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虎年吉祥
燈迷嘉年華
日期
(Sunday)
February 28, 2010
2PM to 9PM 時間
四季廣場 地點
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AB1103: Nonresidential Building Energy Performance Rating System
2010 年 1 月 1 日以後，業主必須對房客、買家和貸方公開商業地產的能源性能評分

Assembly Bill 1103 (Saldana, Chapter 533, Statutes of 2007) requires that on and after January 1, 2010, a nonresidential building owner disclose ENERGY STAR® Portfolio Manager benchmarking data and ratings, for the most recent 12-month period, to a prospective buyer, lessee, or lender. Additionally, electric and gas utilities are required to maintain records of the energy consumption data of all nonresidential buildings to which they provide service for at least the most recent 12 months.

Upon written or secured electronic authorization of a nonresidential building owner or operator, an electric or gas utility would be required to upload all of the energy consumption data for a building to the U.S. Environmental Protection Agency ENERGY STAR Portfolio Manager in a manner that preserves the confidentiality of the customer.

Assembly Bill 531 allows the Energy Commission to implement the requirements of Assembly Bill 1103 in stages. The current proposed draft regulations require the initial compliance to begin on July 1, 2010. However, staff is developing new draft regulations that recommend that the initial compliance date be moved back to January 1, 2011.

The goals of AB 1103 include:

(a) Facilitating a benchmarking system that provides energy consumption information for all nonresidential buildings in the state (which) will allow building owners and operators to compare their building's performance to that of similar buildings and to manage their building's energy cost.

(b) Benchmarking scores could motivate building operators to take actions to improve the building's energy profile and help to justify financial investments.

How the rating system works

Portfolio Manager records a building's energy consumption rates for the preceding twelve month period and uses that information to create a performance score and energy intensity metric (btu/sq.ft). The performance score can be anywhere from 1 to 100, with 50 acting as the median rating for relative buildings in a CBECS nationwide database. Buildings with a 75 or higher rating are considered highly efficient and are eligible for the Energy Star award.

For more information, please visit check the California Energy Commission's Web site at www.energy.ca.gov/ab1103/index

Home-Builders Craft ETF Gains
住宅建造商的交易所交易基金上漲
By John Spence (WSJ)

While investors' attention in recent weeks has been on Greece's debt woes and China's Treasury buying, among other points of concern, an exchange-traded fund tracking U.S. home-builder stocks has quietly established itself as the best-performing sector fund so far this year.

That solid performance doesn't guarantee future gains and neither has it been smooth sailing. Through Friday, the iShares Dow Jones U.S. Home Construction Index Fund (trading symbol: ITB), which invests a majority of its assets in builders, was the top-performing ETF that doesn't use leverage, with a year-to-date total return of 10.5%, according to investment research firm Morningstar Inc.

A choppy rally in home-builder shares has taken place amid fourth-quarter earnings reports. One of the ETF's largest holdings, Lennar Corp., is up 32% this year, after reporting a surprise fourth-quarter profit after two years of red ink.

The SPDR S&P Homebuilders ETF (XHB), which despite its name has a relatively smaller stake in builders, is up 6.5%. With about $760 million in assets, this fund is larger than the $330 million iShares ETF, and is more liquid in terms of share trading volume.

Meanwhile, the broader stock market has gone through a rough patch, jitters in credit markets and fears of a double-dip recession, and only recently has edged up again. The SPDR S&P 500 ETF (SPY), which tracks U.S. blue-chip stocks, was off 0.3%. The iShares home-builder ETF leads the second-ranked nonleveraged ETF, SPDR KBW Bank (KBW), by 1.2 points.

The future of the U.S. residential housing market is uncertain at best, and the builder ETFs have been extremely volatile in 2010.

There are countless sector ETFs that make highly concentrated bets, but the builder ETFs are particularly risky as the housing market fights to recover and the U.S. mortgage-finance market is essentially nationalized.

The iShares ETF is more than twice as volatile as the Standard & Poor's 500-stock index, said Morningstar analyst Patricia Oey. "The housing sector is highly cyclical and is quite sensitive to economic and credit conditions," she wrote in a Feb. 10 report on the fund.

The ETF has about 70% in home builders, with the rest in building material producers, home-improvement retailers and furniture companies, Ms. Oey said. The SPDR S&P Homebuilders ETF has about 35% of its portfolio in home-builder companies, she added.

"In the near term, high levels of unemployment and ongoing foreclosures remain significant headwinds for the housing industry," the analyst said. "It is also important to recognize the role of government involvement in the industry over the last year, and the potential effects of its inevitable exit strategy."

The Federal Reserve's $1.25 trillion program to purchase mortgage-backed securities is set to expire at the end of March, and mortgage rates are expected to rise. Other aid includes government programs to keep troubled borrowers in their homes, and the $8,000 tax credit for first-time home buyers, scheduled to end in April.

Plenty of reasons exist to be bearish. Unemployment remains stubbornly high, and jobs are the lifeblood of the housing market.

