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To Fix Sour Property Deals, Lenders 'Extend and Pretend'
銀行對許多到期的商業地產貸款“視而不見”

By Carrick Mollenkamp and Lingling Wei (Wall Street Journal)

Some banks have a special technique for dealing with business borrowers who can't repay loans coming due: Give them more time, hoping things improve and they can repay later.

Banks call it a wise strategy. Skeptics call it "extend and pretend."

Banks are applying it, in particular, to commercial real-estate lending, where, during the boom, optimistic borrowers got in over their heads to the tune of tens of billions of dollars.

A big push by banks in recent months to modify such loans—by stretching out maturities or allowing below-market interest rates—has slowed a spike in defaults. It also has helped preserve banks' capital, by keeping some dicey loans classified as "performing" and thus minimizing the amount of cash banks must set aside in reserves for future losses.

Restructurings of nonresidential loans stood at $23.9 billion at the end of the first quarter, more than three times the level a year earlier and seven times the level two years earlier. While not all were for commercial real estate, the total makes clear that large numbers of commercial-property borrowers got some leeway.

But the practice is creating uncertainties about the health of both the commercial-property market and some banks. The concern is that rampant modification of souring loans masks the true scope of the commercial property market weakness, as well as the damage ultimately in store for bank balance sheets.

In Atlanta, Georgian Bank lent $13.5 million to a company in late 2007, some of it to buy land for a 53-story luxury Mandarin Oriental hotel and condo development. The loan came due in November 2008, but the bank extended its maturity date by a year. The bank extended it again to May 2010, with an option for a further extension to November 2010, according to court documents.

Georgia's banking regulator shut down the bank last September. A subsequent U.S. regulatory review cited "lax" loan underwriting and "an aggressive growth strategy…that coincided with declining economic conditions in the Atlanta metropolitan area." Some of Georgian Bank's assets were assumed by First Citizens Bank and Trust Co. of Columbia, S.C., which began foreclosure proceedings on the still-unbuilt luxury development. The borrowers contested the move, and settlement talks are in progress.

Also in Atlanta, Bank of America Corp. has extended a loan twice for a high-end shopping and residential project. Three years after a developer launched the Streets of Buckhead project as a European-style shopping district, all there is to show for it is a covey of silent cranes and a fence. The developer, Ben Carter, says he is in final negotiations for an investor to come in and inject $200 million into the languishing development.

Regulators helped spur banks' recent approach to commercial real estate by crafting new guidelines last October. They gave banks a variety of ways to restructure loans. And they allowed banks to record loans still operating under the original terms as "performing" even if the value of the underlying property had fallen below the loan amount—which is an ominous sign for ultimate repayment. Although regulators say banks shouldn't take the guidelines as a signal to cut borrowers more slack, it appears some did.

Banks hold some $176 billion of souring commercial-real-estate loans, according to an estimate by research firm Foresight Analytics. About two-thirds of bank commercial real-estate loans maturing between now and 2014 are underwater, meaning the property is worth less than the loan on it, Foresight data show. U.S. commercial-real-estate values remain 42% below their October 2007 peak and only slightly above the low they hit in October 2009, according to Moody's Investors Service.

In the first quarter, 9.1% of commercial-property loans held by banks were delinquent, compared with 7% a year earlier and just 1.5% in the first quarter of 2007, according to Foresight.

Holding off on foreclosing is often good business, says Mark Tenhundfeld, senior vice president at the American Bankers Association. "It can be better for a bank to extend a loan and increase the chance that the bank will be repaid in full rather than call the loan due now and dump more property on an already-depressed market," he says.

But continuing to extend loans and otherwise modify them, rather than foreclosing, amounts to a bet that the economy will rebound enough to enable clients to find new demand for the plethora of offices, hotels, condos and other property on which they borrowed. If it doesn't work out this way, the banks will end up having to write off the loans anyway.

At that point, if they haven't been setting aside sufficient cash all along for potential losses on such loans, the banks will face a hit to their earnings.

Banks' reluctance to bite the bullet on some deteriorating commercial real estate can have economic repercussions. The readiness to stretch out loans puts a floor under commercial real estate and keeps it from hitting bottom, which may be a precondition for a robust revival.

