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COMMERCIAL REAL ESTATE MARKET UPDATES

GENERAL
市場概括

- **Free Seminar @ Concourse Medical Center (18575 Gale Ave., City of Industry): Healthcare and Me (Understanding the Newly Passed Healthcare Legislation)**
  免費醫療講座@康和醫護大樓：健保與我（瞭解新通過的健保法對你我的影響）
- **Free Summer Concert Series @ Season's Place (18558 Gale Ave., City of Industry): Every Saturday @ 8 PM**
  夏夜音樂記在四季廣場隆重登場：每週六晚八點開始
- **Are Pension Funds Warming Up to CRE Again?**
  退休基金預撥款幾十億投資穩定優質的商業地產
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Are Pension Funds Warming Up to CRE Again?
退休基金預撥款幾十億投資穩定優質的商業地產

By Mark Heschmeyer (CoStar)

The news of late from public pension funds would indicate that they may be warming to commercial real estate again -- even after taking a beating on those investments over the past couple of years.

In the past couple of weeks, pension plans both in the United States and Canada have been showing up as buyers in trophy properties, pumping money into new investment funds and lining up joint venture investors and partners in other deals. Yet those individual deals have been trumped by the Employees Retirement System of Texas, which in the same time frame, has revealed plans to increase its commercial real estate portfolio to up to $1.7 billion from about $460 million. The increase allocation for investment is to occur over the next five years, but with the bulk of the allocation set to be spent this year and next.

The goal of the $21 billion Employees Retirement System of Texas (TERS) is to have a new private real estate account make up 6% of the its overall investments, with public real estate making up another 2%.

As of Feb. 23, 2010, TERS' private real estate portfolio was at $0. Thus the public pension fund said it expected to spend between $405 million to $675 million this year and from $330 million to $550 million next year to launch the fund.

The fund revealed that its real estate staff and consultants believe that this year as well as 2011 and 2012 will be vintage years for real estate investment. As such, the proposed commitment pace has been accelerated primarily to take advantage of potential mispricing and distressed selling in the real estate market expected over the next several years.

Significant capital appreciation returns may be realized if the real estate market rebounds in subsequent years and would be foregone if the commitment pace were slower, according to a first quarter agenda items made public by the fund.

This accelerated commitment pace is not without risk, according to the fund. Underperformance of 2010, 2011 and 2012 vintage year funds, in particular, would leave the real estate portfolio significantly vulnerable if these vintage year funds under perform. TERS said it would adjust its commitment pace based upon fundamental changes occurring in the real estate market, watching for such things as capitalization rates peaking, interest rates rising and new construction increasing.

The following is a summary of TERS's stated acquisition criteria.

- All assets must be of "institutional quality," defined as being acceptable by other prudent institutional investors (e.g., insurance companies, commercial banks, and similar other government funds.
- Assets will consist predominantly of private real estate investments primarily within the office, multifamily, retail, industrial, and hotel property types.
- The portfolio will be diversified as to risk/return mixture, geography, property type, investment vehicle, investment leverage, vintage year, and investment manager. And

- Core investments will make 35% of expenditures (+/- 10%); value-added, 25% (+/- 10%); opportunistic, 15% (+/- 10%); global publicly traded real estate securities, 25% (+/- 10%); and infrastructure, 0% - 10%.

Other state and government pension funds have been active regarding their real estate investment plans lately as well.

Canada Pension Plan

This week, the Toronto-based CPP Investment Board (CPPIB), investment management organization that invests funds on behalf of the Canada Pension Plan, announced its first real estate investments in Manhattan with the acquisition of ownership stakes in two prime commercial office properties.

CPPIB agreed to acquire a 45% ownership interest in 1221 Avenue of the Americas from SL Green Realty Corp. for $576 million including debt and working capital. In addition, CPPIB has formed a joint venture with SL Green to acquire a 45% ownership stake in 600 Lexington Ave. for a total consideration of approximately $87 million.

