. Yet, despite an uptick in REO sales, the volume of distressed properties never reached the levels predicted in 2009. "Commercial real estate values have held up surprisingly well, considering the size of the downturn," says Bach. Regulatory pressure that discourages lenders from foreclosing and selling repriced assets to entrepreneurial investors is "keeping the market from clearing," says Dotzour.

"Lenders have learned that they aren't the best owners of commercial real estate and are less eager to seize assets," says Robin Webb, ccim, Orlando-based head of Florida operations for NRT.

Debt Eases Gradually

Investor bifurcation is mirrored in the lending arena. "There was a big improvement in debt availability in 2010, but most of it focused on risk-averse assets," says White. Refinancing has also picked up because of the healthy spread between lenders' borrowing costs and today's low interest rates. "Bankers are still in the business of lending, and at some point they are going to have to take more lending risk in order to retain their profitability," says Zimmer.

Yet, regulatory pressure from the FDIC not to let commercial real estate loans exceed 300 percent of the bank's equity has kept most lenders from making new loans. "It's a brick wall," says Dotzour. Uncertainty over the details of financial regulation also makes lenders hesitant. To motivate real estate lending, Dotzour advocates new banking policies that differentiate between levels of risk in commercial properties. "You can't equate the risk of a new retail development with a building that will be leased to doctors to operate their practice," he says. (See "Get the Buyer Off the Fence" at right.)

The Glass Is Half Full

While the New Normal may mean slower growth for several more years, it promises solid, if not soaring, returns for well-managed, conservatively leveraged assets. The dislocations of a slower market also

create opportunities, Costello notes. Residential and retail development in urban infill locations offers work at a time when cities are turning to density instead of outward expansion. Well-located big box spaces will need to be leased to the next retail concepts. Poorly positioned ones will need adaptive reuse that is tailored to the needs of the neighborhood. Corporations will seek expert help to keep occupancy costs low to compensate for lower returns.

In the New Normal, "commercial real estate will be the winner on a relative basis because it will provide a much safer investment than the alternatives," concludes Riggs.
Point of Opportunity

Find Creative Ways to Finance

The Situation: Value-oriented retailers are opening stores at a rapid pace, even with the slowdown. Yet, new credit standards requiring 25 to 40 percent down on project costs make it tough for a retailer's chosen developers to finance and build multiple stores at one time.

The Solution: Bring in investor money up front through a structured presale, says Peter Colvin, ccim, national director of single tenant investment for Sperry Van Ness and broker with SVN Silveri Co. in Grand Rapids, Mich. After a builder or developer has found a site and negotiated a lease with a tenant, Colvin brings in cash investors to purchase the land and take over the lease. The original developer gets the contract to build. When the building is completed, usually in about 90 days, the investors start receiving income. The investors also get a better cap rate by purchasing early. Construction adds slightly more risk for investors than buying a finished product, so you need a builder you can trust, says Colvin.

Once the transaction is complete, investors can usually refinance the property for up to 70 or 80 percent and get most of their cash back.

Get the Buyer Off the Fence

The Situation: The persistent seller-buyer price disconnect in markets where the average commercial property has lost 20 percent of value makes it challenging for parties to agree on price, according to Real Capital Analytics.

The Solution: Don't wait for the buyer to make the first offer, says Larry Culbertson, associate broker with KW Commercial in Atlanta. Instead, give the buyer an incentive to move forward by presenting a "reverse proposal" that's economically feasible for both parties. After pre-qualifying an interested buyer, Culbertson worked with his owner client to prepare a purchase agreement that demonstrated the financial potential of the transaction, including the cost of Small Business Administration financing, a lease-vs.-buy analysis, and reports on maintenance costs and environmental conditions. By demonstrating to the tenant that it could transition from tenant to owner, Culbertson closed the deal in 60 days.

More Property Sales Expected in More Markets in 2011 As Investors Work Up Appetite for Risk
隨著投資者對風險的接受程度增加，2011 年預計將會有更多地區的地產出售

By: Randyl Drummer (CoStar)

Capital Begins Fanning Out Amid Intense Competition for Highest Quality Commercial Real Estate Assets
Institutional investors have remained notoriously selective about the types of commercial real estate assets and markets they buy during the country's choppy economic recovery in 2010, with little tolerance for properties with high vacancies -- or any, outside a handful of core markets for that matter.