More broadly, the failure to get the loans off banks' books tends to deter new lending to others. It's a pattern somewhat reminiscent, although on a lesser scale, of the way Japanese banks' failure to write off souring loans in the 1990s contributed to years of stagnation.

It's a Catch-22 for banks. As long as some of their capital is tied up in real-estate loans that are struggling—and as the banks see a pipeline of still-more sour real-estate debt that will mature soon—their lending is likely to remain constricted. But to wipe the slate clean by writing off many more loans would mean an even bigger hit to their capital.

"It does not take much of a write-down to wipe out capital," says Christopher Marinac, managing principal at FIG Partners LLC, a bank research and investment firm.

Federal bank regulators tackled the issues in October with a 33-page set of guidelines. Bank regulators have said they were concerned about commercial-property losses and debts coming due on commercial property.

Another problem they sought to resolve was that banks and their examiners weren't always on the same page. In some cases banks weren't recognizing loan problems, while in other cases, tough bank examiners were forcing banks to downgrade loans the bankers believed were still good.

The guidance was intended "to promote both prudent commercial real-estate loan workouts by banks and balanced and consistent reviews of these loans by the supervisory agencies," said Elizabeth Duke, a Federal Reserve governor, in a March speech. The guidelines came from the Federal Financial Institutions Examination Council, which includes the Fed, the Federal Deposit Insurance Corp. and the Comptroller of the Currency.

Although one goal was greater consistency in the treatment of commercial real-estate loans, in practice, the guidelines appear to have fed confusion in the markets about how banks are dealing with commercial real-estate debt. "I just don't believe that the standard is being applied consistently across the industry," says Edward Wehmer, chief executive of Wintrust Financial Corp. in Lake Forest, Ill.

In a May conference call with 1,400 bank executives, regulators sought to clear up confusion. "We don't want banks to pretend and extend," Sabeth Siddique, Federal Reserve assistant director of credit risk, said on the call. "We did hear from investors and some bankers interpreting this guidance as a form of forbearance, and let me assure you it's not."

Restructurings increased at some banks, like BB&T Corp. of Winston-Salem, N.C. Its total of one type of restructured commercial loan hit $969 million in recent months, the bank reported in April. That was a huge jump from six months earlier, when the figure was just $68 million.

The increase was "basically a function of implementing the new regulatory guidance," the bank's finance chief, Daryl Bible, told investors in May. "We are working with our customers trying to keep them in the loans."

BB&T's report showed a significant number of cases where it was extending loan maturities and allowing interest rates not widely available in the market for loans of similar risk.

Banks don't have to disclose how terms on their loans have changed, making it hard to know whether they are setting aside enough cash for possible losses.

In a large proportion of cases, modifying the terms of loans ultimately isn't enough to save them. At the end of the first quarter, 44.5% of debt restructurings were 30 days or more delinquent or weren't accruing interest, up from 28% the first quarter of 2008.

A case in Portland, Ore., shows how banks can keep treating a commercial loan as current, despite the difficulties of the underlying project.

A client called Touchmark Living Centers Inc. in 2007 borrowed $15.9 million, in two loans, to buy land for a development. The borrower planned to retire the loans at the end of the year by obtaining construction financing to build the Touchmark Heights community for empty-nesters.

Because the raw land produced no income, the lender, Umpqua Bank, had provided "interest reserves" with which the developer could cover interest payments while obtaining permits and preparing to build. The bank extended Touchmark a $350,000 interest reserve—in effect increasing what Touchmark owed by that amount.

In December 2007, the U.S. economy slipped into recession. When the loans came due that month, Touchmark didn't pay them off. Umpqua extended the maturity to May 31, 2008.

The bank also added $600,000 to the interest reserves. Though supplying interest reserves is common at the outset of a loan, when an unbuilt project can't produce any income with which to pay debt service, replenishing interest reserves is frowned on by regulators.

Asked to comment, a spokeswoman for the bank said, "Umpqua and Touchmark had determined that the project was still viable but not yet ready for development." Touchmark said it didn't pursue construction financing at that time because "it was not prudent to proceed with developing the property until the economy improves," as a spokeswoman put it.

