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CRE Sales Hold Steady Amid Capital Markets Turbulence

商業地產銷售在動盪的市場中保持穩定

By: Hessam Nadji (GlobeSt)

Since the onset of the economic slowdown and capital markets volatility in the past two months, multiple readings have turned flat to negative, the equity markets have been on a wild ride and not much has surfaced from the political process in Europe or the United States to reduce fear or uncertainty. The European Union's recent decision to expand its bailout initially met limited optimism by the markets. Through this period, my overriding theme for commercial real estate investors has been to be realistic about short-term risks, which have risen significantly, but not to lose sight of the market's long-term opportunities. Generation-low interest rates, the notion that the Great Recession 2.0 is highly unlikely and the expectation that the U.S. economy will eventually reclaim sustainable, if unspectacular, average economic growth, without a big surge, form the case for commercial real estate as an attractive investment in this environment. Let's not forget plummeting new construction numbers, which are far less likely to rebound before demand improves and stays strong for a few years as another important factor.

Capital continues to flow into commercial real estate and the first half of 2011 reflected rising momentum as financing became more available, values stabilized or showed appreciation and property fundamentals improved. Commercial property sales surged to more than $100 billion in the first six months of this year, compared to $64 billion for the same period in 2010. This year's first half sales volume was nearly the same as the entire year in 2009. As has been widely publicized, the theme of this recovery has been the institutional buying surge. In the 12 months ending June 30, sales volume of properties valued at $20 million and more surged nearly 130% on a year-over-year basis compared to an overall increase of 36%. Mid-market sales volume – properties valued between $10 million and $20 million – increased by 57%, reflecting resurgence in activity among larger private investors, and to some extent institutional investors' push down into smaller but high-quality assets. Sales volume of smaller transactions – those transactions valued between $1 million and $10 million and dominated by private investors and high-net worth individuals – surged 25% during the same period. This is a critical indicator for market activity since this segment comprises more than 85% of all commercial property sales in the U.S.

The onset of the recent financial market turmoil has selectively impacted CRE sales, with larger property sales experiencing a slowdown while the rest of the investment market place marches on at a relatively steady pace. Based on preliminary results, sales volume in the $20 million-plus segment was down 25% in the July-August period compared to the monthly average through the first half of 2011. This was partially due to increased buyer caution given the recent price surge and cap rate re-compression in this category. Lender caution was also a factor as was the disruption in the CMBS recovery. The upper-end of the market, which has been the most active, is vulnerable to further slowing, especially since the recent decline in the stock market caused an artificial escalation of real estate asset under holdings, which may negatively impact institutional allocations to commercial real estate. However, sales activity should not experience a major set back unless fears of contagion from European banks materialize and cause a more serious shake up in global capital markets.

As is always the case, the private investor segment is not only driven by investment decisions that fuel trades, but the natural drivers of estate planning, death, divorce and partnership break-ups and formations. As long as a baseline level of financing remains open, even with conservative underwriting, sub $15 million properties will continue to actively trade. One of the factors limiting the rise in smaller property sales is the slow-down in 1031 exchanges which are still hampered by valuation and investor caution.

Overall, there is no shortage of domestic and foreign capital sources searching for yield who continue to view commercial real estate favorably. At the same time, life insurance companies, stable commercial banks as well as Freddie Mac and Fannie Mae are actively lending. Market pricing has been reset, investors have adjusted to normalized loan-to-value requirements, buyers and sellers are closer in their definition of fair value and stabilized and/or improved prices are motivating many sellers to bring inventory to market that they could not sell over the past two years.

Stable Class B properties and healthier secondary markets should continue to see improvement in capital flows thanks to higher yields and acceptable risk profiles.