Well-leased, steady income-producing commercial buildings for sale in Washington, D.C., New York, Boston, and San Francisco have fetched huge prices after setting off intense bidding wars, while well-occupied, high-quality office buildings for sale in secondary markets drew scant interest among institutional buyers for much of 2010.

But an accelerating number of recent, high-value trophy deals in markets such as Houston, Denver and even Minneapolis may indicate that investors are broadening their horizons in search of greater yields. Some analysts believe that the number of high-quality property offerings will spike as investors become more risk-tolerant and financing conditions continue to improve over the next 12 months.

CoStar is also seeing a trickle of transactions where investors are willing to take on additional leasing risk in the biggest markets, a trend that will accelerate in 2011 and likely spread to secondary markets by the end of next year, said Josh Scoville, director of strategic research for CoStar.

Bidding wars for the few available institutional-quality assets with stable, predictable cash flows in top markets have driven up prices and compressed yields, creating a sales market divided between high-end properties fetching premium prices and a wave of distressed assets hitting the market. The search for yield by investors with pent-up capital could help fill in the middle market by creating more buying opportunities.

"The scarcity premium for 'safe' assets reminds me a lot of 2003," Scoville said. "Those are the types of assets that investors first started scooping up during the last recovery. As job growth becomes steadier and more accepted as the reality that it is, investor confidence in future leasing conditions will rise. That will lead to a growing interest in assets that have leasing risk as investors seek higher total returns over the longer term. This will be particularly true as vacancy rates continue to fall and as rent growth trends add some confidence to future leasing market conditions."

"Secondly, more sellers, whether they're existing owners or lenders with REO, will start to take some of their chips off the table by responding to this improving investor demand for product. While the resulting increase in supply is not likely to overwhelm the amount of capital looking to get invested, I do think it will increase the number of available opportunities and will start to chip away at that scarcity."

Several recent office sale transactions highlight this emerging trend.

- Hines Global REIT closed the purchase of Fifty South Sixth, a 29-story, 698,606-square-foot, class A office building in downtown Minneapolis for $180 million, or $258 per square foot. The building is 94% leased, with international law firm Dorsey & Whitney occupying about 48% of the space under a lease of 333,264 square feet that runs through September 2016.The sale by German investment firm KanAm Grund Kapitalanlagegesellschaft mbH marks the largest single-asset transaction in Minneapolis since 2006, when ASB Capital Management LLC acquired the city's tallest building, 225 South Sixth Street, for a reported $245 million, or about $175 per square foot, according to CoStar information.

- KBS Real Estate Investment Trust II acquired Granite Tower, a 31-story office tower in Denver's Central Business District, for $149 million, or $265 per square foot. The acquisition of the 561,691-square-foot Class A tower on 18th Street between Arapahoe and Curtis streets is one of the state's largest deals of the year.

- Brookfield Properties Corp. (NYSE: BPO) recently closed on the 53-story, 1.15 million-square-foot Heritage Plaza at 1111 Bagby St. in downtown Houston. Privately held Atlanta-based Goddard Investment Group LLC sold the tower at 1111 Bagby St. for $321.5 million, or nearly $280 per square foot. Heritage Plaza is nearly 85% leased. The trade is the second-largest commercial property deal ever in Houston, surpassed only by M & M Properties' acquisition of the Bank of America Center from Hines for $370 million in 2007. (CoStar COMPS #2015311)
- Unilev Capital has reportedly agreed to acquire three Class A office towers totaling 1.1 million square feet at the Houston Galleria complex in the West Loop/Galleria submarket of Houston from Walton Street Capital about $175 million, or about $159 per square foot. The deal was brokered by HFF Inc. (Holliday Fenoglio Fowler), just over two months after HFF announced the marketing of the property. Walton Street sold its interest in the mall to partners Simon Property of Indianapolis and Calpers in the June in a deal valuing the property at $1.6 billion.