The mortgage market remains highly troubled. The Treasury Department has pledged to cover all losses at Fannie Mae and Freddie Mac until 2012. The firms said they would buy back about $200 billon of delinquent loans.

With the government such a huge presence in the housing market, there are questions as to how the market can get back to health without that support.

Home-builder stocks peaked in 2005, before housing prices. Still, the sector has seen several false starts in recent years, and trying to time a bottom in the stocks has been a risky activity.

The rebound is from a very low level. The iShares builder ETF has a three-year annualized loss of 31.1% through Feb. 19, which trails the S&P 500 by 24.5 percentage points, according to Morningstar.

Healthcare Reform Impasse, Choppy Market Dulls Appetite for MOB Deals
醫療保險改革的僵局與對市場的不確定讓醫療辦公樓的交易停緩

With Record Numbers of New Patients Expected To Need Outpatient Care, Experts Say Boom in Medical Office Deals Will Happen -- But Investors May Have to Wait a Bit Longer

By Randyl Drummer (CoStar)

In early November, health-care real estate operator HCP, Inc. chief executive Jay Flaherty told investors that the reopening of capital markets, combined with "the expected near-term passage" by Congress of healthcare reform legislation, could set forces into motion bringing a burst of fresh medical office and other health-care property deals in the first half of 2010. In fact, Flaherty boldly predicted that deal volumes for the first six months would likely exceed the sum total of all transactions in the space since the beginning of 2007.

What a difference three months can make. With the passage of major healthcare legislation far less certain now than it was before the upset victory last month of Massachusetts Republican Scott Brown in the contest for the late Ted Kennedy's seat in the Senate, prospective buyers and sellers of MOBs and other health care properties have largely opted to stay put on the sidelines and re-evaluate the ever-changing political and economic landscape.

Though lawmakers are hoping to eventually overhaul the bill and get it through Congress, "obviously the health care reform catalyst is certainly, if not removed, delayed," Flaherty acknowledged in HCP's fourth-quarter 2009 earnings call last week.

"With the markets turning somewhat choppy for a variety of reasons, we're in a position, I think, that we're sensing a lot of people are reevaluating how they want to do and when they want to do the transactions that they have got lined up and in the queue," he said.

Health-care developers are closing following the legislation's progress with good reason. Universal health care could bring an estimated 30 million new insured patients into the system, and if an common formula for measuring medical office space needs is correct -- 1.9 square feet for each patient -- the nation would need to add another 60 million square feet of new development to keep up with demand.

At the same time, the debate over healthcare reform, and even the renewed fretting over capital markets, are just a blip on the screen of the larger health-care screen in some respects, a momentary pause for a sector driven by immutable demographic and supply/demand forces. Foremost among those metrics is the growing numbers of aging baby boomers who will need medical care as they head into retirement.

"Hospitals are under economic stress and have lost money on their investments because a lot more people are coming into the health care system as the population grows older," said Jeffrey H. Cooper, executive managing director with Savills US. "The third-party reimbursers like Medicare, Medicaid and the private insurers are all getting stricter in what they reimburse, and cutting back on paying for in-patient procedures. All at the same time, there's been this push by those three entities to cut reimbursements, even as investors are still having trouble accessing capital markets."

The push now to move patients out of hospital rooms and into ambulatory care and outpatient facilities such as surgical care centers and medical office buildings is accelerating rapidly, added Cooper, who moderates a panel discussion sponsored by the New York City chapter of the Urban Land Institute (ULI) Thursday on investment strategies for healthcare real estate in the fledgling economic recovery. Other participants include John T. Thomas, executive vice president, medical facilities, with Health Care REIT Inc. (NYSE: HCN); Vicki Match Suna A.I.A., senior vice president and vice dean for real estate development and facilities, New York University Langone Medical Center; Jonathan L. Winer, executive vice president, Seavest, Inc., and Eric Fischer, principal for healthcare facilities, Trammell Crow Company.

With insurers declining to pay for hospital stays and so much existing hospital space becoming functionally obsolescent, "There's just a tremendous demand for MOBs," Cooper said. "That's where the real growth in the business is. With more people headed toward these outpatient facilities, a lot more of them will have to be built."

Hospitals and their doctors groups hope to monetize their holdings by developing more MOBs, either on campus or as near the hospital as possible, then selling to investors and leasing back the buildings to for 15 or 20 years.

Publicly traded REITs such as HCP, Nationwide Health Properties, Inc. (NYSE: NHP), Ventas, Inc. -- and Duke Realty Corp (NYSE: DRE), which has a sizable health-care development operation -- have joined non-publicly traded REITs like Health Care REIT Inc. in accumulating sizable arsenals of cash for an eventual boom on the investment and development market.

NHP acquired a Pacific Medical Building property this month in Poway, CA and a majority interest in a joint venture that owns a property in Gilbert, AZ, for a total of $90 million. The REIT, which has one of the strongest balance sheets in the sector with more than $1 billion in available capital at the end of the fourth quarter, expects to close on another five California properties by the end of the quarter as part of its phased purchase of PMB's portfolio.

"For 2010, our strong financial position combined with improvements in the capital markets and the economy has shifted our attention to growth," said Douglas M. Pasquale, NHP chairman and CEO.