However, recent developments and financial market fragility is likely to reinforce the flight to safety, keeping lenders and buyers cautious on lower quality B- and C assets and tertiary markets. The recent downgrade of U.S. banks may also cause more reluctance by lenders to provide risky commercial property loans, particularly construction and renovation-related financing. Ironically, this will further limit new supply and aid the gradual recovery in the commercial property sector. We are still vulnerable to further and more serious financial market disruptions and unexpected shocks, but the indicators point to an active investment sales market.

U.S. Employers Announced Plans in September to Shed More Than 115,000 Workers -- The Highest Total in More Than Two Years

9 月美私營雇主公佈多於 115,000 人的裁員計劃——兩年多來最高人數

Source: Los Angeles Times

U.S. employers announced plans in September to shed more than 115,000 workers -- the highest total in more than two years, according to a new jobs report.

That's more than double the 51,000 cuts announced in August and more than three times the 37,000 cuts planned a year earlier. The previous record was in April 2009, when employers planned to slash nearly 133,000 jobs, according to employment consultancy Challenger, Gray & Christmas Inc.

According to another report, from payrolls processor ADP, private-sector employment rose by 91,000 jobs in September. The "modest" increase was led by 60,000 additional positions in small businesses, which have been averaging 73,000 new jobs a month for the last year.

Medium-sized companies also did well, tacking on 36,000 more employees, while large businesses shed 5,000 workers, according to ADP.

Layoffs in the bank and military sector spiked, according to the Challenger report.

Government employers attempting to slash spending were responsible for a third of the job losses. The U.S. Army revealed a five-year goal to thin its troops by 50,000.

The financial industry also said it needed to scale back jobs, with Bank of America attempting to save $5 billion a year by cutting 30,000 workers over several years.

"Bank of America is not the only bank still struggling in the wake of the housing collapse," said John A. Challenger, chief executive of the consultancy. "And, the military cutbacks are probably just the tip of the iceberg when it comes to federal spending cuts and layoffs."

But the reductions were tempered by retailers' seasonal hiring plans, Challenger said. Toys R Us said it would hire 40,000 people to handle the holiday shopping rush, while Halloween City and Party City said they would hire a combined 26,000 workers.

Your Tenant Has Filed for Bankruptcy - Now What?

房客宣佈破產，房東怎麼辦？

Source: Cox Castle & Nicholson LLP

A growing number of retail tenants are filing bankruptcy due to lingering problems in the economy. This article provides an overview of some rights and remedies available to both a landlord and a tenant when the tenant files bankruptcy. As an illustrative example, assume that the tenant and landlord enter into a lease with rent due on the first day of each month. The tenant misses two months of rent. The landlord serves the tenant with a 3-day notice to pay rent or quit (or such other notice for non-payment of rent as may be set forth in the lease). The tenant then files bankruptcy on the fifteenth day of the third month.

1. Automatic Stay.

When the tenant files bankruptcy, an automatic stay immediately goes into effect. The automatic stay is a statutory injunction that prohibits actions by creditors, landlords and others to obtain possession or control of the tenant's property or to assert claims against the tenant.

In the above example, when the tenant files bankruptcy, the landlord is automatically stayed from bringing an unlawful detainer action against the tenant after the 3-day notice to pay rent or quit (or other default notice) has run.

2. Post-Petition Rent.

If the tenant stays in possession of the leased premises after filing bankruptcy, the tenant is required to pay post-petition rent to the landlord and to keep those rent payments current as long as the tenant occupies the leased premises. Unpaid pre-petition rent is classified as an unsecured claim which is paid with other unsecured claims after secured and priority claims. Unpaid post-petition rent while the tenant occupies the leased premises is entitled to be paid as an administrative claim before general unsecured claims.

In the above example, whether the tenant's obligation to pay post-petition rent begins on the fifteenth day of the month in which the bankruptcy is filed or on the first day of the following month depends on where the tenant files bankruptcy. Some bankruptcy courts hold that rent due on the first day of the month is for the entire month. If the tenant files bankruptcy on the fifteenth day of the month, the rent for the entire month, including the remainder of the month after the tenant files, is considered pre-petition rent. In these courts, in the above example, the tenant would owe three months of unpaid pre-petition rent and would be required to pay post-petition rent commencing the first day of the month following the month in which tenant files bankruptcy.