The Houston office space for lease market recorded positive net absorption of 210,600 square feet in third-quarter 2010, compared with negative 405,872 square feet in the second quarter.

Robert O' Brien, leader of the U.S. real estate practice for Deloitte, agreed with the CoStar assessment that the transaction market will broaden over the coming year.

"We're going to continue to see increases in transaction volume, to some extent filling in the bifurcated market," O' Brien said. "A couple of transactions have been announced in Houston for example in the past month that implies {demand] has moved beyond just the coastal markets and Chicago."

The market has also seen an uptick in distressed transaction activity of late, a smaller-than expected wave that arrived later than most observers thought, so "it's logical that with all the capital out there waiting to deploy, that [investors] begin to fill in the middle," O'Brien said.

"There's an interest in finding transactions that are less competitive. The one complaint I keep hearing in the market is that when investors do find an opportunity, there are 25 other people lined up to bid on it. The difficulty is there appears to be debt capital available to do the higher profile deals, but it's still very

challenging to find lenders interesting in some of the value added, riskier type deals."

Hedge funds, pensions and real estate funds need to deploy capital that originally was directed at distressed assets or quality assets they expected would be offered at diminished pricing, noted Rich Walter, president of Irvine, CA-based Faris Lee Investments.

"A lot of investors were prepared to take advantage of the opportunities as they came, but obviously it hasn't transpired as of yet," Walter said. "That money gets trigger happy. And it chases the quality side of the market. If investors don't place it, they may lose it to one of the other sectors, or even have to give the money back."

Thus, a window of opportunity has opened for sellers, but Walter is "not confident, and a lot of my clients aren't that confident, that the window is going to stay open for a long time. It's a great time to take advantage of it and I think investors will.

"In the first quarter of 2011, we're going to see a lot more opportunities and offerings and properties for sale."

Facebook Places Gives Retailers and Landlords New Way to Drive Traffic
社交網站 **Facebook** 推出新工具幫助零售商和業主吸引人潮

By: Elaine Misonzhnik (Retail Traffic)

Social media continues to evolve. It is transforming from a technology that it is hard to calculate returns on investment to one that can more clearly drive traffic to brick-and-mortar stores.

In November, Facebook launched Facebook Deals, a location-based service that allows retailers to reward shoppers who check into Facebook Places from participating stores. (Facebook Places is a geo-spatial application similar to FourSquare that lets users share their locations with friends.) Chains that have signed up for the partnership include JCPenney, Macy's, REI, the Gap, Starbucks and McDonalds, among others.

There are also at least two retail centers that are participating in Facebook Deals—Forest City-owned Short Pump Town Center in Richmond, Va. and the Mall at Robinson in Pittsburgh, Pa.

Facebook Deals works by allowing shoppers to sign into Facebook Places via their smartphones from inside participating stores or shopping centers. The shopper can then get a reward. As such, Facebook Deals taps into several trends currently playing out in the retail space—the widespread use of social media to connect with consumers, retailers' increased attention to the mobile sales channel and consumers' preference for value shopping. It also is similar to Shopkick, a tool that's currently being used by Simon Property Group and several major retailers.

For example, starting Nov. 5, REI promised to donate $1 to a community-based non-profit for every customer who checked into its stores, up to a limit of $100,000. Also on Nov. 5, The Gap ran a promotion giving free pairs of jeans to the first 10,000 people to check into its stores via Facebook Places. (Where it ran out of jeans, Gap awarded 40 percent discounts.) In November, American Eagle Outfitters awarded 20 percent discounts on customers' entire purchases after they checked in to American Eagle, aerie or 77kids stores. Over the past two weeks, the chain has also offered $10 off any pair of jeans.

Forest City, which partnered with marketing services developer Mallfinder Network LLC to bring Facebook Deals to its properties, over a four-day period in mid-November offered $10 mall gift cards to the first 50 customers to check in at its 1.2-million-square-foot Short Pump Town Center. Forest City used Short Pump as a trial run for Facebook Deals because of its loyal customer base and strong customer Facebook participation .(The center has more than 6,300 Facebook fans.) Subsequently, Forest City began offering another 50 gift cards on December 14 at its 880,000-square-foot Mall at Robinson. The Mall at Robinson has more than 3,100 Facebook fans.