In 2008 the bank extended the loans again, to April 2009. During this time, Touchmark began paying interest on the loans out of its own pocket.

Then in May 2009, Umpqua restructured the loans, lumping what was owed into one $15 million loan that required regular payments on both interest and principal. Touchmark paid down the principal a little and Umpqua set a new maturity date—May 5, 2012.

Meanwhile, the value of the land Touchmark had borrowed to purchase has been eroding. The bank says it was worth $23.5 million by the most recent independent appraisal, but that was in 2008. The county assessment and taxation department pegged the land's value at about $20 million at the start of 2009. An appraiser for the department estimates raw-land values in the area fell by another 25% to 30% last year,

Touchmark executives declined to estimate the land's value. They said the property has retained "significant" value, partly because of its location, with a view of 11,240-foot Mount Hood.

Umpqua Bank says the loan is accruing interest, and it expects the loan to be repaid.

Non-Listed REITs Beginning to Tap Cash Stockpiles to Make Deals
私有房地產投資信託基金開始運用近兩年來籌募的資金購買商業地產

By Randyl Drummer (CoStar)

Publicly traded real estate investment trusts, with their strict disclosure and transparency requirements and daily share price rollercoaster ride, tend to get the lion's share of investors' and analysts' attention in today's market. Like other real estate funds, however, non-traded publicly registered REITs have quietly accumulated billions in capital from investors over the last two years.

The fundraising pace has accelerated in 2010. More significantly, the non-traded players are starting to put their capital to work, with a Denver company recently executing the largest commercial real estate investment transaction recorded by CoStar Group in nearly two years.

Dividend Capital Total Realty Trust, a Denver-based non-traded company, in late June completed the purchase of 32 properties from iStar Financial for an aggregate $1.35 billion before closing costs, the largest investment sale since August 2008.

While apples-to-apples comparisons are challenging because there's little established research on the non-listed sector, a survey of investment fund data tracked by CoStar shows that non-traded REITs have raised or expect to raise up to $11.1 billion in 2010. A recent report by Atlanta-based Blue Vault Partners LLC found that non-listed REITs are on track to raise $7 billion this year, a 17% increase over 2009.

"The non-traded space has become attractive to traditional institutional investors from a capital-raising standpoint over the last couple of years because it has been able to generate a great deal of capital on a fairly regular basis -- and raise it through distribution means that larger institutional investors never targeted previously," said Josh Scoville, CoStar's director of U.S. equity research.

The Dividend Capital/iStar transaction, which traded at an 8% capitalization rate, speaks to the fact that the non-traded sector is "raising money hand over fist" and those funds now must deploy that capital. Once capital is raised, companies must begin paying dividend yields, Scoville noted.

Funds raised by the non-listed firms this year augment some $3.6 billion in existing cash reserves that will eventually be used to purchase office, apartment, retail, hotel, industrial and other commercial assets, according to Vee Kimbrell, managing partner at Blue Vault, which recently published its First Quarter 2010 Nontraded REIT Industry Review. The report tracks key performance metrics and trends among 49 non-traded REITs.

CoStar data shows that publicly traded firms, pension funds and private equity firms still dominate most large transactions. But activity by non-traded firms is increasing, including the following large deals so far this year tracked by CoStar COMPs:

- Non-traded REIT Inland American Real Estate Trust, Inc. acquired a 16-shopping center portfolio of properties in Georgia, Virginia, Florida and North Carolina in April from publicly traded Developers Diversified Realty (NYSE: DDR) for $424.3 million.
- Wells REIT II, Inc. bought the 332,000-square-foot Energy Center I office building in Houston for $94 million.

- Wells REIT II bought the Littleton Corporate Center, two office buildings totaling 493,904 square feet from Angelo, Gordon & Co. for just under $88.5 million.

Like their publicly traded brethren, non-traded trusts register their stock offerings with the U.S. Securities and Exchange Commission. But their shares are not traded daily in the equities market. That makes them less subject to stock market volatility, but also limits their liquidity.

More companies have entered the space this year, with six new non-traded REITs totaling more than $12 billion in common stock registrations becoming effective year to date, according to Blue Vault managing partner Stacy Chitty.

