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Distressed CRE Assets Jump 15% at Nation's Banks
銀行的問題商業資產暴漲 15%

By Mark Heschmeyer (CoStar)

The amount of distressed commercial real estate assets on the books of the nation's banks and thrifts approached $60 billion as of year-end 2009. That is up from $52 billion just three months earlier, a 15% increase.

The $59.9 billion includes loans on multifamily and nonresidential income producing-properties that were 90 or more days past due, or in nonaccrual or foreclosure status.

The year-end numbers are contained in the Federal Insurance Deposit Corporation's latest Quarterly Banking Profile, released this week. And they confirm that commercial real estate troubles are eroding the balance sheets of the nation's banks.

As the CRE distress numbers went up, so did the number of troubled institutions on the FDIC's "Problem List." At the end of December, there were 702 insured institutions on the Problem List, up from 552 on Sept. 30. In addition, the total assets of "problem" institutions increased during the quarter from $345.9 billion to $402.8 billion. Forty-five institutions failed during the fourth quarter, bringing the total number of failures for the year to 140, the highest annual total since 1992. The FDIC does not release the identity of the banks on its Problem List.

- Loans on nonresidential income-producing properties that had been foreclosed on increased from $5.84 billion to $7.05 billion - a 21% increase.
- Loans on multifamily properties that had been foreclosed on increased from $1.44 billion to $1.75 billion - a 22% increase.
- Loans on nonresidential income-producing properties that were 90 days or more past due or were in nonaccrual status increased from $37.05 billion to $41.74 billion - a 13% increase.
- Loans on multifamily properties that were 90 days or more past due or were in nonaccrual status increased from $7.75 billion to $9.39 billion - a 21% increase.

Reserves for loan and lease losses increased by only $7 billion (3.2%) in the fourth quarter, as institutions added $8.1 billion more in loss provisions to their reserves than they took out in net charge-offs.

Total net charge-offs totaled $53 billion, an increase of $14.4 billion (37.2%) over the same period in 2008. The annualized net charge-off rate rose to 2.89%, up from 1.95% a year earlier and 2.72% in the third quarter of 2009. This is the highest quarterly net charge-off rate reported by the industry in the 26 years for which quarterly data is available. Banks charged off 0.77% of their loans on nonresidential income-producing properties, up from 0.62% in the previous quarter. Banks charged off 1.11% of their multifamily loans, up from 0.92% in the previous quarter. This was the sixth increase in as many quarters in both categories.

Not surprisingly, the total amount of commercial real estate loans on bank books was flat. Banks posted only $2 billion more in CRE loans at $1.092 trillion. The total amount of multifamily loans decreased slightly from $216 million to $211 million.

Despite the troubles in their CRE portfolios, commercial banks and savings institutions reported an aggregate profit of $914 million in the fourth quarter compared to $37.8 billion net loss a year earlier. More than half of all institutions (50.3%) reported year-over-year improvements in their quarterly net income.

Icahn Pays $150 Mil. for $2 Bil. Fontainebleau Las Vegas
億萬富翁以一億五千萬美元買下已投入二十億美元但尚未完工的拉斯維加斯度假勝地

By Andrew Deichler (CoStar)

Billionaire investor and financier Carl Icahn has acquired the unfinished Fontainebleau Las Vegas resort at a steal, following the previous owner's bankruptcy filing and inability to complete the costly project.

Icahn Enterprises closed on the hotel and casino on Thursday, for about $150 million. That includes about $105 million in cash, plus $45 million in debtor-in-possession financing. A Florida court approved the offer last month, after Icahn outbid Penn National at a November bankruptcy auction.

The bankrupt Fontainebleau Las Vegas LLC sank $2 billion into the project, and an estimated $1 billion to $2 billion is still needed to finish it.

Situated on a 24.4-acre parcel on the north end of the Las Vegas Strip, the 7 million-square-foot resort broke ground in 2007. The hotel would feature 3,815 rooms when complete, along with a 100,000-square-foot casino, 300,000 square feet of retail space, 394,000 square feet of convention and conference space and a 60,000-square-foot spa.