Other courts prorate the rent based on the bankruptcy filing date with the tenant paying post-petition rent from the date the tenant files bankruptcy. In those courts, in the above example, the tenant would owe two and one-half months of unpaid pre-petition rent and would be required to pay postpetition rent commencing with the fifteenth day of the month in which tenant files bankruptcy.

If the tenant fails to pay post-petition rent or perform other lease obligations on a timely basis, the landlord can file a motion with the bankruptcy court seeking either relief from the automatic stay in order to evict the tenant or an order compelling the tenant to pay such rent or reject the lease.

3. Assumption/Rejection.

The tenant has two options in bankruptcy with respect to its lease: assumption or rejection. Rejection is simply a breach of the lease. Assumption means that the lease continues in full force and effect in accordance with its terms.

When the tenant rejects the lease, the tenant must vacate the premises and turn over possession to the landlord. The landlord then has an unsecured claim in the bankruptcy for the landlord's damages caused by the tenant's breach of the lease. This claim is determined according to state law, subject to certain limits imposed by the bankruptcy code. The bankruptcy code caps the landlord's claim for breach of the lease at an amount equal to the rent required to be paid under the lease for the greater of one year or 15% of the remaining term of the lease, not to exceed three years.

So when a tenant files bankruptcy and rejects its lease, the landlord must first determine its damages for breach of lease under state law. Once state law damages are determined, the bankruptcy cap is applied. If the state law damages are less than the bankruptcy cap, the landlord has a claim in the bankruptcy equal to its state law damages. If the state law damages are greater than the bankruptcy cap, then the landlord has an unsecured claim in the bankruptcy equal to the bankruptcy cap. The landlord is entitled to add unpaid pre-petition rent and damages to its claim. The landlord also may have an administrative claim for unpaid postpetition rent if the tenant remained in possession of the lease premises post-petition without paying rent. In addition, the landlord's claim may be reduced by any security deposit held by the landlord.

A tenant assumes a lease if the tenant wants to remain in possession of the leased premises or it wants to assign the lease to a new tenant. In order to assume the lease, the tenant must cure all defaults under the lease (with certain non-monetary exceptions). In addition to complying with the other terms of the lease, the tenant must pay all pre-petition and post-petition rent owing under the lease to the landlord. In the example above, the tenant would have to pay the unpaid pre-petition rent, as well as any rent due postpetition, to the landlord in order to assume the lease.

4. Assignment.

Even if the lease expressly provides that it cannot be assigned, the bankruptcy code permits the tenant to assume the lease and assign it, provided that the assignee provides adequate assurance that it can perform the terms of the lease after the assignment. This situation usually arises when the rent is below market and the tenant does not intend to continue to occupy the premises. In that situation, an assignee may pay the tenant in order to take over the lease. A landlord can object to assignment on the ground that the assignee is not creditworthy; however, such objections are typically difficult to win.

5. Use.

Shopping centers are given special treatment under the bankruptcy code with respect to use restrictions. Use restrictions in a lease are honored, for the most part, if the lease is in a shopping center. If the lease is not in a shopping center, generally speaking, a use restriction will not be enforced by the bankruptcy court, absent extraordinary circumstances.

6. Time in Which to Assume or Reject.

Prior to the 2005 amendments to the bankruptcy code, a tenant in bankruptcy had ninety days to decide whether to assume or reject a lease. This initial 90-day period could be and routinely was extended by the bankruptcy court. There was no limit on how many times an extension could be granted or how long the extensions could last.