In total, these properties have a combined value of over $1.45 billion representing a gross consideration of approximately $663 million.

"We believe it is an attractive time to enter the New York market," said Peter Ballon, CPPIB's vice-president and head of real estate investments - Americas. "These transactions reflect CPPIB's growing reputation as a major global real estate investor with the capital, and more importantly, the internal capabilities to directly participate in large complex transactions such as these."

"We remain focused on our U.S. real estate investment strategy, which is to acquire premier commercial properties in key markets by partnering alongside top tier partners such as SL Green and Rockefeller Group," Ballon added.

Separately this quarter, CPPIB and Kimco Realty Corp. established a new joint venture, which acquired five retail properties for approximately $370 million including $160 million of mortgage debt. This portfolio, which totals approximately 2.1 million square feet, is primarily grocery-anchored centers including three centers in California, and one each in Florida and Virginia. CPPIB and Kimco intend to grow this joint venture over time through the acquisition of additional retail properties or portfolios.

Oregon Public Employees Retirement Fund

Late last month, the Oregon Investment Council, which directs investments for the Oregon Public Employees Retirement Fund (OPERF), approved a $100 million investment in Vornado Capital Partners LP.

The fund is a new investment vehicle formed by Vornado Realty Trust that is looking to raise $1 billion to invest in high quality office properties in such cities as New York and Washington, DC. The fund is 'value-add' in nature with a target gross internal rate of return of 15% to 20%. It is Vornado's first such fund with institutional investment limited partners.

According to OPERF documents, Vornado said it believes the next few years will offer "an exceptional opportunity to invest in quality real estate investments as current owners and lenders address the property re-pricing of the recent past. Some of these opportunities may be of a size that exceeds Vornado's REIT resources." And OPERF indicated that the size of the opportunities would be too large for its concentration limits on a stand-alone basis as well.

Survey Shows Perception That Prices Have Bottomed, Respondents Report Signs of Life in Debt and Capital Markets
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By Randyl Drummer (CoStar)

Real Estate Roundtable President and CEO Jeffrey DeBoer
Chalk up another survey of commercial real estate executives turning from "gloom-and-doom" to the "increasingly optimistic" column. The latest quarterly survey of industry sentiments by Real Estate Roundtable reflects the growing belief among executives that declines in property valuation have leveled off and capital is becoming somewhat more available.

Of the more than 100 senior real estate executives who participated in the second-quarter Sentiment Survey, greater than 8 in 10 described market conditions today as better than a year ago, up from 73% three months ago. Only 17% went so far as to pronounce conditions "much better," however, reflecting uncertainty about the pace and strength of the economic recovery. (Download a pdf of the Roundtable report here)

The survey shows signs of life in the debt and capital markets, although many respondents warned of a caveat, saying the improvements are limited to certain parts of the market or types of properties, such as those with positive cash flows.

The Current Conditions Index, which hit a low of 17 in late 2008 during the near-collapse of U.S. financial markets, now stands at 74, rising sharply from the 56 recorded in late 2009.

"The sense of gloom that prevailed a year ago has eased, property values no longer seem to be in a freefall, and market participants are feeling more confident. Some are even saying we may finally be at or near the bottom of the commercial real estate downturn, which would mark the beginning of the road back to recovery," said Roundtable President and CEO Jeffrey DeBoer. "But while sentiment is up, that’s not to say things are good."

DeBoer noted that more pain lies ahead, as refinancing remains difficult for many borrowers and mortgage defaults are still rising.

The good news is that only 28% of those surveyed perceived asset prices today as lower than they were a year ago, a sign that values may be hitting bottom. In the first quarter, 57% believed they were lower. . At the same time, 46% said valuations are better today than a year ago, compared with only 22% three months ago.

In other survey findings:

- 56% expect valuations to be "somewhat higher" a year from now and 35% expect them to remain about the same - compared to 42 and 35%, respectively, earlier this year. The percentage expecting values to be "somewhat lower" in a year dropped from 19% last quarter to 6%.