Icahn called the acquisition "a great opportunity to purchase a distressed asset that I believe has considerable value."

Trouble began to brew in April of last year when Fontainebleau Las Vegas LLC filed a $3 billion lawsuit against Bank of America, JPMorgan Chase, Deutsche Bank and several other lenders, alleging a breach of contract. The developer said that the banks terminated their agreement to provide $800 million in construction financing, due to an unspecified event of default.

Construction came to a complete halt in June when Fontainebleau filed for bankruptcy. At the time of the stoppage, the resort was about 70 percent complete.

Fontainebleau intended to create approximately 6,000 full-time jobs at the development, as well as 2,000 additional positions elsewhere in Las Vegas.

Kennedy Wilson's Largest Buy in its History: A Loan Portfolio
Kennedy Wilson 買進價值三億四千萬美元的問題商業資產的貸款組合

(CoStar)

International real estate investment and services investment firm Kennedy Wilson has acquired a $342 million loan portfolio from a large regional bank.

The loan portfolio is composed of residential, hotel, retail, office, land, multifamily and other assets predominantly located in Southern California, where Kennedy Wilson is based.

The acquisition is the first in a newly formed investment platform that Kennedy Wilson has created with a leading international financial institution. The venture will focus on acquiring sub-performing and non-performing commercial real estate loans and originating commercial whole loans and bridge/permanent multifamily loans.

"We are looking forward to executing on this acquisition and sourcing more of these types of deals in the future," said Mary Ricks, vice chair of Kennedy Wilson. "This is a game changing transaction for our company and is an example of our ability to source deals through a proprietary network, including our existing banking relationships."

Starwood Buying a Half Billion Dollars in Performing Loans from Teachers
Starwood Property Trust 買進五億美元的良好貸款

By Mark Heschmeyer (CoStar)

Starwood Property Trust agreed to acquire a $503 million portfolio of performing commercial mortgages from TIAA-CREF for approximately $510 million, plus accrued interest.

The fixed-rate portfolio consists of 18 senior first mortgage A-notes and two junior first mortgage B-notes secured by retail and office assets totaling 4.5 million square feet across 10 states. The weighted average debt yield on the portfolio is 17.7% with a weighted average remaining term of 1.7 years and a weighted average coupon of 7.75%. The debt service coverage ratio on the portfolio is approximately 1.8x.

The portfolio is approximately 96% occupied and has expected tenant rollover of 5.7% and 5.2% in 2010 and 2011, respectively. All of the notes in the portfolio were originated prior to 2003 and the owners of the assets are predominantly publicly traded entities and well-known real estate private equity firms.

"This is a very significant investment for our company," commented Barry Sternlicht, CEO of Starwood Property Trust. "With the acquisition of this high quality loan portfolio, Starwood Property Trust will have deployed approximately $800 million of the capital we initially raised in August. The focus of our investments is safety and yield, and this investment's high debt yield and relatively short duration should allow us to reinvest capital as the loans mature or provide a built in pipeline of originations. Almost 20% of this portfolio will mature within one year and as such these assets are an extremely attractive alternative for cash. They also can be modified, extended or rolled into new term debt and can be levered short term if, necessary. In total this acquisition aligns with our investment strategy and provides meaningful support to reexamine our dividend policy."

The acquisition is expected to close by the end of this month.

The portfolio has a targeted levered return of between 11% and 13%. The company is currently in advanced discussions to implement financing in the near term.

Sears & Kmart Closing 21 Stores
Sears & Kmart 將關閉 21 間店

By Andrew Deichler (CoStar)

Sears Holdings Corp. said Monday that it intends to close a total of 21 underperforming stores nationwide. The shutdowns equate to approximately 1,000 job cuts.

The department store owner is closing 13 Kmart stores and eight Sears locations, on or around May 9. Ohio is being hit the hardest, with five stores ceasing operations. Locations in Illinois, Indiana, Minnesota, Wisconsin, Colorado, Georgia, Florida and Washington are also being affected.