Private equity investors and capital providers are also interested in jumping in. But third-party investors want to see strong preleasing of between 50% - 70% by hospital physician practices, and investor prefer they be located right on the hospital campus.

"That really reduces the volatility of tenancy, particularly on the campus of a healthy, creditworthy hospital," Cooper said.

The bulk of the Duke Realty Corp.'s projected $100 million to $200 million in new development starts this year will be for MOB starts, said Denny Oklak, chairman and CEO of Duke (NYSE: DRE) In one of the largest construction starts of last year, Baylor Health Care Systems, Inc. chose Duke to build its 460,000-square-foot, $154 million outpatient cancer treatment center on the Baylor University Medical Center campus in Dallas, scheduled for delivery in 2011, with financing arranged by Savills.

"Frankly, MOB is the only asset class where developers are finding any positive demand drivers," Cooper said.

Leasing activity in Duke's MOB portfolio is "reasonably good" with smaller spec space taking a bit slower to fill, Oklak said.

Although the healthcare reform debate was "kind of hanging over the industry like a little bit of a cloud," people are starting to loosen up as chances recede of the previous bill passing and activity is beguinning to pick up, he said

Physician groups, the major occupiers of hospital campus MOB space, are facing economic pressures of their own in the uncertain environment. Although health care reform will bring more patients into the system and greater cash flow, shrinking reimbursements from insurers and the government will continue to squeeze margins for doctors. Primary care physicians are being hit the hardest, with reimbursements sometimes not meeting the cost of services rendered.

All these factors will put doctors who own their buildings and aren't affiliated with a hospital or healthcare system at a severe disadvantage, Cooper said. Many of those practitioners will find themselves stuck with the equivalent of non-institutional Class B or lower property.

At the same time, on the investment front, there haven't been a lot of large new institutional-grade deals where the hospital sells its existing non-acute care facilities to investors and leases them back. Hospitals are still too busy shoring up their capital positions in the weak market for tax-exempt bonds, Cooper said. But that will change soon enough.

"The outlook is great for this sector because people are living longer and more people will likely have to be treated at ambulatory space as a lower cost as reimbursements tighten," he said.

Beverly Hills Seeks Cure to Rash of New Medical Space
Beverly Hills 商討如何限制醫療辦公樓的迅速擴展

By Howard Fine (Los Angeles Business Journal)

It seems every doctor – whether cardiologist, cosmetic surgeon or fertility specialist – wants a Beverly Hills address. Maybe as a marketing tool, maybe to cater to the rich and famous or maybe just to bask in the status the city confers.

“They all want the cachet,” said L.A. cosmetic surgeon Richard Ellenbogen.

But it could get tougher – much tougher – for doctors to get that cachet. Fearing their city could have many more doctors’ offices than reasonable amid a rash of proposals for medical office towers, Beverly Hills city officials are considering limits on the amount of medical space that can be created.

Evidence of a crackdown came just last week when the city denied a developer’s request to convert a building under construction at Wilshire and Robertson boulevards into medical office use. The building is still under construction, for now, at least, even though its eventual use is unclear.

The means by which Beverly Hills would limit medical office space is still under consideration. City Council members last year directed city planners to propose strategies to deal with the medical office glut. Options now include an annual cap on new space, a cap on total square footage or conditional use permits that would require each medical office proposal to get individual city approval.

A proposal will likely be released in the next several weeks.

“We do have concerns about setting the right threshold number,” said Anita Zusman-Eddy, vice president of economic development and government affairs for the Beverly Hills Chamber of Commerce.

The chamber will take a position when proposals become more clear, Zusman-Eddy said.

Doctors already in the city generally favor a cap; they said it would help keep out what they refer to as the “riff-raff.”

“How many fertility clinics and plastic surgeons does a community the size of Beverly Hills really need?” said David Alessi, owner of Alpha Surgical Group in Beverly Hills, a plastic surgery center. “So many practitioners are coming to the area that it’s getting harder and harder to know who’s a good physician and who’s not.”

Ellenbogen also objects to the wannabees from less desirable locales. “A lower class of doctor is coming in to take advantage of the publicity that the Beverly Hills name can generate,” he said.

But if a stringent cap is ultimately approved, it could do far more than dissuade doctors from Koreatown or the San Fernando Valley from hanging their shingles near Rodeo Drive.

It could also raise rents for all doctors’ offices in Beverly Hills. That’s because the supply of medical office space would be constrained at the same time demand is being fueled by the ongoing expansion of Cedars-Sinai, the mammoth hospital complex just east of the city limits. As Cedars-Sinai has grown, doctors affiliated with the medical center have flocked to set up offices nearby.

"Physicians are already getting driven away little by little: The rents are too high and the economy's bad," said Payman Simoni, owner of Simoni Plastic Surgery in Beverly Hills. "And that's before we start talking about caps on medical office space."

Also, Beverly Hills' office market has tanked along with the rest of the region's. Vacancy rates were 14.4 percent in fourth quarter 2009, up from 10 percent the prior year. As a result, developers want to convert office space to medical use, and a cap might mean they won't be able to.