The 2005 amendments to the Bankruptcy Code imposed overall limits on the time for a tenant to decide to assume or reject a lease. The tenant has an initial 120-day period in which to decide to assume or reject the lease. This initial 120-day period can be extended for up to another ninety days; however, no further extensions can be granted without the express consent of the landlord. Unless the landlord consents, the tenant now has a maximum of 210 days to assume or reject a lease. At the end of these 210 days, the lease is deemed automatically rejected if it has not been assumed.

7. Designation Rights.

Below market leases may be a valuable bankruptcy asset of the tenant. A practice has evolved of tenants selling sell “designation rights” early in the bankruptcy case. This practice allows a tenant to receive an early cash payment for its leases, rather than waiting to receive payments as it assumes and assigns each lease.

Sales of designation rights generally occur with leases that the tenant no longer intends to use in its operations or are part of a sale of all of the tenant’s assets. A third party pays the tenant for the right to tell the tenant whether to assume or reject the lease, and if a lease is assumed, to whom the lease is to be assigned. The purchaser of the designation rights then receives whatever compensation the tenant would have received upon the assumption and assignment of the lease. If an assignee is willing to pay money in order to take over a below market rate lease, the purchaser of the designation rights receives the rent payment, instead of the tenant. The landlord retains its rights under the bankruptcy code to object to any proposed assignee.

8. Conclusion.

This article discussed some of the basic bankruptcy principles applicable to landlords and tenants when the tenant files bankruptcy, however, the rights and obligations of landlords and tenants in bankruptcy are complex and continue to evolve after the 2005 amendments to the bankruptcy code.

How to Stop HOA Board Directors From Acting Beyond Their Authority

如何阻止業主協會董事的越權行為

By: Stephen Glassman and Donie Vanitzian (Los Angeles Times)

Question: A specific carpet choice for the common hallways was approved by homeowner majority vote and purchased. I later attended a board meeting and learned directors took it upon themselves to change the carpet that was already purchased, approved and voted on by the owners and instead buy a more expensive carpet without owner vote or approval. There are over 23 floors to carpet, and the board's choice raised the carpet price by $3 a yard. The burden of paying this overage is on each owner.

I asked for receipts of expenditures and the treasurer told me there is no central file for receipts on the money spent. Directors are moving forward with the more expensive carpet. What recourse do owners have against this board?

Answer: Without the board's cooperation, stopping directors from acting beyond their authority may require a lawsuit. It could mean finding and hiring an attorney quickly and getting the court to issue an injunction preventing the board from continuing the unlawful actions. Since you are seeking to enforce the covenants, conditions and restrictions (CC&Rs), by getting the board to act in a lawful manner, you should be able to recover your attorney fees in addition to any costs, once the lawsuit is decided.

Additional funds to pay for the more expensive carpeting amount to a separate special assessment that was not approved by the owners. Because the cost of the more expensive carpet needs a separate special assessment, it is very likely the expenditure would require titleholder vote and approval before it can be assessed.

Pursuant to Civil Code section 1365.2, titleholder requests for documents, including invoices and copies of checks and checkbook registers, must be provided by the board to the person requesting them within specific time limits. Any request should be in writing, addressed to the board and sent certified mail, return-receipt requested. Be certain to keep the return receipt as the time for responding with the documents runs from the date the request is received.

If the board fails to provide the requested documents within the time limit, file a Small Claims Court action for those records and $500 damages for the board's unreasonably withholding such information. Each owner is entitled to demand copies and file a damages claim.

Apple Diversifies Its Retail Game with Stores at Non-Traditional Venues such as transportation hubs and college campuses

蘋果公司將其零售業務擴展到位於交通中轉站和大學校園等非傳統場地的店面

By: Elaine Misonzhnik (RETAILTRAFFIC)

Mall owners might still be debating whether they should confer the status of anchor and associated privileges on Apple stores within their centers, but Apple is already thinking about its next step in the site selection game.

After setting up shop at class-A malls and high traffic urban streets around the country, the current golden goose of retailing appears to have set its sights on transportation hubs and college campuses.