It the latest in a string of closures for Sears, which shuttered 27 stores just last quarter. In a letter to shareholders, Chairman Edward Lampert lamented the 2009 closures (a total of 62), but stressed that it was the only option after improvement efforts at those locations had failed to spur more business.

"With expiring leases, we have been able to reduce our money-losing stores while at the same time generating cash from the liquidation of inventory and the monetization of some of the stores that we closed," said Lampert.

He added that the company is continuing to evaluate its 2,200-store portfolio and is implementing new strategies, avoiding closures wherever possible.

Also on Monday, Sears reported its fourth quarter earnings, which were the best it has seen in three years.
Sears and Kmart earned $430 million in Q4 2009, up from $190 million a year earlier.

Blockbuster Shuttering Up to 545 Stores During 2010
Blockbuster 將在 2010 年關閉 545 間店

Retail Landlords Face another 3M SF of New Vacancy from Movie Rental Retailers

By Sasha M Pardy (CoStar)

Keeping with the ongoing contraction of the traditional movie rental retail business, Blockbuster Inc. (NYSE: BBI, BBI.B) said it would close 500 to 545 of its company-owned U.S. retail stores during 2010. To date, the retailer has already closed 253 of these stores and said 150 more will close by the end of April, with the remainder shuttering throughout the rest of the year. Over the last three years the company has closed 983 of its U.S. stores, comprised of 374 closures in 2009, 270 in 2008 and 339 in 2007. Blockbuster currently operates 3,525 U.S. movie rental stores.

The average Blockbuster store is 5,500 square feet, with the typical range between 4,000 and 8,000 square feet. From this, we can estimate the 545 store closures planned for 2010 could create another 3 million square feet of vacant retail space for the already-challenged retail real estate market in 2010. Most Blockbuster stores serve as junior anchor tenants in outparcel or corner in-line locations for grocery-anchored neighborhood and community shopping centers. Plus, keep in mind that Blockbuster's long-term plan is to have a smaller overall store base with fewer large stores and more small, urban stores; so it is most likely closing more of its large stores than small stores -- the retailer's "smaller" store format is about 3,000 square feet.

The retailer continues to make efforts to compete in the technologically-evolving movie rental business, however. During 2010, it plans to broaden its alliance with NCR to open 7,000 Blockbuster Express kiosks, more than doubling the division's current size of 3,000 units. The Express kiosks are designed to compete directly with the likes of RedBox; which has a much stronger foothold in the marketplace with its more than 19,000 existing kiosks -- RedBox added at least 7,000 new kiosks during 2009.

Additionally, Blockbuster has expanded its movie rental by mail service, "Total Access" and launched "Blockbuster On Demand"; which competes directly with cable companies' video on demand services and Netflix.

Blockbuster's primary retail competitor, Movie Gallery, has been closing plenty of stores as well. The retailer; which filed bankruptcy for the second time in February 2010 following the closure of more than 700 stores since its May 2008 emergence from its first bankruptcy, currently operates 2,600 stores under banners Movie Gallery, Hollywood Video and Game Crazy -- but it is closing at least 800 of these stores as part of its reorganization efforts.

Blockbuster reported a net loss for the full year of 2009 of $558.2 million; which follows the $374.1 million net loss it suffered in 2008 and $85.1 million net loss in 2007. During 2009, this net loss was in part driven by a major depletion in sales -- Blockbuster experienced a 26.5% decrease in same store sales at its U.S. retail stores during 2009.

Jones Apparel to Shutter 166 Stores in 2010
Nine West, Easy Spirit, AK Anne Klein 等 Mall 連鎖店的總集團將在 2010 年關閉 166 間店

By Sasha M Pardy (CoStar)

Jones Apparel Group, Inc. (NYSE: JNY) is planning to close 166 underperforming stores this year. During 2009, the retailer closed 99 and opened 20 stores, to end the year with 938 retail stores. Jones has not identified the brand or location of the remaining 166 stores it has set out to close during 2010, but said "the majority of the locations identified for closing are mall-based specialty retail stores, allowing us to focus more on our outlet stores."