During the promotion at Short Pump, the center's Facebook page ended up with 85 new fans, says Stephanie Shriver-Engdahl, director of advertising with Forest City. Though it took a while to spread the word about Facebook Deals to the shoppers (Forest City had 50 gift cards available, but only 25 were claimed), the number of check-ins since the promotion ended has increased to about 200, Shriver-

Engdahl notes. Forest City considered the program enough of a success to plan a portfolio-wide roll-out by the end of the year.

"I think what makes this extremely interesting is that our centers and our merchants can provide these deals to our customers and it doesn't cost them anything [extra] to do it," says Shriver-Engdahl. "Some of the other services, like Groupon, require that the discount be at least 50 percent, and then they take 50 percent, so it's a huge margin of loss and in some cases it's worth it. But as Facebook Deals catches on, I think it has the promise of the same viral nature without the overhead to the merchant."

Going forward, Forest City plans to offer its tenants the opportunity to test Facebook Deals through its centers without having a pre-existing partnership with Facebook. For example, in some cases, instead of offering a mall gift card, Forest City might offer customers checking into its centers a gift card for a specific store.

"We see a lot of interesting movement in location-based service, not just with Facebook Places, but with Google Places and Yelp, and we will be actively encouraging our merchants to begin to claim their places [on these sites] because we think it's the most efficient way for them to go forward," Shriver-Engdahl notes. "This knits together the social experience and the shopping experience through the things that consumers are most interested in now, which is deals and special promotions."

In the future, Forest City also plans to offer more sophisticated promotions to shoppers using Facebook Deals. There will likely be loyalty-based rewards—for example, customers checking into the center for the fifth or 10th time will get $20 gift cards instead of $10 ones. There will also be rewards for bringing friends to the center or a participating store.

Forest City's investment in setting up Facebook Places for its retail centers has been minimal, according to Shriver-Engdahl—the real cost comes down to the manpower needed to keep the promotions fresh and enticing for shoppers, she says. As of now, Mallfinder Network handles the set-up and management of the Deals for Forest City centers as part of the Social Media Pack services it offers the landlord.

California's Budget – Awash in a Sea of Red Ink
截至十一月底，加州的現金餘額為負兩百多億美元 (-$20.7 billion)

By: Kimberly Ritter (laedc.org)

The State Controller for the General Fund recently released the November financial report for the California state budget. Five months into the 2010-2011 fiscal year, total receipts ($33.0 billion) increased by +11.0% compared with last year. Total disbursements over the same period also rose – moving up by +3.6% to $43.8 billion. In other words, funds are still streaming out faster than they are flowing in. By the end November, the State's cash balance stood at -$20.7 billion (compared with -$17.5 billion in October).

On the revenue side, fiscal year-to-date, corporate tax receipts fell by -7.9% to $2.0 billion (compared with FY2009-2010), while personal income taxes shot up by +16.3% to $16.3 billion. Revenues from retail sales and use taxes rose by +2.8% to $11.2 billion. All together, revenues from the "big three" revenue sources increased by +8.9% compared with the same period last year.

Expenditures increased across the board last month. Local K-12 Education received $15.3 billion which was up by +10.6% from the previous year. Disbursements to Community Colleges increased by +7.1% to $2.6 billion. Contributions to CALSTRS (the state teachers' pension fund) edged up by +0.7% to $657.2 million.

Spending for the Department of Corrections declined by -3.1% to $3.6 billion, while outlays for Health and Human Services rose by +8.4% to $1.1 billion. Payments to General Government jumped by +22.0% to $806.7 million, while Legislative/Judicial/Executive edged up by +0.4% to $719.7 million. The amount the State must pay to service its growing debt increased by +6.0% to $2.2 billion.

As of November 30, the state had $28.9 billion in borrowable resources against $20.7 billion in outstanding loans, which left $8.2 billion in unused borrowable resources. The outstanding loan balance is being covered by $10.7 billion of internal borrowing and $10.0 billion of external borrowing (RANs). The total is comprised of $9.9 billion carried over from the previous fiscal year plus the current year increase of $10.8 billion.