Of the 49 non-traded REITs tracked by Blue Vault, 32 are actively raising capital from individual investors while 17 are closed to new investments. Assets for the 69 non-listed REITs tracked by BMO Capital Markets, meanwhile, totaled nearly $65.8 billion at the end of the first quarter.

Maintaining a stable dividend has traditionally been an important investment draw for investors in non-listed REITs. However, the combination of falling rents, rising vacancies and lower net operating income has stepped up pressure on companies to cut or eliminate dividends in order to conserve capital and repair their balance sheets. About 60% of the top publicly traded REITs have cut dividends in the last two years, compared with 33% of non-listed REITs reporting a meaningful level of assets, according to Paul Adornato of BMO Capital Markets Corp.

“The non-traded world is a half step behind the publicly traded world in many ways,” said Adornato, one of the few analysts following the traded REIT universe to actively track the non-traded sector.

“The old ‘reason for being’ for the non-listed REITs was to avoid having a lot of volatility for their shareholders, (many of whom were) were retirees and others who didn’t want to have sticker shock when they opened their monthly statements,” Adornato tells CoStar.

Like all real estate operating companies, non-listed REITs have had to deal with unprecedented volatility in capital markets, property markets and the macro economy, Adornato said in a June 30 report co-authored by several BMO colleagues titled “Non-Listed REIT Evolution: An Outsider’s View.”

The non-listed industry has responded, to varying degrees, in ways similar to their publicly traded counterparts, according to the report.

Adornato said the non-listed trusts are making more effort to match the disclosure requirements and daily net-asset value (NAV) pricing and fundamentals of the publicly traded group. Once some companies make the change, “every [non-listed] player will want to mark their real estate to market on a real time basis," he said.

In total assets, Adornato estimates non-listed REITs are roughly 10% the size of the publicly traded group.

“My audience of institutional investors only has a passing interest in non-listed REITs should they become public, or make big transactions,” he said, adding that the vast majority of his attention as an analyst remains on publicly traded vehicles.

What Financial Reform Means for Commercial Real Estate
行家討論經濟改革對商業地產的影響

(Retail Traffic Magazine)

Almost two weeks ago the financial reform bill emerged from an arduous conference process where members of the House and Senate worked out differences between bills that had previously passed in each chamber of Congress. What came out, now known as the Dodd-Frank Wall Street Reform and Consumer Protection Act, is being hailed as the most sweeping reform of the financial system since the Great Depression.

The House passed the bill last week. The Senate is due to vote on the bill next week, after Congress comes back from its July 4 recess. But the bill's passage has been thrown into doubt by the death of West Virginia Sen. (D.) Robert Byrd. It's unclear whether the bill now has a filibuster-proof majority. The bill has already changed once since it first emerged from conference. A $19 billion levy that was to be placed on banks over five years was dropped. Democratic leaders now are working to secure the votes necessary to get the bill through the Senate.

Much of the discussion of the 2,319-page bill has centered on its potential effects on Wall Street firms. But the bill will have far reaching effects. For example, Section 941 of the bill requires originators of asset-backed securities to retain 5 percent of the securitizations on balance sheets. There are exceptions to this requirement, however, including for commercial real estate mortgages. The bill allows regulators to permit alternative risk-retention arrangements for the commercial mortgage-backed securities market.

Retail Traffic talked with Sam Chandan, global chief economist at New York City-based real estate research firm Real Capital Analytics and an adjunct professor at Wharton, to gauge what effects the bill could have on commercial real estate and to analyze whether the bill will be enacted in its current form.

Retail Traffic: What's the status of the financial reform legislation?

Chandan:The House of Representatives passed the conference report on the financial reform bill—now known as the Dodd-Frank Wall Street Reform and Consumer Protection Act—last Wednesday. The Senate is expected to vote shortly after it reconvenes on July 12.

Timely passage is not guaranteed since the Democrats must still muster 60 votes to fend off procedural delays. At least one Democrat, Senator Russ Feingold, has indicated that he will vote against bill. In a prepared statement on June 28, Senator Feingold wrote that "the lack of strong reforms is clear confirmation that Wall Street lobbyists and their allies in Washington continue to wield significant influence on the process."