At the end of 2009, Jones operated 317 of these specialty retail stores in the U.S., including Nine West (185 stores averaging 1,593 sq. ft.), Easy Spirit (83 stores, averaging 1,421 sq. ft.), Bandolino (39 stores averaging 1,396 sq. ft.), AK Anne Klein (6 stores, averaging 1,308 sq. ft.), Jones Apparel (4 stores, averaging 5,123 sq. ft.), and its newest concept, ShoeWoo (4 stores, averaging 2,623 sq. ft.). Jones' outlet store business in the U.S. consists of 584 stores across five of its brands.

In its recent year-end 2009 report, Jones reported an $86.6 million net loss, which is a substantial improvement from its 2008 net loss of $765.4 million. The retailer's revenues fell about 8% during 2009, however, it did manage a 34.3% increase in its fourth quarter gross profit margin, due to "careful inventory management."

Wesley R. Card, Jones Apparel Group Chief Executive Officer commented, "Our fourth quarter results were reflective of today's macroeconomic situation, which was marked by both low consumer confidence and spending levels. For 2010, we are encouraged by trends in the retail market as supply and demand have come into balance."

CDO Delinquencies Balloon
債務抵押債券的拖欠率從 2009 年 12 月的 12.3%漲到 2010 年 1 月的 13%

(CoStar)

Commercial real estate CDO delinquencies continued their steady climb in January due in part to the ongoing troubles surrounding the Peter Cooper Village/Stuyvesant Town loan, with delinquencies increasing to 13% from 12.3% in December, according to the latest CREL CDO delinquency index results from Fitch Ratings.

"Five mezzanine loans backed by interests in Peter Cooper Village/Stuyvesant Town were added to total delinquencies in January. These five interests became delinquent in January 2010 and affect five different CDOs. In addition, late last month, the borrower, a joint venture between Tishman Speyer Properties LP and Blackrock Realty, requested to return the property to the special servicer via a deed-in-lieu.

"The deed-in-lieu transfer will be a prolonged process as an agreement is negotiated and any remedies available to the holders of the $1.4 billion in mezzanine debt are determined," said Karen Trebach, senior director with Fitch. "Fitch will continue to model these assets at a full loss to each CDO."

Other new delinquencies included three maturity defaults, seven term defaults, and seven credit impaired rated assets consisting of a mix of CMBS, CRE CDOs, and bank loans.

There were also three repurchases, which included one 90+ days delinquent B-note and two lowly rated commercial real estate CDO assets. All three received limited recoveries and were exchanged by the asset managers for higher rated collateral.

Partially offsetting these new delinquencies was the removal of 22 previously delinquent assets for various reasons including loan restructurings, note sales, and extensions. In total, 42 loan extensions were reported in January, including six former matured balloon loans.

$47.7 million in realized losses were reported in January, which is lower than the December 2008 total of $80 million. To date, total realized losses to commercial real estate CDOs are approximately 4.5% of the total collateral balance. The largest single loss in January was $18.7 million, which resulted from a discounted note sale by the special servicer of a 90+ day delinquent whole loan.

All 35 Fitch rated CREL CDOS reported delinquencies in January, ranging from 1.3% to 42.4%.

The universe of 35 Fitch rated commercial real estate CDOs currently encompasses approximately 1,100 loans and 350 rated securities/assets with a balance of $23.8 billion. The delinquency index includes loans and assets that are 60 days or longer delinquent, matured balloon loans, and the current month's repurchased assets.

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

	Interest Rate	APR
Conforming and FHA Loans		
• 30-Year Fixed	4.875%	5.065%
• 30-Year Fixed FHA	5.125%	5.850%
• 15-Year Fixed	4.250%	4.573%
• 5-Year ARM	3.750%	3.519%
• 5-Year ARM FHA	3.750%	3.342%
Larger Loan Amounts in Eligible Areas – Conforming and FHA		
• 30-Year Fixed	5.125%	5.264%
• 30-Year Fixed FHA	5.250%	5.924%
• 5-Year ARM	4.125%	3.606%
Jumbo Loans – Amounts that exceed conforming loan limits		
• 30-Year Fixed	5.500%	5.643%
• 5-Year ARM	5.000%	3.930%