Cedars-Sinai adjacent

City officials said they are growing concerned about medical office space crowding out other uses. They noted that more than 20 percent of all office space in the city – an estimated 1.2 million square feet – is devoted to doctors' offices and pharmacies. That's four times as much as in the city of Los Angeles, where 5.1 percent of all office space is medical, according to Grubb & Ellis Co. research.

While City Hall doesn't want Beverly Hills to be known as a "doctor depot," the stakes are higher than just perception. Medical office buildings with ground-floor pharmacies generally bring in less tax revenue for the city than buildings with lawyers or other professionals. That's because those buildings also have retail space that generate a good deal of tax income for the city. While doctors pay the same business tax as lawyers and accountants on the upper floors, pharmacies on the ground floor don't generate the same sales tax as other retail stores because insurance covers many prescriptions.

Then there are parking and traffic problems generated by constant streams of patients, prompting complaints from nearby residents. Some doctors don't validate, and as a result their patients try to avoid their parking structures and opt for street parking.

"We're seeing more requests now for preferential parking districts from residential neighbors of medical office buildings," said Jonathan Lait, assistant director of community development for the city.

The debate over the proliferation of medical office buildings in Beverly Hills has simmered for years, but has come to the fore as several major medical office projects were proposed as part of a regional boom.

Most recently, developers of a four-story office tower under construction at Wilshire and Robertson sought city approval to allow medical office space in the tower because they lost their financing in 2009 due to the collapse of the office market. Last week, the City Council on a 3-2 vote rejected the request from the Kobor Family Trust.
An attorney for Kobor said the bank they had been working with would consider making a new loan if the project could be converted to medical office use.

"The general office market now is a disaster, so that's why the bank refused to approve a construction loan," said Benjamin Reznik, a partner with the Century City law firm of Jeffer Mangels Butler & Marmaro LLP who represents the Kobor Family Trust. "Converting the project to medical office would make it more likely to get financing from the bank."

Reznik said his client is considering filing a lawsuit to overturn the City Council's decision. Otherwise, there's little hope for finding alternative financing to complete construction as an office tower in the current market. The construction is currently being self-financed by the trust, at least for now. Beyond that, the fate of construction is unclear.

Winners and losers

City planners last year proposed a moratorium on all new medical office space or conversions to medical offices because they were getting swamped with requests for new projects and conversions. The City Council rejected the moratorium, but asked planning staff to find options to limit the amount of new or converted medical office space. Councilman John Mirisch's viewpoint represents the council's desire to set limits.

"Our cachet in Beverly Hills is glamour," he said at last week's hearing on the Kobor project. "It's 'come to Beverly Hills and see a star,' not 'come to Beverly Hills and see a sick person.'"

If city planners recommend that the council adopt caps, the next step will be determining what the limit would be. Setting it too high would allow most projects through; setting it too low could choke off almost all projects and cause medical office lease rates to soar.

Setting a cap would create winners and losers. The biggest winners would be owners of existing medical office buildings with no plans to expand, such as New York-based LeFrak Organization, which owns a medical building on Spalding Drive near Century City.

"If there's a cap in place, one would not expect as much competition among building owners renting space," Principal Jamie LeFrak said. As a result, lease rates would rise, to the advantage of the landlords. But those who weren't already in the game would be at a disadvantage.

"If you were hoping to build a medical building or convert to medical from office, it would be very challenging," he said.

Distress Seeps into Los Angeles' Massive Industrial Market
洛杉磯龐大的工業倉庫市場前景堪虞

10 million square feet of negative absorption pushed the region's vacancy rate to nearly 5 percent in 2009 as investment activity was driven by small business owners

By Keeley Webster (CREJ)

California is the No. 1 state for delinquent commercial mortgage-backed securities, with 12 percent of the national total, and Los Angeles has the largest share of delinquent CMBS loans in the state.

Industrial product largely has fared better than other property types in managing distress in the marketplace. But based on the latest statistics from Realpoint, the level of distress in the industrial sector is escalating rapidly - CMBS industrial delinquencies hit 3.5 percent as of December 2009, up from 0.9 percent the previous year. That nearly 300 percent increase will have consequences for the nation's largest industrial market.

Speaking with Peter Roberts, chief executive officer of Jones Lang LaSalle Americas at the brokerage's Los Angeles forecast event in January, Hamid Moghadam, chairman and chief executive officer of San Francisco-based AMB Property Corp., said he expects some denial of industrial distress in the short term, but that over time it may lead to stronger investment opportunities.

The denial should not come as a surprise, considering industrial product has the lowest distressed asset count of the five major property types on a national level, according to Real Capital Analytics. But the size and scope of the Los Angeles industrial marketplace supports Moghadam's opportunistic outlook. Of the $5 billion in distressed industrial properties nationally, the Greater Los Angeles area, which includes the Inland Empire and Orange County, comprises roughly 15 percent, or $767.8 million, of that figure, rivaled only by Las Vegas, which has $705.6 million in distressed industrial assets, according to Real Capital.
The level of delinquency has not impacted the Los Angeles industrial market yet because even though delinquencies exist, CMBS are a "different animal," said Tim O'Rourke, executive vice president in the downtown Los Angeles office of Jones Lang LaSalle.