At the other extreme, most Republicans will be voting against the bill because they believe it goes too far.

RT: What are the big takeaways in the financial reform package for commercial real estate lending?

Chandan: The big takeaway is that we will have to wait and see how the legislation, if passed, is implemented.

Many of the bill's key provisions are left intentionally open ended, with ultimate authority for implementation falling to new and incumbent regulatory authorities.

The proposed Financial Stability Oversight Council is a case in point. It's stated roles will be to identify threats to stability, to promote market discipline, and to respond to emerging threats. Exactly what the council will deem a threat to stability is unclear; even less so, how exactly it will respond. An exception is the council's mandate in cases where a bank with $50 billion or more in assets is deemed to pose a "grave threat" to stability.

In any case, we know that sensitivity to risk generally fades as we move further from the point of crisis. That's a consideration when thinking about the vigor or regulatory oversight as well as private market participants' risk-taking activities.

RT: Ultimately, does this bill do anything to prevent another credit crisis from occurring?

Chandan: The new regulatory authorities make it unlikely that a crisis of similar magnitude will result from exactly the same systemic failures.

It is not clear, however, that the reforms address underlying incentives for private risk-taking or the capacity of well-informed market participants to transfer risks wholesale to less-informed counterparties. Inasmuch as information asymmetries and myopic assessments of risk still confound private and public decision-making, the current reforms do not preclude another crisis.

We can certainly improve on our ability to anticipate and mitigate problems that arise, and Dodd-Frank will help in that regard. But we should not expect that we are entering a new era of unprecedented stability.

RT: Does the bill affect particular kind of banks—investment banks, commercial banks, regional banks—more or less than others? And how might that affect the commercial real estate lending picture?

Chandan: From the outset, larger banks have come under far more scrutiny than their smaller counterparts. In large part, this has resulted from the view that larger institutions present greater risks to the economy.

At the same time, the perceived role of larger institutions as drivers of the crisis has elicited a political response. As the legislation has moved through reconciliation, some of the provisions that would be costliest for large banks have been reworked or removed.

The so-called Volcker Rule survives, but many institutions have already been downsizing their proprietary trading businesses. Immediate costs, such as the multi-billion dollar assessment on large banks, have been stripped from the bill.

Smaller community banks may actually benefit from the bill's provisions relating to FDIC premiums. Ultimately, 2,300 pages of legislation mean that you can find something good and something bad for each affected institution.

RT: Is there anything in the bill that ultimately will affect how the credit agencies operate?

Chandan: Title IX includes provisions relating to the regulation of credit rating agencies. The provisions are fairly benign, requiring the nationally recognized statistical rating organizations to file reports on their ratings processes, empowering the Securities and Exchange Commission to revoke rating authority, and enhancing transparency of ratings. It's worth noting that much of the rulemaking has been delegated to the commission and is not specified in the legislation itself.

One of the key amendments to the Senate legislation, introduced by Al Franken, would have created a Credit Rating Agency Bureau with powers to mediate the relationship between raters and issuers. This provision of the Senate legislation was eliminated during reconciliation.

While that may be a welcome development for some, it also means that a key area of policy concern has yet to be addressed. At some point, the issue is likely to come up again, either in Congress or through the commission.

Class A Office Properties in Boston, NY, DC, San Francisco & LA Thriving on Cash-Rich Investors
位於波士頓、紐約、華府、三藩及洛杉磯的頂級辦公樓需求量很大，絲毫看不出低迷的情況

By Mark Heschmeyer (CoStar)

For all of the talk of distress in commercial real estate, you won't hear the "D" word mentioned among investors clamoring for top-quality office properties in at least five markets. Investment activity in institutional-quality office properties in Boston, New York, Washington DC, San Francisco and Southern California is thriving. And strong investor interest is also evident for the highest quality office propertis in other markets as well, although a huge canyon separates those select properties from other office classes in most markets.

"There is a Grand Canyon gap in value disparity between "A" properties and everything else," said Fred B. Cordova III, senior vice president / CART Western regional director at Colliers International in Los Angeles. "The private REITs are pushing pricing on quality product across all product types, but steering clear of anything below investment grade."