In July, Apple confirmed that it signed a 10-year lease with New York City's Metropolitan Transportation Authority (MTA) to open a 23,000-square-foot store at Grand Central Terminal. Apple has reportedly agreed to pay $800,000 a year for the high-profile location, previously occupied by a restaurant. The rate might eventually increase to $1 million a year.

Since the beginning of the year, Apple has also been looking at potential locations within bookstores on large college campuses. In February, *Yale Daily News* reported the retailer was negotiating a store in a vacant Barnes & Noble space at its New Haven, Conn. campus. In May, the University of Delaware announced that Apple would open a store within an existing bookstore on its campus. Apple did not return calls seeking comment.

Opening stores at non-traditional venues would be a nice complement to Apple's existing fleet, helping to promote the brand among long-term Dell users as well as target locations with extremely high traffic counts and an appetite for computer gadgets, according to Lew Kornberg, managing director in the corporate retail solutions group of commercial real estate services firm Jones Lang LaSalle.

"Apple wrote the textbook on the interconnectivity of branding and sales," Kornberg notes. "I suspect part of what they are doing with Grand Central is trying to further expose their brand and product. But Grand Central is also the epicenter of the mobile consumer; the iPad and the iPhone are geared to folks on the move, so Grand Central makes perfectly good sense."

Similarly, opening stores on college campuses could help Apple gain market share among the higher education crowd, which has traditionally gravitated toward Dell, according to Joseph French, national director of retail with Sperry Van Ness, a commercial real estate brokerage firm. French has three college-age children and he notes that in the past he was reluctant to buy them Apple computers because there were no Apple repair shops on their campuses. (There were often Dell venues).

Having an Apple store on site would make it more likely the students' parents would invest in Apple products, since many of the kids already use some of them, French says.

"Clearly, Apple had made major inroads at colleges," he notes. "Even though iPods are $100 [apiece], college kids dispose of them at a pretty rapid rate, and the new iPad has basically captured the tablet market. By making themselves that much more available, I think college campuses will be a successful plan for Apple."

Tricky execution

The brokers *Site Optimizer* interviewed for this story thought that transportation venues would be a limited play for Apple, since few hubs can compare to Grand Central Terminal in daily foot traffic and overall prominence. In addition, Grand Central offers the kind of convenience that can hardly be matched by even the highest profile existing Apple stores, according to French.

"It's much easier to get to than the General Motors [GM] building," French says, referring to Apple's store on Fifth Avenue and 59th Street in New York. "The sales here will be astronomical and I predict it will surpass the GM store."

There might be a few other stations around the country where Apple could make a similar play, including Union Station in Washington, D.C., Ogilvie Transportation Center in Chicago and 30th Street Station in Philadelphia, according to Kornberg. But there is no reason to expect an Apple store at dozens of transportation terminals, he notes.

When it comes to campus stores, the main issue might be the fact that students don't typically buy their own computer gadgets, says Jason Baker, principal with Houston, Texas-based Baker Katz, a commercial real estate services firm and a member of X Team International, a retail real estate brokerage alliance. Instead, parents are often the ones purchasing big ticket items like computers at home.

One way to ensure a successful strategy on campuses would be to target universities with high population densities, including schools in big cities like Boston and schools with student counts of at least 40,000, notes French. The Harvard bookstore in Cambridge, Mass., for instance, tends to draw not only Harvard students, but also tourists and people who live in the area, he says. Other campuses that might fit the mold would be University of South California in Los Angeles and Duke University in Durham, N.C.

It would also be a smart move to limit Apple's presence on campuses to stores-within-stores which, by necessity, would be a lot smaller than its mall locations, say both French and Baker. While universities normally charge lower rents than traditional retail venues, the equation has to work out for Apple in terms of sales per square foot, Baker notes.

In many cases, campus stores "are less profit centers for the college and more of an amenity or a service that a college could point to during a tour," he says.