- Of the 65% who said debt capital is more available today than 12 months ago, more than a quarter characterized availability as "much better." Only 19% of participants felt conditions were much better than one year earlier in the first quarter.

- 76% said equity availability is better than a year ago, with 26% characterizing it as much better. However, the number of respondents predicting conditions will be better a year from today declined from 75% in three months ago to 66% most recently. The number of people expecting equity availability to remain about the same increased correspondingly.

Apartment Sales Volume Up; Money More Available
公寓樓買賣數量增加；出租率與租金也在上漲

By Mark Heschmeyer (CoStar)

The apartment market continues to rebound from the "Great Recession" according to the National Multi Housing Council's (NMHC) latest Quarterly Survey of Apartment Market Conditions.

Sales volume is up, debt and equity are more available and markets are tighter, according to respondents. For the first time since October 2005, all four survey indexes recorded better market conditions than three months ago. Indexes for both sales volume and equity financing registered all-time highs. The biggest improvement came in market tightness, which jumped from 38 to 81.

"There is clear improvement in apartment market conditions on all fronts," said Mark Obrinsky, NMHC chief economist. "We saw a sharp increase in the market tightness index, which fits with the surprisingly strong (for a seasonally weak period) effective rent growth. And the all-time highs recorded by the sales volume and equity financing indexes offer even more reason for optimism."

"Even so, a sustained recovery in the apartment market needs a firm economic and demographic foundation," Obrinsky added. "While the long-term prospects for the industry are bright, in the near-term the industry's prospects still depend upon a stronger rebound in both the job market and household formation."

Other key findings:

- The market tightness index, which measures changes in occupancy rates and/or rents, rose sharply from 38 to 81. This was the highest figure in nearly four years. Fully 64% of respondents said markets were tighter (meaning lower vacancies and/or higher rents). Only 2% reported looser markets. This is the sixth straight increase for this measure.

- The sales volume index increased to a record-setting 72 from 56. 48% of respondents indicated sales volume was higher. This is the highest ever reported and represents a nearly complete reversal from a year ago, when 43% said it was lower.

- The equity financing index increased further from 66 to a record 71, indicating that equity financing is more available. Nearly half indicated that equity financing was more available; another record. Only 3% thought equity financing was less available. This is the sixth consecutive quarter this index has improved.

- The debt financing index also increased, from 49 to 58, meaning borrowing conditions have improved. 18% said conditions for multifamily borrowing were better this quarter; nearly 80% indicated that borrowing conditions were unchanged. Only 2% said conditions were worse.

Cap Rates Plummeted During First Quarter
2010 年第一季度賣出的地產投資回報率下降

(Retail Traffic Magazine)

An uptick in investment in top retail properties helped send average cap rates for the sector down for the first quarter.

Overall, the national cap rate decreased 24 basis points in the first quarter of 2010 to 8.34 percent, according to data from Valuation & Advisory Services. It is the first major decline that the brokerage firm has measured in three years. The data jibes with other reports that indicated an improvement in the investment sales climate driven primarily by transactions on class-A assets. In fact, some analysts have speculated that since the most closings are for the best assets, it is skewing the data a bit. If more deals were closing on class-B or class-C centers, average cap rates would be higher.

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The Midwest was the region with the sharpest compression in cap rates. There, cap rates lurched downward by 126 basis points, the largest quarterly move recorded since the first quarter of 2003. “Rate increases seemingly had to stop at some point, and it appears some form of stabilization in the market is at hand,” CBRE wrote in its report. “Average rates are now comparable to Q2/Q3 2009. While it is too early to tell, Q4 2009 may have been the cap rate peak during the current cycle.”

Cap rates also fell sharply in the West—from 8.90 percent to 8.21 percent. Cap rates in the East, however, actually rose slightly from 8.21 percent to 8.26 percent. Cap rates also fell in the South from 8.83 percent to 8.41 percent.