The November financial report was accompanied by a note from the State Controller stating he does not anticipate a cash crisis to occur during the remainder of the fiscal year (barring an unexpected surge in state payments or drop in revenues). However, a multi-billion dollar cash shortfall is likely if there is a protracted delay in enacting the 2011-2012 budget next summer.

Retailers Outbid Real Estate Investors for Vacant Big Boxes
自用價值零售商對空的大賣場出價高於投資者

By: David Bodamer (Retail Traffic)

Investors searching for distressed big-box deals are facing competition from an unlikely source—retailers. Large tenants including Wal-Mart, Target, Kohls Department Stores and others have become aggressive bidders in the market for vacant big boxes. The retailers are buying distressed space from owners or banks, often at prices that are 20 percent to 30 percent higher than real estate investors are willing to pay.

As a result, retailers have become large players in the single-tenant market. For example, Matthew Sullivan, managing director with Los Angeles-based investment brokerage firm Lee & Associates Investment Services Group, says about 50 percent of the vacant boxes in California are being acquired by retailers.

For tenants, the incentive is that they can acquire an empty site today at a steep discount to what the asset would have traded for three or four years ago. In the process, they can lock in lower occupancy costs than if they were to lease that same space from a developer. What's more, they have greater control over their real estate

Economic incentives

Large retailers typically have low borrowing costs and are not looking to the asset to generate cash flow. Consequently, they are able to pay a premium beyond what an opportunistic investor would be willing to bid for the same asset.

"They have an economic reason to buy as opposed to value-add investors or developers," says Donald MacLellan, senior managing director of Irvine, Calif.-based Faris Lee Investments. Developers are "taking the risk of holding property and trying to find tenants. Users just want to occupy the space, and there are further benefits. That's why they will pay more."

MacLellan adds that the strategy is most prevalent involving boxes that are 60,000 square feet or larger. It's a common practice among retailers that operate in the range of 20,000 square feet to 40,000 square feet, such as smaller supermarkets. "Those retailers usually want to focus on putting their money into operations."

While retailers most often are buying single boxes, MacLellan says that in some instances they have purchased all or part of entire shopping centers. In those cases, the retailers either occupy entire centers or sublease space to other tenants.

For example, in a deal MacLellan was involved with, a European sporting goods retailer acquired a 130,000-square-foot home furnishing center that was 90 percent vacant in California's Inland Empire. The asset was a real estate owned (REO) property.

West Coast focus

The strategy has been particularly prevalent on the West Coast, where there is a large amount of distressed retail real estate. According to Trepp LLC, California is the top state for distressed retail CMBS loans. Overall, the delinquent unpaid balance on 276 retail properties is $2.6 billion. (The balance includes all loans 30 or more days past due.) That accounts for 13.9 percent of the total volume of distressed retail CMBS loans in the United States. Arizona ranks second, accounting for 8.1% of the total and Nevada ranks fifth, accounting for 6.5 percent of the total (see table).

Many of the assets trading hands today are former Mervyn's and Circuit City locations. In addition to the large national players, regional chains, including Hispanic grocers, are active. And West Coast furniture chain Ashley Furniture Industries has been particularly aggressive in snatching up vacant boxes.

For example, Inland Empire-based Hodgdon Group Realty Inc. has worked with Ashley Furniture on at least two acquisitions of vacant big boxes. Ashley acquired a 33,952-square-foot former Circuit City building in Hawthorne, Calif., and a former Wickes Furniture in Victorville, Calif. In addition, Ashley purchased a former Expo Design Center in Phoenix. In the latter case, Ashley occupied a portion of the space and was seeking to sublease the rest.

"Although the real estate market is still challenging, it has provided a great opportunity for Ashley … to acquire vacant big-box spaces such as this former Circuit City building and transform them into great showrooms," remarked Aaron Hodgdon, president of Hodgdon Group, in a prepared statement.
In another example, AutoNation purchased a 69,780-square-foot former Circuit City building in San Jose, Calif., earlier this year, for $11.15 million, or about $160 per square foot. DJM Realty and SRS Real Estate Partners brokered the deal.