U.S. Regional Mall Vacancies at Decade High

美區域購物商場空置數量達十年來新高

By: Hui-yong Yu (Bloonberg)

Vacancies at U.S. shopping malls climbed to the highest in at least a decade as feeble employment growth restrained consumer spending, Reis Inc. (REIS) said.

Regional and super-regional mall vacancies rose to 9.4 percent in the three months ended Sept. 30 from 8.8 percent a year earlier and 9.3 percent in the second quarter, according to the New York-based property-research company. It was the highest since Reis began publishing the data in 2000.

Store owners' revenue is falling as the U.S. unemployment rate hovers above 9 percent, depressing consumer confidence, and online stores capture more customers. Retail sales in the U.S. unexpectedly stagnated in August following a 0.3 percent gain for July that was smaller than previously estimated, Commerce Department figures showed Sept. 14.

"The ongoing lack of demand for retail goods and retail space has not left regional malls unscathed, with tenants considering other retail formats or scaling back on their space requirements," Ryan Severino, senior economist at Reis, said in today's report.

Malls are struggling as vacancies by anchor tenants spur smaller stores to close or shrink space, Reis said. Leasing may improve this quarter as clothing and electronics retailers add locations to capture holiday sales, said Jeremy Moller, a retail real estate broker at JSH Properties Inc. in Seattle.

"Certain businesses try to get open before Thanksgiving for the holiday-shopping rush," he said.

Rents Little Changed

Landlords' asking mall rents rose to $38.81 per square foot in the third quarter from $38.77 in the previous three months and $38.72 a year earlier, according to Reis.

At neighborhood and community shopping centers, asking rents averaged $19.02 a square foot, the same as in the second quarter and down from $19.07 a year earlier. Tenants paid an average of $16.54 per square foot, including any landlord concessions, down from $16.58 a year earlier and unchanged from the second quarter, Reis said. It was the 14th straight period that so-called effective rents were unchanged or fell.

Vacancies at community and neighborhood centers were 11 percent, unchanged from the second quarter and up from 10.9 percent a year earlier, the research company said. It was the highest rate since 1990, when it reached 11.1 percent.

Shopping centers, usually anchored by supermarkets, drugstores or discount retailers, had a net decrease in occupied space of 17,000 square feet (1,600 square meters) last quarter, compared with a net gain of 696,000 square feet a year earlier, Reis said. So-called net absorption improved from the loss of 459,000 square feet in the second quarter.

New Shopping Centers

About 812,000 square feet of new shopping-center space was added to the market in the second quarter, keeping completions close to all-time lows, according to Reis.

Vacancies at shopping centers were unchanged or increased from the second quarter in 55 of the 80 metropolitan areas surveyed by Reis, while effective rents held steady or fell in 52 markets.

“There’s a lot of subleasing of surplus space” as retailers reduce average store sizes and close some locations amid competition from online stores and a shift in consumer preferences, said Moller, the real estate broker.

Bank of America to Shut Down Home-lending Unit

Bank of America將關閉其房屋貸款部門

Source: Los Angeles Times

Bank of America is closing down one of its mortgage units.

The Charlotte, N.C. bank put its "correspondent lending" business up for sale on Aug. 31. It couldn't find a suitable buyer and has decided to close the business by the end of the year, said bank spokesman Terry Francisco.

The division financed mortgage loans from small lenders such as credit unions.

Bank of America Corp. acquired the business as part of its 2008 purchase of mortgage lender Countrywide Financial Corp. In the first half of the year, it financed $50 billion in mortgage loans. The bank hopes to transition the 1,200 employees in the unit into other jobs within the company.

Bank of America has been shedding assets in an effort to focus on its core banking business.