In an examination of 216 office deals of more than $10 million for single properties of more than 100,000 square feet since January 2009, CoStar Group found that the five markets listed above accounted for more than 70% of the deals by dollar volume. The total dollar volume of the 216 deals was $14.75 billion.

- New York Metro: $4.17 billion
- Washington DC Metro: $3.05 billion
- San Francisco Bay Area: $1.2 billion
- Southern California: $1.07 billion
- Boston Metro: $893 million

REITs, both private and public, accounted for about $3.35 billion of the investment activity by dollar volume, but 25% of the deals by count. Other active buyer types included private equity and pension funds.

"Most are all-cash buyers, with debt placed after the fact," Cordova said. "The active buyers in the West are mostly REITs and are pushing pricing for top-tier product as a strategy to upgrade their portfolios at a significant discount to replacement cost with the expectation that there will be a flight to quality for top-tier tenants."

"As regulated buyers, most REITs keep their debt at or below 60% loan-to-value. At that level, with strong balance sheet sponsorship, debt is very available and cheap for top tier product with stabilized rent rolls at market rates," Cordova said.

The investment activity has picked up notably in the last nine months, said Richard Egitto, senior managing director of Crimson Services LLC in Littleton, CO.

"Activity is driven by a combination of public core investors in the U.S. having waited a long time to be able to invest after raising funds to buy these products in 2007, 2008 and 2009," Egitto said. "Private REITS such as Cole Companies out of Phoenix that raise money from a vast network of retail brokers are attaining so much money ($1 billion a year) they have had to expand from simply buying retail into buying core office product in order to move the money out that they have and make room for the additional money they raise every day."

William E. Jones, vice president and appraisal manager at Far East National Bank in Los Angeles, said that the perception of investors is "that prime U.S. real estate is a better bet than anything else. It is considered a good inflation hedge, and unlike gold it yields a dividend."

"What's driving the quest for Class A properties is a whole lot of cash that no one really knows what to do with. Put it in the stock market? Are you crazy? Buy bonds and get a yield of (maybe) 3%? (I think U.S. Government 10-year was briefly below 3%!) No way!" Jones said. "That leaves real estate. There is a lot of dough chasing a very few good deals."

The demand for office properties in these markets is especially apparent "for offices with high occupancies and long-term leases in place," said Stephanie Hession, a real estate economist for CoStar Group who covers the Washington DC, market. "A handful of office buildings in downtown Washington DC have sold for more than $500 a square foot this year, which was the weighted average price at the peak of the market three years ago."

In comparing what is happening in the investment market for prime office properties versus all office properties, the overall weighted average price for the 70 buildings traded in the Washington metro area in the second quarter was $350 a square foot. That was similar to the third quarter of 2008, but still 30% less than the 2007 peak, Hession said.

"There's already year-over-year job growth in this metro, asking rents have held up pretty well, and absorption has been positive recently thanks to federal government and related expansions," Hession said. "As a result, investors see Washington DC as a safe haven, and there is a lot of competition for well-leased assets. Owners that need cash sell because they can get higher prices here than in most other markets."

Why Other Markets Aren't Selling
The same property and market fundamentals are not as apparent outside of the five markets examined -- not even for such major markets as Chicago.

"Chicago has been experiencing declining office rental rates in constant dollar terms since 2001 and declining occupancy rates," said McKim N. Barnes, senior vice president-research and analysis at Draper and Kramer Inc. in Chicago. "And the job counts in Where Workers Work (put out by the Illinois Dept. of Employment Security) indicate no growth in the Chicago region and in Chicago's downtown. Without job growth, how will there be rent increases in real terms?"

Jones of Far East National Bank, said he has "noticed no spillover effect to B- and C-level properties in sluggish markets. There, the mindset of buyers/investors is the opposite - no one seems to want to pay the asking price for an asset which is less than the price in a less-than-prime location. They may bid the asking price, but then they'll find all sorts of ways to negotiate the price down - problems with the property, potential liability issues, etc."

Anthony Homer, a commercial associate with LWR Commercial Realty in Lakewood Ranch, FL, said there is another reason the activity has not trickled down so far.