With real estate values expected to remain near their current levels in 2011, both Sullivan and MacLellan expect retailers to continue to be active bidders next year. "In fact," says Sullivan, "I think they could be an even stronger part of the market next year."

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Lease Auditing Expert Talks CAM Charges, New FASB Rules
隨著經濟下滑，越來越多公司運用租賃審計來與房東交涉

By: Elaine Misonzhnik

There used to be a time, a few years ago, when most retailers paid only the most peremptory attention to lease auditing. A retailer's accounting department would receive the bill from the landlord, go over the items to make sure there were no obvious mistakes and sign off on the check.

In fact, the lack of attention with which commercial leases often got treated after the negotiations phase ended was the main reason Marc E. Betesh, a real estate lawyer by training, decided to start a lease auditing firm in 1985. At the time, Betesh worked at the New Jersey-based offices of commercial brokerage firm The Kislak Organization. His lease auditing service started as a division of Kislak and eventually became the independently owned KBA Lease Services, where he now holds the post of president and CEO.

Today, retailers represent approximately one-third of KBA's clients, with big-box operators and department stores serving as the firm's main base. KBA's specialty lies in complex transactions with many moving parts, Betesh explains, which is why it often ends up working on behalf of anchor tenants.

Marc E. Betesh

Of course, in the current environment, many firms are paying a lot more attention to their existing leases than they did even five or six years ago, both because they are trying to cut down unnecessary expenditures and because they are facing upcoming changes in the Financial Accounting Standards Board's (FASB) lease accounting rules. But since retailers seldom have the necessary in-house expertise to see all the potential implications of a lease audit, Betesh feels the services of a professional auditor still come in handy. (Like many of its peers, KBA Lease Services only charges its clients if an audit results in savings.)

In addition, most of the 20 or so people who make up KBA's staff have some background in law and can examine leases not only for accounting errors, but also for legal compliance. "We don't represent clients as their lawyers, but we do bring that level of expertise" to the table, Betesh says. Site Optimizer spoke to Betesh about his firm's work and the changes he sees happening in the market.
Site Optimizer: What are the most common oversights that can occur when retailers audit their own leases?

Betesh: It's not a question of oversight. It's a question of, "Is there another approach that's more successful?" Let's say you have a supermarket in a shopping center that is obligated to pay 25 percent of the costs on the Common Area Maintenance (CAM) charges. And then a movie theater moves into the center and because of that presence security in the shopping center has to be increased and the parking lot lights have to be kept on until 2:00 in the morning. The way the lease reads, the supermarket is required to pay 25 percent of these new increased costs caused entirely by the presence of the movie theater. Someone in a typical administrative function would check the bill against the lease and say, "This may be unfair, but this is what the lease requires us to pay."

We would look at this situation and develop legal arguments over why this supermarket should not be allowed to pay for the increase. We would approach the landlord and resolve the matter. Those kinds of adjustments require a very high level of skill—you have to be able to discern nuances in the lease language and articulate your position to the landlord very clearly and very effectively. That higher level of skill is something that is often not available in the normal lease administration and CAM review function [department] within most retail companies.

SO: Can you give some more examples of the issues that a professional auditor would spot that a retailer might not?

Betesh: There is a short term versus a long term impact that various adjustments can have. For example, agreeing to the way that a cap is calculated today may yield benefits in the short term, but if you agree to the wrong trajectory of costs, it may end up costing more money over term. The interaction of the anchor store with the in-line stores can have a profound effect on how the CAM charges are distributed throughout the shopping center. Disallowing a large capital expenditure today, when the landlord agrees to spread the cost out over time, can create large savings today, but create a precedent for increased costs for every year of the lease term.

SO: How often do you feel retail leases should be audited?

Betesh: It should be done continuously, on a selective basis, throughout each portfolio. The process is to review the overall portfolio and identify all the [individual] locations, so they are reviewed on a three-year rotating basis. This ensures that every location gets a proper look and that those examinations happen at appropriate times.

SO: Have you noticed a change in how retailers approach lease auditing today versus a few years ago?