"The loan is run by a special servicer," he said. "I think the phrase being used nationally to describe the situation is a 'slow-moving train wreck.'"

O'Rourke doesn't expect the impact of the delinquencies to be felt until 2011 or 2012 because owners have been delaying the inevitable on properties that are over-leveraged.

"How long will the owner of a building that has decreased in value by 40 percent stick around?" he asked. "Will it be until the loan balance exceeds the value of the building?"

Small Businesses Drive Investment
If distress isn't moving the market, little else did either in 2009, when just $735.7 million in Los Angeles industrial properties valued at more than $5 million traded hands, according to Real Capital Analytics. That's less than half of the $1.9 billion of Los Angeles industrial that traded in 2008 and a decline of 83 percent from the market's peak in 2007.

The pace of industrial deals picked up speed over the course of last year, rising from $33.7 million in the first quarter - the sixth-highest total among major California industrial markets that quarter - to $322 million in the final quarter - the highest transactional total in any industrial market in the state and in the top 10 for all markets and all property types in the fourth quarter, according to Real Capital statistics.

The majority of Los Angeles industrial sales in 2009 resulted from investors, who had redemption issues, or partners who wanted to cash out, O'Rourke said.

"The majority of transactions right now are the owner-users because the underwriting criteria make it difficult to put together an investment deal," he said. "I see that changing and equalizing more toward the end of 2010 as investment capital comes back in."

The availability of federal Small Business Administration loans and motivation by owner-users to purchase their own buildings while prices are low will be propelling investment sales during the first half of 2010, O'Rourke said.

The Obama administration asked Congress on Feb. 2 to approve a plan that would put $30 billion of the remaining Troubled Asset Relief Program money into a new small business lending fund. The program would be limited to community banks with assets under $10 billion because they devote the highest percentage of their lending to small businesses, according to the administration.

The program was intended to complement other SBA lending initiatives, including raising SBA loan limits and extending Recovery Act provisions for higher loan guarantees and temporary fee eliminations as well as tax cuts to encourage small businesses to invest, hire and raise their workers' salaries.

The administration's efforts appear to be having an impact on small business lending in Los Angeles, which started picking up in third-quarter 2009, according to a report produced by Delta Associates, the research affiliate of Transwestern.

In the third quarter, $224 million in SBA-504 loans were approved by the Los Angeles office of the SBA, a 34 percent increase in the total loan amount from the previous quarter, according to the report.

"There has been a significant increase in owner-user activity," said Scott Heaton, senior vice president in the downtown Los Angeles office of Colliers International. "Owner-users have realized there are some great values and there is financing available for well-capitalized owner-users."

Since June 2009, several buildings in central Los Angeles of more than 100,000 square feet have sold to owner-users, Heaton said. In the period from fourth-quarter 2008 to June 2009 no buildings in that size range sold.

One of the deals that closed in third-quarter 2009 was 13500 Nelson Ave. in the City of Industry. The 197,000-square-foot building sold for $60 a square foot, or $10.7 million, in November 2009 to Pacific Eastern Properties LLC.

Another owner-user deal that closed in June 2009 was Los Angeles-based apparel retailer Forever 21's purchase of 2800-2900 Sierra Pine Ave., a 129,000-square-foot building in Vernon, for $6.5 million, or $50 a square foot.

Business owners have been able to finance building purchases of up to 100,000 square feet using SBA financing in the San Fernando Valley for $80 to $110 a square foot, said Craig Peters, an executive vice president in the Universal City office of CB Richard Ellis. The attraction of SBA financing is that it provides not only a low interest rate but up to a 90 percent loan-to-value ratio, Peters said.

"When we run the total occupancy cost and compare leasing versus owning and factor in any appreciation to the model, it will scream 'you have to go out and buy the building if you have the 10 percent downpayment available,'" he said. "One to three percent appreciation looks pretty good when you are peering up from the bottom of the abyss."

It might not be until after mid-year, according to experts, but more industrial investors are expected to reenter the Los Angeles market.

"Investors are no longer in the mode of timing the market. The investor community has shifted to the thoughtful evaluation of opportunities that exist," said Alan Pontius, managing director of the National Office and Industrial Properties Group for Marcus & Millichap Real Estate Investment Services. "There is a recognition of while we may have not bottomed out completely, now is the time to look at acquisitions that can grow on a long-term basis."

End of 'Daze,' Beginning of Concessions

After what Heaton described as a "12-month daze," there is more optimism about 2010 because there will be greater clarity in the marketplace, which he defined as a "nominal diminution in values and lease rates."

"There will still be negative absorption, but the negative absorption will be significantly reduced," Heaton said. The Los Angeles industrial market experienced negative net absorption of 10.1 million square feet in 2009, according to a fourth-quarter report from Jones Lang LaSalle.