Make Your Business More Appealing to Lenders

如何使您的企業更易獲得貸款

By: Monica Mehta (Bloomberg Businessweek)

As the recovery limps along, small business owners looking for bank credit and loan officers assessing their applications have their work cut out for them. The main hurdles: well-intentioned but disruptive government policies and tough bank examinations. “Regulators have gotten so afraid [of] bad loans that we leave many good loans on the table,” one institutional banker who interacts with hundreds of lenders across the country told me recently. “No one ever got fired for not making a good loan.”

Despite this difficult environment, finding credit these days is possible. To help entrepreneurs work around common roadblocks, I’ve assembled these tips from experienced individuals within the lending industry:

1. Focus on lenders unaffected by recent regulatory reforms.

Banks with assets greater than $10 billion have their hands tied. Provisions of the Dodd-Frank financial reform law require them to keep up to five times as much cash in reserves as they were previously required to hold. As a result, it’s probably not surprising that they are approving only 10 percent of small business loan applications, according to the August lending index compiled by Biz2Credit, a New York company that matches borrowers to a network of lenders. The index shows 44 percent of small business loan applications received by small lenders were approved.

2. When you can’t share a good financial story, bank on a creative lender.

When reviewing an applicant, bankers want to see a positive growth story. Most are forgiving of a bad 2009 (I mean, who didn’t have one?) as long as sales and profits have been moving upward since then. Unfortunately, many small businesses can’t show an uptick in business. More than 73 percent of the 1,000 loan applications analyzed in the Biz2Credit index reported declining sales for the first seven months of 2011. And even more showed declining profits.

In the absence of a good story, working with a lender that has the ability to be creative can be invaluable. While large banks will close the book on a loan that doesn’t fit the mold, regional and community banks, particularly those with experience in your industry or your local area will take more time to understand your business.

A smaller bank’s ability to get creative will be driven in large part by its rating from its bank supervisory authority, referred to as its Camel score in industry jargon. Banks get graded, and those scores determine how much a bank must put aside on its balance sheet for each loan it makes and the amount of scrutiny it faces from regulators.

Know that banks with low scores will face daily scrutiny, making them able to do little more than clean up an existing portfolio. While Camel scores are not available to the public, you can get a list of the most active lenders from the Small Business Administration. Chances are if they have been able to make loans with frequency in the past few months, they're facing less regulatory pressure internally.

3. Industry experience and personal investment matters.

For borrowers seeking credit to buy a business or fund a startup, lenders will require them to have at least 3 years of industry experience and put skin in the game. For example, for a $300,000 loan, the bank will want to see the borrower have at least $100,000 of his or her own cash invested in the business or access to a similar sum in liquid assets or collateral, among other criteria.

In addition, showing that customers already exist for the product or service can help. "For those seeking leverage to fund a new business, it's often easier to acquire credit to buy an existing business that has an established customer base than get a loan for a new startup venture," says Rohit Arora, Biz2Credit's co-founder and chief executive.

4. "Derogatories" on your credit report can do you in.

Bankers have learned the hard way that a FICO score is a poor indicator of creditworthiness. As a tool that is heavily influenced by consumer credit cards, a borrower using 10 cards regularly who makes minimum payments on the balances will have a better FICO score than a responsible borrower who relies on two cards, uses much of his available credit, but pays the balance in full each month.

"A 700 can turn into a 500 overnight," says James Kim, senior vice-president for small business lending at Los Angeles-based nonbank lender Hana Financial. He says "derogatories," such as bankruptcies and missed or late payments—particularly those on such essentials as home mortgages, student loans, and child support—will be scrutinized closely as an indicator of creditworthiness.

5. Show adequate ability to repay loans, and keep accounting transparent.

Banks want to make sure you can pay them back. They will want to see that you have a track record of making enough profit to cover operating expenses, interest, and principal payments, and have at least 20 percent extra for when things don't go as planned. Businesses that operated at a loss in 2009 must show even better profitability in 2008 or 2010 to satisfy the bank's focus on averages.

Lenders will also favor borrowers who show access to alternate capital in the event business goes south. Be sure to highlight if you have rental real estate that throws off cash, income from a spouse who works outside the business, or other sources for emergency capital. Banks may also seek access to such collateral as a second lien or third lien on a home.