"Most of the Class A office properties in smaller markets, like ours, are owned by privately held firms or single owners. There has been a trend among national and local tenants of moving 'up the food chain', into the most desirable office properties," Homer said. "Couple these factors with a lack of comparable investment alternatives and there is little motivation for these landlords to sell performing assets. That's what we're seeing in our market and I think the same factors apply in many of the secondary and tertiary markets in Florida."

CoStar's Hession says that interestingly enough, the trend is reversed in the struggling Southern markets, with higher-vacancy properties changing hands.

"High-vacancy Southern markets including such markets as Dallas-Fort Worth, Houston, Atlanta, Phoenix, Tampa, and South Florida have yet to see an uptick in investment, and about one in four of this year's deals in those markets has been distressed," Hession said. "Properties that last sold during the peak are holding up a bit better, although vacancies are still extremely high compared to the favored [markets]. This suggests that sellers are throwing in the towel and dumping their poorly performing assets in these markets. The buyers of these assets, however, appear to be using their lower basis to buy occupancy. The vacancy rate in these recently purchased assets has been declining since the beginning of 2009, even as properties sold from 2006-07 continue to see occupancies erode."

"As investors get frustrated with the fierce competition for core assets in the primary markets, they will begin to move out along the risk spectrum, either acquiring higher-occupancy properties in secondary markets or more value-add deals in primary markets," Hession said. "When the capital train approaches those stops, pricing and competition will rise accordingly, particularly as job growth, leasing, and absorption become more apparent and vacancies begin to crest."

Chrysler Begins Process to Add 125 New Fiat Dealerships
克萊斯勒預備在 41 個州增加 125 新菲亞特的經銷地點

By Mark Heschmeyer (CoStar)

Chrysler Group LLC has begun the dealer selection process for the reintroduction of the Fiat brand in the United States.

The automaker expects to select dealers in about 125 markets identified for growth potential in the small-car segment. Fiat dealers will be located in approximately 41 states.

The Fiat brand in the U.S. will feature the New Fiat 500, which recently celebrated the 53rd anniversary of its introduction in Europe. Dealers will begin selling the iconic Fiat 500 late this year and the Fiat 500 Cabrio in 2011.

"The Fiat dealer network will be appropriately sized to serve the market opportunity," said Peter Grady, vice president of network development and fleet for Chrysler Group. "Our vision is to establish a dealer network that will reflect and enhance the brand's reputation for innovation and fun, and will offer a unique, personalized customer experience."

Chrysler Group will send dealer application guides to dealers in the identified markets containing specific Fiat dealer requirements and instructions on submitting a proposal. The guide presents details on facility, sales strategy, accessory sales, service and parts departments, training curriculum and financial requirements.

Dealers must demonstrate how they will market, sell and service Fiat vehicles with a new customer service model.

The basic guidelines call for each Fiat dealership to be a completely separate facility with its own sales and service team.

Chrysler plans to officially announce its U.S. Fiat dealer network locations in September.

Colliers International Exec Sees Major Growth Ahead for Seniors Housing Market
行家認為老年公寓的前景一片光明

By Randyl Drummer (CoStar)

With large numbers of Baby Boomers starting to reach retirement age, the demographics have never been more favorable for expected increases in demand for senior housing and care, and both areas are becoming increasingly important niches for investors and commercial real estate companies. Colliers International has become the newest player to enter the space, recently announcing the formation of a Seniors Housing Practice Group under the direction of Mark Silver as its head.

Silver, operating out of Colliers' New York office as national director, will oversee the specialty group and leverage Colliers International's various capabilities to serve senior housing sector clients and build the seniors practice nationally. He served most recently as managing director and co-head of the National Seniors Housing Group at Jones Lang LaSalle and previously served at Cushman & Wakefield.

"We're looking for owners of skilled nursing, independent living, assisted living facilities, continuing care retirement communities, dementia units, surgical centers, medical office buildings and hospital systems who hope to bring their facilities or portfolios to the market," Silver tells CoStar. "There are investors on the sidelines holding a tremendous amount of cash who are ready, willing and able to purchase."

Finding ready and willing sellers may be a different story.