While speculative construction has come to a halt, according to Hessam Nadji, managing director of research services for Marcus & Millichap, there are a few build-to-suit industrial projects underway in the San Fernando Valley.

Western Realco completed a 400,000-square-foot speculative industrial project in Commerce in second-quarter 2009 that it is aggressively marketing but is still available, O'Rourke said.

One project going through entitlement is the Valencia Commerce Center, a 38-acre development with 600,000 square feet of office and industrial buildings being developed by LNR.

Trammell Crow Co. also is in the entitlement phase on its 205,000-square-foot Sun Valley Commerce Center. Even with 10 million square feet of negative absorption, the Los Angeles industrial market, which totals 733.6 million square feet, managed to post a vacancy level of 4.9 percent in 2009, according to the Jones Lang LaSalle.

"The reported vacancy is still single digits," O' Rourke said. "When there are single digits, it is a healthy market, but there are pockets of problem areas. Everyone is seeing that there are lots of signs on buildings and that there are availabilities."

Leasing was slow in the first half of 2009, but it picked up in the third and fourth quarters. Whether it is as buyers or by expanding their businesses and the industrial space they occupy, O'Rourke expects tenants with strong business plans and balance sheets will take advantage of the market in the second half of 2010.

"This year will be better than 2009," Peters said. "I'm not saying it will be a lot better, but we had a harmonic convergence of all evil forces in 2009 that included rising cap rates and dropping lease rates."

Peters said lease negotiations this year will be highly contested as tenants try to strike the best deal and wrangle whatever concessions they can get out of landlords, although rents will generally remain flat.

"I expect we will see significant concession packages - better than we have seen in many years," he said.

There are still a number of well-capitalized owners who have the ability to provide concessions, Peters said. Those who don't have the ability to pay for tenant improvements are going to continue to struggle, he said.

Moving with the Economy

The industrial space posting the vacancies reflected by the negative absorption numbers are in warehouses and distribution centers and from manufacturers that could not survive the recession.

"The industrial sector moves with the economy because warehousing and the movement of goods is so dependent on activity," Nadji said. "The vacancy numbers may not reflect that in 2010 or even as the market recovers because of obsolescence of some of the space. Recycling is occurring in the industrial markets, and obsolescence will be more of an issue in 2010."

A major factor in the health of logistics space is activity at the twin ports of Los Angeles and Long Beach, and trade activity remains down.

The Port of Los Angeles handled 5 million 20-foot equivalent units, or TEUs, of container traffic through September 2009, a decrease of 16.3 percent from the same period in 2008, according to a Transwestern report. The Port of Long Beach handled 3.7 million TEUs through September 2009, a 24.6 percent decrease from a year earlier, the report stated.

"We are concerned with the port numbers," said Fran Inman, a senior vice president of Majestic Realty Co. "Clearly, not only is our region suffering from the economic downturn, but we believe that discretionary cargo is finding its way to other paths."

Industrial experts have been watching warily over the past few years to see if competing ports on the East Coast, Texas and Mexico - along with the expansion of the Panama Canal in 2013 - will result in the Los Angeles/Long Beach ports losing discretionary cargo business, which constitutes half of the traffic through the twin ports, to other regions.

Inman said that diversion is occurring now based on traffic through the Alameda Corridor.

The Alameda Corridor is a 20-mile freight rail "expressway" owned by the Alameda Corridor Transportation Authority that connects the national rail system to the ports of Los Angeles and Long Beach.

"The Alameda Corridor Transportation Authority is refinancing their debt structure because with lowered cargo levels they won't be able to meet their debt obligations," Inman said.

On the bright side, Inman said the twin ports have advantages that cannot be replicated elsewhere, which should bode well for the Los Angeles industrial market's ability to rebound.

"The good news is that freight is fluid and we do have the ability to recover," she said.

Risky or Not, Lenders Slowly Opening Vaults to CRE Lending Again
商業地產貸款逐漸復蘇

By Mark Heschmeyer (CoStar)

Even as banking regulators and politicians deal with the fallout from the collapse of commercial real estate values and the subsequent impact on the banking systems, it appears that an increasing number of lenders are more inclined to jump back into the sector.

Total renewals of existing commercial real estate accounts increased 57% from November to December of last year, according to numbers released this week by the U.S. Department of Treasury. Treasury completes a monthly tally of lending activity of the nation's 20 largest banks, which control 57% of all U.S. banking assets.

While seasonality contributed to the increase -- as year-end is an active time for renewals -- new lending also more doubled in December from the previous month. Total new commercial real estate commitments increased 157%. That was the first increase in four months.

Citigroup's new CRE lending increased eightfold in December to $294.4 million. Loan renewals more than doubled to $282.3 million, reflecting an increase in capital-raising activities by real estate investment trusts, Citigroup said.

Even with new and renewals increasing, the big banks also increased their disposal of CRE assets on their books. Citigroup noted, for example, that its average total CRE loan and lease balances totaled $22.8 billion at the end of December, 3% lower than it was in November. The outstanding balance of CRE loans of all respondents fell 1% in December, and the median change in outstanding balances was a decrease of 1%.