The data points in CBRE’s results are confirmed closed transactions, adjusted for assumed financing, and are used to reflect overall market trends.

Supermarket News' Top 75 Retailers for 2010
超市新聞公佈了 2010 年最大的 75 家零售店

(SuperMarket News)

Deflation and the weak economy took its toll on North American food distributors in 2009, as total volume for the Top 75 food retailers and wholesalers fell about 0.2% compared with a year ago. Total revenues for the group, which includes sales of both food and nonfood merchandise in North America, were $891.4 billion, compared with $893.08 billion in 2008. The 10 largest companies on the Top 75 list saw revenues slide 1.2% in 2009, to $606 billion, compared with a year ago. Most of the companies in the top 10 — which together comprised 68% of the total revenues of the Top 75 — saw slight sales declines during the year. Among the top 20, dollar volume was down about 0.8% for 2009, to $727 billion. Their revenues accounted for 81.6% of the total volume for the Top 75 — slightly less than their share from a year ago.

1. Wal-Mart Stores
2. Kroger Co.
3. Costco Wholesale Corp.
4. Supervalu
5. Safeway
6. Loblaw Cos.
7. Publix Super Markets
8. Ahold USA
9. C&S Wholesale Grocers
10. Delhaize America
11. 7-Eleven
12. H.E. Butt Grocery Co.
13. Meijer Inc.
14. Sobeys
15. Dollar General Corp.
16. Wakefern Food Corp.
17. Metro
18. BJ's Wholesale Club
19. A&P
20. Giant Eagle
21. Trader Joe's Market
22. Whole Foods Market
23. Family Dollar Stores
24. Winn-Dixie Stores
25. Associated Wholesale Grocers
26. Aldi
27. Hy-Vee Food Stores
28. Wegmans Food Markets
29. Save Mart Supermarkets
30. Nash Finch Co.
31. WinCo Foods
32. Albertsons LLC
33. Unified Grocers
34. Harris Teeter
35. Roundy's Supermarkets

36. Stater Bros. Markets
37. United Natural Foods
38. Price Chopper Supermarkets
39. Raley's Supermarkets
40. Ingles Markets
41. Grocers Supply Co.
42. Alex Lee Inc.
43. Demoulas Market Basket
44. Associated Wholesalers Inc.
45. Houchens Industries
46. Overwaitea Food Group
47. Spartan Stores
48. Schnuck Markets
49. Weis Markets
50. Bi-Lo
51. Smart & Final
52. Brookshire Grocery Co.
53. Associated Food Stores
54. Central Grocers
55. K-VA-T Food Stores
56. Bozzuto's
57. Tops Friendly Markets
58. Bashas'
59. Big Y Foods
60. 99 Cents Only Stores
61. Saker Shop Rite
62. Affiliated Foods Midwest
63. Piggly Wiggly Midwest
64. United Supermarkets
65. Brookshire Brothers
66. Village Super Market
67. Affiliated Foods
68. Inserra Supermarkets
69. Marsh Supermarkets
70. Superior Grocers
71. Coborn's
72. URM Stores
73. Fareway Stores
74. King Kullen Grocery Co.
75. Woodman's Markets

Latest Residential Loan Rates [Slightly Lower than Last week]
最新住宅地產貸款利率【略低於上週】

	Interest Rate	APR
Conforming and FHA Loans		
• 30-Year Fixed	4.875%	5.065%
• 30-Year Fixed FHA	4.875%	5.630%
• 15-Year Fixed	4.250%	4.573%
• 5-Year ARM	3.375%	3.549%
• 5-Year ARM FHA	3.375%	3.208%
Larger Loan Amounts in Eligible Areas – Conforming and FHA		
• 30-Year Fixed	4.875%	5.012%
• 30-Year Fixed FHA	4.875%	5.575%
• 5-Year ARM	3.750%	3.634%
Jumbo Loans – Amounts that exceed conforming loan limits		
• 30-Year Fixed	5.500%	5.643%
• 5-Year ARM	4.875%	4.047%