Betesh: The economy has definitely put pressure on everyone to examine these costs more carefully. From a landlords' perspective, it's having two impacts. First, because there is a higher level of vacancy, landlords are holding back on many of their expenditures, so the CAM costs for tenants have tended to be a little lower than normal. At the same time, landlords need to attract new tenants to their centers, so they make very selective investments in their properties to attract those tenants. And those capital charges are often not allowed by the [existing] leases. But because landlords are under pressure, they are trying to recoup as much of their outlays as possible, so they are more aggressive in passing through those charges to the tenants.

And on the tenants' side, retailers are under similar pressure to improve costs, so the tenants have stepped up their focus on functions like lease administration, CAM charges and similar items to make sure their costs are as low as possible.

One of the other trends we are seeing is that there are new changes coming because of FASB. That is putting tremendous pressure on companies to make sure they have very tight control over their leases and leasing costs so they can properly report on what they have. The changes in FASB rules are focusing a lot of attention on the leasing area that otherwise wouldn't be there and wasn't there before.

SO: You offer consulting services to help your clients adapt to the new FASB rules. Can you talk about what are the most pressing challenges for retailers in adapting to the new rules?

Betesh: There are two aspects of the new FASB rules that are problematic in my view. The first is inclusion of option periods in the determination of the length of a particular lease. A determination has to be made each accounting period as to whether available options are going to be exercised. I am not sure that's appropriate. An option for real estate is only there to provide flexibility. In many cases, the options are used by the tenant in order to negotiate more favorable terms at the end of the lease. I believe it's a mistake to include those option periods until they are exercised. A better alternative would be to give value to those options and include those values as assets on the company's books. The way it is right now it provides opportunity for subjectivity and manipulation.

And the most problematic thing for retailers is the estimation of percentage rent over time with various projections that will have to be analyzed under each lease. Under the current proposal, a retailer must project out the probability of sales at different levels over the remaining term of the lease. It's bad enough to have to do that for the four years remaining on your lease, but it becomes very speculative to do that for a possible option period of another five years. And it places enormous burdens on the leasing departments of major retailers, as well as their landlords, who have to go through a similar analysis.

SO: How do you help your clients prepare for these changes?

Betesh: We have a lease administration application called Visual Lease, which manages lease portfolios. In addition to that, we are assisting clients with the abstracting of all their leases, analyzing the leases to determine the appropriate split between right-of-use asset and service component, and we are helping clients to manage the overall process and interface with their outside accounting firms. We are providing a more economical way to supply all of the information needed for auditors on behalf of management.

SO: What is the pricing on your services, both on the regular lease auditing side and on FASB consulting?
Betesh: When we work on the CAM review side, we simply share in the benefits we are able to achieve with our clients. The sharing is very dependent on the scope of the portfolio and the nature of the assignment.

On the FASB work, we have our database, which is our Visual Lease software application, and that's priced based on the size of the portfolio. And in terms of the consulting work, we are substantially less expensive than the major accounting firms in that area. We are probably 30 percent to 50 percent less expensive than many accounting firms.

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Foreclosure Report for November 2010
2010 年 11 月加州法拍報告

By: Foreclosure Radar

For the second month in a row, foreclosure activity was impacted by voluntary foreclosure suspensions, after certain practices commonly used during the foreclosure process were called into question. While initially limited to judicial foreclosure states, the so-called robo-signing controversy began impacting foreclosures in non-judicial states, including those in our coverage area in early October.

Foreclosure starts were down across the board in November, ranging from a 9.3 percent month-over-month decline in California to a staggering 31.7 percent decline in Washington. Despite the fact that robo-signing was not directly tied to foreclosure filings in non-judicial foreclosure states, foreclosure starts in our coverage area have dropped 25.5 percent since the controversy began.

Foreclosure sales continued to be impacted by robo-signing related foreclosure suspensions more directly, as Ally (GMAC), Bank of America and PNC all halted foreclosure sales nationwide, contributing to a 38.7 percent drop in foreclosure sales over the last two months within our coverage are. In November, foreclosure sales dropped the most dramatically in Washington, after having seen little impact in October; while California had the least dramatic decline with a drop of 9.0 percent. After having had the largest impact on foreclosure sales, Bank of America slowly began foreclosing again the week of December 6th. Their return will likely lead back to normal foreclosure levels in the months to come.