Fifth Third Bancorp's average CRE balances decreased by approximately 1.3% in December compared to November. New CRE commitments originated in December 2009 were $196 million, which was up almost 50% from $132 million in November 2009. Renewal levels for existing accounts increased significantly in December 2009 to $1.2 billion versus November 2009 at $471 million due to normal year-end seasonal trends.

Even though Fifth Third's combined originations and renewals were higher in December than November, payments and dispositions of troubled CRE outpaced the higher levels of activity causing the overall balances to continue to decline. As commercial vacancy rates continue to rise, Fifth Third said it continues to monitor the CRE portfolios and continues to suspend lending on new non?owner occupied properties and on new homebuilder and developer projects in order to manage existing portfolio positions.

"We feel this is prudent given that we do not believe added exposure in those sectors is warranted given our expectations for continued elevated loss trends in the performance of those portfolios," Fifth Third reported.

What is happening among the majors also seems to be the route other banks say they will be more willing to take this year. According to findings from Jones Lang LaSalle's annual 2010 Lenders' Production Expectations Survey, bankers are predicting that loan production will increase this year.

The number of respondents that said they expect their loan production to range from $2 billion to $4 billion in 2010 doubled from last year to 43%. Showing even more future optimism, nearly 70% of respondents said their loan production will ramp up to $2 billion to 4 billion in 2011. In another encouraging metric, the number of lenders that expect to lend more than $4 billion jumped up 6% from 9.3% in 2009 to 15.2% in 2010.

"Lenders we spoke with say they'll be giving borrowers 24+ month extensions in order to avoid foreclosure on high quality, well-located assets," said Bart Steinfeld, Jones Lang LaSalle's managing director of the real estate investment banking practice. "With more than $1 trillion worth of commercial real estate loans expected to mature between now and 2013, it's no surprise that a majority of borrowers are placing significant importance on restructuring those loans. However, many financial institutions don't want to hold on to assets and now are coming to terms with the fact that they can no longer 'extend and pretend.' They're now realizing it makes good sense to move these assets off their balance sheets to create greater ability to originate loans this year."

The number of lenders willing to lend greater sums toward single-asset acquisitions is also shifting. In 2009, the majority of respondents indicated they would lend only $10 to 25 million on a single asset acquisition. In 2010, the greatest percentage of respondents was split evenly at 28% each among those willing to lend $50 million to $100 million and $100+ million (hence 56% will lend $50 million and more for single-asset purchases). In 2011, the number of lenders willing to lend $50 to $100+ million rises by 8% to 64% of respondents.

"A few life companies and investment banks we spoke with indicated that they're willing to lend $150 [million] to $500 million on large, single-asset acquisitions in 2010," said David Hendrickson, managing director of Jones Lang LaSalle's real estate investment banking practice.

Approaching maturities will continue to share the stage in 2010, with more than 67% of life company respondents acknowledging 40% to 60% of their portfolios will be allocated to the refinancing of maturing loans.

While liquidity within the capital markets is expected to turn from a trickle to a slow-but-steady flow in 2010, borrowers can expect the same tightened underwriting standards they experienced from life company lenders in 2009.

Loan to value ratios in 2010 will fall predominantly in the 50% to 70% range, according to more than 74% of life company respondents, and that number is expected to remain steady in 2011.

As for new conventional commercial real estate loans in 2010, 59% say most loan terms will range five years or greater, with an additional 28% indicating a preference for three to five year terms.

As for the sectors that lenders would most prefer to lend, a majority of respondents (27%) said they would single out multifamily for their loan dollars, while another 21% said they would focus on the office sector in 2010. The hotel sector stood out as the sector to which lenders are least likely to lend.

There was a significant increase in the number of lenders who said they are selling performing and non-performing loans. In addition, these lenders said they are prepared to accept significant discounts in 2010 to create liquidity and to rid themselves of these non-core or problem assets. For performing loans, 29% of respondents indicated they are selling performing notes at 90 cents on the dollar and another 24% are selling performing loans between 70 cents and 80 cents on the dollar.

"There is also increased interest in selling sub-performing, or "scratch and dent" loans," said Noble Carpenter, managing director of Jones Lang LaSalle's real estate investment banking practice. "Depending on the remaining term, interest rate, property type and market, over 45% of survey respondents indicated a willingness to sell these loans below 0.60 cents on the dollar.

Many lenders also said they have started or are considering asset, REO and loan sales.

"We're definitely seeing the bid-ask spread between buyer and seller narrow, and in many cases reach equilibrium. That alignment should be the impetus many lenders need to bring large and small balance loans and REO to market," added Wes Boatwright, managing director of Jones Lang LaSalle's real estate investment banking team.

Risky CRE Lending Deadly for Banks
風險商業貸款確定為銀行倒閉的最因素
By Mark Heschmeyer (CoStar)

The autopsy of 16 bank fatalities completed this year have identified commercial real estate lending as the primary killer in more than half (nine) of the cases, and an accomplice in one other.

In the seven cases in which CRE was not specified, the primary culprit for the bank failures was identified as lending for acquisition and construction of development projects.