"The credit market has changed the terms on how investors finance it, but the cash and demand are there. The rub is this: Owners are still not currently willing to sell at the bottom of the market at depressed pricing for many reasons, not to mention they're still getting decent reimbursements from the government."

The 18-year real estate veteran's recent assignments include the sale of skilled nursing and assisted living facilities in New York, New Jersey, Massachusetts, and Connecticut and medical office buildings in New York and Texas. He has also served as a development and financing consultant for projects in Connecticut, Florida, and Long Island. Here are highlights of CoStar's recent conversation with Silver.

CoStar Advisor: Why did Colliers decide to form a seniors housing practice?

Mark Silver: Simply because of the demographics. Colliers saw a tremendous opportunity to be in this space. Colliers has a very strong health care valuation group and we also have a strong health care group, probably the largest in the industry, over 100 professionals. The component that was missing was seniors housing.

CoStar: How do the demographics today favor the seniors housing investor?

Silver: It's a very strong time for investors, REITs and seniors housing owners to buy, sell and develop properties. Over the next 20 years, the proportion of the population age 65 and over and age 80 and over, are projected to increase dramatically. The percentage of Americans age 65 and over is projected to grow from 12.4%, or 35 million people in 2000, to 19.6%, or over 71 million, in 2030. For ages 80 and over, the numbers will go from 9.3 million in 2000 to 19.5 million in 2030.

People are living longer and healthier lives. And frankly, they're too important politically and culturally and financially to the U.S. for the government not to continue supporting them. Medicare will surpass Social Security in total annual cost over the next 20 years. Medicare now costs taxpayers about $230 billion per year, or 3.1% of GDP. That will increase dramatically over the next 20 years as the Baby Boomers pass the age of 75.

CoStar: How does that translate into demand for the seniors housing sector, and what's the outlook?

Silver: There are currently not enough (senior housing) beds in the U.S. to support the growing number of elderly people. However, the Boomers born between 1946 and 1960 -- that's 25% of the population -- are not of age yet to peak out. I used to say the seniors housing sector was recession-proof. But the Great Recession proved that wrong. Although senior housing valuations have come down, they haven't dropped as much as other sectors. The federal government is continuing to support these facilities through Medicare reimbursements.

CoStar: How does the current senior care facilities market compare with the market 15 or 20 years ago?

Silver: The business has evolved over the years to a very high quality for patients. The quality of care is dramatically better. Doctors and nurses are providing more services on-site within the facilities. It's evolving into a very culturally accepted form. The senior housing industry is going through a slow transition. Although 75% of the industry is still owned by 'mom and pops' or private families, REITs, investment banks, private equity firms and hedge funds have seen the opportunity and are buying into it. They're funding a lot of the larger seniors housing companies that own the other 25% of the market. I believe the smaller and regional players will eventually sell out.

CoStar: The fundamentals remain tough but at the same time, there's already a seniors housing undersupply. When are we going to see construction again and new product hitting the market?

Silver: Brand-new development deals are very, very difficult today because of the financing terms. Banks want investors to have skin in the game and for the cash to start coming in right away. But once the economy starts loosening up and the job market returns, we'll see new development come back.

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

(The Wall Street Journal)

	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	-	-5.25
Prime rate*	3.25	3.25	3.25	3.25	-	-5.00
Libor, 3-month	0.53	0.53	0.54	0.25	-0.02	-4.83
Money market, annual yield	0.75	0.77	1.24	0.74	-0.49	-2.93
Five-year CD, annual yield	2.51	2.53	2.71	2.50	-0.09	-2.59
30-year mortgage, fixed	4.77	4.78	5.68	4.75	-0.70	-1.64
15-year mortgage, fixed	4.24	4.27	5.07	4.23	-0.75	-1.91
Jumbo mortgages, $417,000-plus	5.68	5.67	6.78	5.67	-1.03	-0.96
Five-year adj mortgage (ARM)	3.98	3.96	4.96	3.79	-0.69	-2.10
New-car loan, 48-month	6.40	6.39	7.47	6.33	-0.89	-0.63
Home-equity loan, $30,000	5.15	5.15	5.87	5.12	-0.64	-1.54