"Since September 2008 the foreclosure process has seen significant bottlenecks, first due to government intervention and now lender ineptitude," says Sean O'Toole, CEO and Founder of ForeclosureRadar.com. "Unfortunately the resulting delays will only serve to extend the time it takes to recover and return to a normal housing market."

Arizona
Continuing downward, Notice of Trustee Sale filings dropped 24.4 percent from October to November, reaching their lowest level since March 2008. The holidays, and issues around the robo-signing controversy, likely contributed to the significant drop. Foreclosure sales were down 14.8 percent from October to November, following a 26.9 percent decline the prior month resulting in the lowest number of sales since September 2009.

California
Foreclosure activity slowed across the board in California. Notice of Default filings dipped 9.3 percent month over month, while Notice of Trustee filings declined a mere 1.0 percent from October. Cancellations of foreclosure sales dropped 8.5 percent in November, down 54 percent from their peak in June, likely due in part to the failure of the Administration's Home Affordable Modification Program (HAMP) to help California homeowners. Foreclosure sales are down by 9.0 percent from October, though sales to 3rd parties increased by 7.8 percent.

Nevada

Foreclosure activity in Nevada dropped dramatically over the past two months. Foreclosure sales are down 22.1 percent from October to November, and 50.5 percent from September. Notice of default filings are also down for the second month in a row, dropping 12.7 percent from October, and 24.3 percent from September. Clearly, Nevada foreclosure activity was impacted not only by the holidays, but also by the robo-signing controversy.

Oregon

Oregon's Notice of Default filings and Notice of Trustee Sale filings dropped for the third consecutive month, reaching their lowest point since Q4 2008. Notice of Default filings declined 25.0 percent from October to November, and Notice of Trustee Sale filings dropped 21.2 percent. Foreclosure sales declined 26.7 percent in November, and have dropped 54.3 percent since September. After a four month decline, cancellations of foreclosure sales increased 34.8 percent from October.

Washington

While Washington showed little impact from the robo-signing controversy in October, foreclosure activity dropped substantially in November. Notice of Trustee Sale filings dropped 31.7 percent from October, but are still up 16.2 percent from a year earlier. Similarly, foreclosure sales dropped 38.1 percent from October but are up 29.3 percent from November 2009.

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

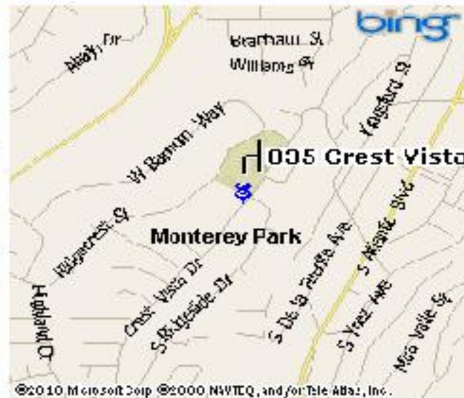
(Reprinted with Permission of the Wall Street Journal)

Consumer Money Rates

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0.00	0.00	0.00	-	-4.25
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	-4.58
Money market, annual yield	0.65	0.65	0.95	0.63	-0.22	-2.86
Five-year CD, annual yield	2.03	2.03	2.70	2.02	-0.53	-2.39
30-year mortgage, fixed	5.09	4.95	5.51	4.32	-0.08	-0.82
15-year mortgage, fixed	4.46	4.32	4.83	3.71	-0.17	-1.04
Jumbo mortgages, $417,000-plus	5.79	5.61	6.33	5.32	-0.26	-1.03
Five-year adj mortgage (ARM)	4.00	3.79	5.79	3.31	-0.30	-1.71
New-car loan, 48-month	5.42	5.43	6.85	5.42	-1.40	-1.44
Home-equity loan, $30,000	5.12	5.13	5.28	5.06	-0.14	-1.70

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:

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Accuracy of square footage, lot size and other information is not guaranteed.