When the FDIC's Deposit Insurance Fund incurs a material loss at an insured depository institution, the FDIC Inspector General is required to make a written report identifying the causes of the loss. A material loss is defined as anything more than $25 million or 2% of an institution's total assets.

In reviewing the 16 material loss reports completed this year on banks that all closed last spring and summer, it becomes clear just how much of a toll commercial real estate took on these financial institutions. The closing of those banks has resulted in losses so far for the FDIC of $2.34 billion. The 16 banks audited had total assets of $7.62 billion at the time they were shut down. They were based in states from coast to coast including: Washington, Wyoming, California, Nevada, Utah, Colorado, Texas, Illinois, Georgia and North Carolina.

Last year in total, 140 banks failed with total assets of $170 billion. While the total cost to the Deposit Insurance Fund has not been tallied, losses have been averaging about 30% of assets. That would calculate to losses for the fund of about $52 billion for last year.

"Federal Reserve examiners are reporting a sharp deterioration in the credit performance of loans in banks' portfolios and loans in commercial mortgage-backed securities (CMBS)," Jon D. Greenlee, associate director, Division of Banking Supervision and Regulation for the Federal Reserve Board, told the Congressional Oversight Panel at a Field Hearing in January. "Of the approximately $3.5 trillion of outstanding debt associated with CRE, including loans for multifamily housing developments, about $1.7 trillion was held on the books of banks and thrifts, and an additional $900 billion represented collateral for CMBS, with other investors holding the remaining balance of $900 billion."

"Of note, more than $500 billion of CRE loans will mature each year over the next few years," Greenlee continued in his testimony. "In addition to losses caused by declining property cash flows and deteriorating conditions for construction loans, losses will also be boosted by the depreciating collateral value underlying those maturing loans. These losses will place continued pressure on banks' earnings, especially those of smaller regional and community banks that have high concentrations of CRE loans."

The U.S. Congress created the Congressional Oversight Panel in the fall of 2008 to review the current state of financial markets and the regulatory systems overseeing them. The panel was empowered to hold hearings, review official data, and write reports on actions taken by Treasury and financial institutions and their effect on the economy.

The Congressional Oversight Panel compiled extensive research and data on the state of commercial real estate and took comments from Greenlee and many others before issuing a 189-page report this past week entitled: Commercial Real Estate Losses and the Risk to Financial Stability.

The report is starkly downbeat in its assessment of CRE risks on the banking system.

"Over the next few years, a wave of commercial real estate loan failures could threaten America's already-weakened financial system. The Congressional Oversight Panel is deeply concerned that commercial loan losses could jeopardize the stability of many banks, particularly the nation's mid-size and smaller banks, and that as the damage spreads beyond individual banks that it will contribute to prolonged weakness throughout the economy," the report concluded.

Between 2010 and 2014, about $1.4 trillion in commercial real estate loans are expected to reach the end of their terms. By Congressional Oversight Panel estimates nearly $700 billion of that debt is presently 'underwater,' a situation in which the borrower owes more than the current value of the underlying property.

"It is difficult to predict either the number of foreclosures to come or who will be most immediately affected," the report concluded. "In the worst case scenario, hundreds more community and mid-sized banks could face insolvency. Because these banks play a critical role in financing the small businesses that could help the American economy create new jobs, their widespread failure could disrupt local communities, undermine the economic recovery, and extend an already painful recession."

The problems facing commercial real estate have no single cause, according to the Congressional Oversight Panel. The loans they identified as most likely to fail were made at the height of the real estate bubble when commercial real estate values had been driven above sustainable levels and loans. The panel also noted that many loans were made carelessly in a rush for profit.

Other loans were potentially sound when made but the severe recession has translated into fewer retail customers, less frequent vacations, decreased demand for office space, and a weaker apartment market, all factors that increased the likelihood of default on commercial real estate loans.

Even borrowers who own profitable properties may be unable to refinance their loans as they face tightened underwriting standards, increased demands for additional investment by borrowers, and restricted credit.

The FDIC material loss reports also made it clear that most of the failed banks were either too aggressive in growing their commercial real estate lending portfolios and/or too ill prepared to manage the consequences. Specifically the FDIC auditors questioned the banks' loan underwriting standards on chasing deals either out of their territories or not consistent with their business plans. Those actions, in turn, prompted banks to pursue risky transitory and costly deposits to fund their growth.

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

	Interest Rate	APR
Conforming and FHA Loans		
• 30-Year Fixed	5.125%	5.318%
• 30-Year Fixed FHA	5.250%	5.981%
• 15-Year Fixed	4.375%	4.700%
• 5-Year ARM	3.875%	3.564%
• 5-Year ARM FHA	3.750%	3.342%
Larger Loan Amounts in Eligible Areas – Conforming and FHA		
• 30-Year Fixed	5.250%	5.390%
• 30-Year Fixed FHA	5.250%	5.924%
• 5-Year ARM	4.250%	3.652%
Jumbo Loans – Amounts that exceed conforming loan limits		
• 30-Year Fixed	5.500%	5.643%
• 5-Year ARM	5.000%	3.930%