Finally, while you may be tempted to make up for declining sales and profitability by maximizing tax deductions, moves like this will understate your documented profitability and ability to show debt service in the eyes of a lender for years to come (remember, they're looking at your rolling average). Keep your books clean.

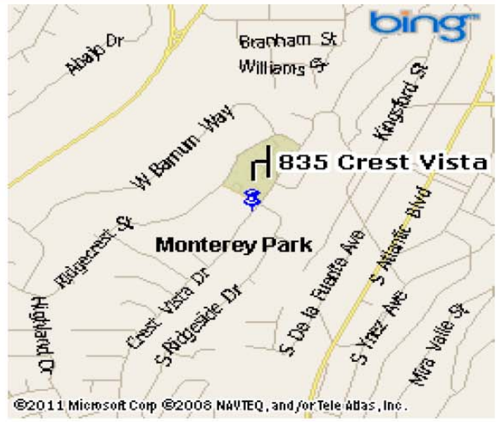
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	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	0-0.25	0-0.25	0-0.25	-	-1.50
Prime rate*	3.25	3.25	3.25	3.25	-	-1.25
Libor, 3-month	0.39	0.38	0.39	0.25	0.11	-4.42
Money market, annual yield	0.55	0.54	0.69	0.54	-0.14	-1.91
Five-year CD, annual yield	1.66	1.66	2.21	1.66	-0.55	-2.56
30-year mortgage, fixed	4.30	4.20	5.21	4.15	-0.13	-1.65
15-year mortgage, fixed	3.64	3.52	4.57	3.46	-0.27	-2.01
Jumbo mortgages, $417,000-plus	5.00	5.00	5.89	4.95	-0.45	-2.52
Five-year adj mortgage (ARM)	3.20	3.16	5.79	3.00	-0.30	-2.72
New-car loan, 48-month	4.19	4.15	5.94	3.75	-1.74	-2.62
Home-equity loan, $30,000	4.72	4.72	5.17	4.71	-0.36	-0.76

Monterey Park Luxury Residence [Newly Renovated]
蒙特利公園豪宅 【全新裝修】

ML# : H11055083 | **835 Crest Vista DR Monterey Park 91754** | **List Price: $ 1,250,000**



Basic Information

Status: **Active**
Property Type: **Single Family Residence**
Map Book:
Year Built: **1986/SLR**
Sqft (Src): **4,931 (Assessor's Data)**
Lot Sqft (Src): **16,013 (Assessor's Data)**
View: **City Lights**
Assoc Dues:

Interior Features

Bedrooms: **11**
Bath(F,T,H,Q): **6, 0, 0, 0**
FirePlace: **None**
Cooling: **Central**
Laundry:
Rooms: **See Remarks**
Eating Area:
Floor:
Utilities:

Property Description

Newly Renovated! Beautiful traditional Eastern-style home with numerous bedrooms and unique elegance. Large, spacious bedrooms on both floors in well-kept condition. Tastefully renovated with high-quality finishes, new hardwood floors and new paint. Custom-built in 1986 with addition of the back part of the house in 1992. Spacious backyard with a zen garden, a stunning large waterfall, and bountiful fruit trees. Perfect location, secluded, safe neighborhood right next to a community park and tennis courts. In addition, this home offers views of a beautiful cityscape from its many balconies upon sunset. Please call for appointments at least 24 hours in advance.

Exterior Features

Pool: **No**
Spa:
Patio:
Sprinklers:
Structure:
Outdoors:
Fence:
Roofing:
Lot/Community: **Patio Home**
Legal:

Presented By

Contact: **John Hsu** CellPhone: **562-639-6849**
Contact DRE: **01093005** Fax: **562-695-4555**
Office: **STC Management**

School Information

School District:
Elementary:
Junior High:
High School: