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Looking Ahead to 2011
2011 年商業地產前景

By: Mark Heschmeyer (CoStar)

Portfolios Will Be Repositioned

The U.S. investment sales market has the potential for increased fluidity in the year ahead, based on findings from Colliers International's third quarter 2010 Global Investor Sentiment Survey.

More than six out of 10 U.S. real estate investors responding to the survey indicated that they are considering selling property next year, up considerably from the 23% reported at the start of the year. Meanwhile, 85% of U.S. investors expressed a desire to buy assets domestically during that time, with a focus on primary markets nationwide.

The combined forces may position a significantly increased number of U.S. assets to trade during the next 12 months. In particular, U.S. investors noted markets in California, Texas, New York/New Jersey and Florida, as well as Washington DC, Boston, Atlanta, Chicago, Denver and Seattle as key targets.

Ross Moore, chief economist of Colliers International, also says that with total investment volume for 2010 set to register $100 billion, all the elements are in place for investment sales to increase further in 2011. Although still far below peak 2007 levels of $514 billion, 2010 transaction volume represents a near doubling over 2009.

For 2011, all the ingredients are in place for investment sales to increase further, rising at least 20%, Moore says. A combination of strengthening leasing fundamentals, further improvement in credit markets and still low borrowing rates should result in more offerings and a gradual uptick in values. Demand for hard assets, and in particular those that are income producing, is expected to be exceptionally strong from all types of investors.

Tenant Leverage Remains Strong, but Time for Best Deals is Running Out

Over the last two years, companies have seen their internal vacancy rates grow by 9% as they reduced headcounts. As a result "rightsizing the portfolio" is a mandate for corporate real estate executives and will be for the next 12 months.

"When we asked tenants to rank the key factors shaping their real estate strategy, rightsizing the portfolio was number one, closely followed by streamlining and efficiency," said Lauren Picariello, director of occupier research for Jones Lang LaSalle. "Companies today are disposing of space in non-core locations as well as renewing leases in more expensive CBD locations for client facing teams, then relocating backroom functions to less expensive suburban locations."

While tenant leverage remains strong, time is running out. About 94% of markets are tenant favorable now, but only 31% will be in 2012, Picariello says. Tenants seeking large blocks of space should move to lease in the next nine months.

Jones Lang LaSalle expects risk management, cash conservation and cost management will strongly influence 2011 business plans and the corporate demand for space in 2011.

Meanwhile, Colliers International's Moore says on the demand side, he sees occupancies rising approximately 1% in 2011. This is through the combined effects of a degree of latent demand, improved credit conditions, modest growth in the domestic economy and continued high rates of growth in the global economy. The corporate sector is sitting on record levels of cash, rising profits and sound balance sheets. Prudence is still a word often heard, but 2011 should mark the time when companies open a second office, take an additional floor or take back sublease space that they now feel they need.

Debt Markets Opening Up

Jones Lang LaSalle's fall U.S. capital markets outlook noted encouraging signs that the debt markets are opening up and that the U.S. CMBS market was staging a rally with year-to-date CMBS issuance totaling $4 billion, which is double the volume for all of 2009.

More than $1.6 trillion in commercial mortgages and construction and development loans held by lenders are scheduled to mature through 2014. The vast majority of these maturities lie with commercial banks at more than $900 billion. CMBS maturities through 2014 are manageable at approximately $200 billion to $250 billion.

The list of problem bank institutions continues to grow, and these bad commercial property legacy loans will continue to pose challenges for the banking sector through at least 2012.

"Lenders now hold over $33 billion of REO inventory that has resulted from this cycle," said Tom Melody, executive managing director of the firm's real estate investment banking business. "The fourth quarter of 2010 may see the most active CMBS new issuance since 2007 with five transactions totaling over $6 billion in the pipeline. As the debt capital markets continue to improve, 2011 appears to be a promising year for investors looking to take advantage of distressed opportunities in commercial real estate."

"Borrowers who own well-leased cash flowing properties will have numerous avenues for financing;" Melody added, "however, those borrowers that are overleveraged and dealing with decreasing rents and increased vacancy will have a tougher road ahead."

Investors who provide new debt to recapitalize troubled borrowers to fill the gap on assets that have substantially lower cost bases will command high returns with the prospect to own the properties outright. Most opportunities to deploy capital will come directly from current lenders and servicers.

These groups will shift from their "extend and pretend" mentality and look to actively modify loans leading to increased sales of distressed real estate and prospects for investors to deploy "loan-to- own" strategies.

CMBS Market Turns the Corner, While Loans Still Lag

Property market fundamentals and CMBS loan performance will begin to diverge in 2011, says Fitch Ratings. While commercial real estate fundamentals are likely to enter a period of stabilization, loan performance will remain plagued by the effects of asset-specific tenant rollover and high leverage.

Property market fundamentals have begun to turn the corner. Balance is being restored across property types for both supply and demand, largely thanks to a dearth of construction financing dating back to 2007. Market vacancies have also peaked in many of the largest markets, and rents have bottomed out, paving the way for property market stabilization 2011. However, it will be some time before income growth is seen.

Hotels and multifamily properties, which through the cycle have exhibited the worst delinquency performance, are now best positioned to stabilize. Conversely, properties with longer-term lease agreements that were largely insulated against dramatic cash flow fluctuations, such as office properties, will see continued weakness.

Landlords will remain under pressure, as leases expire into a lower-rent environment and substantial capital is required for re-leasing. Many borrowers that have seen their equity erode due to steep market value declines may become less inclined to support debt service or capital expenditures if forced to come out of pocket. As a result, Fitch expects term defaults to continue, albeit at a slower rate, in 2011.

While CMBS loans will continue to face pressure in 2011, Fitch expects that past rating actions, coupled with current actions when completed (reflecting poor performance that occurred in 2010), will lead to greater ratings stability going forward, especially with respect to investment-grade CMBS.

Investors Will Respond to Global Recovery

While the global outlook remains beset by many risks and uncertainties, ING Real Estate Investment Management said it believes the recovery of most real estate markets around the world is on track.

ING sees five ways that investors might respond. First, it anticipates increasing allocations to real estate both from traditional institutional investors in developed countries (pension funds, insurance companies and endowments) but also from sovereign wealth funds and new institutional investors from emerging markets.

Second, it anticipates a period in which many investors show an elevated degree of home bias. After all, if the outlook for returns is strong in one's own market is there really a need to pursue what might be perceived as more risky opportunities overseas?

While it anticipates that many risk adverse investors may likely continue to focus purely on prime properties in major markets; ING suspects that increasingly over 2011 some risk accepting investors may start to commit to investments in secondary properties with a value add strategy to reposition the property into a core property as markets recover.

With healthy balance sheets, many publicly listed real estate companies have access to capital to redeploy into recovering real estate markets. Many investors might find this a more liquid way to participate in the recovery.

And, investors convinced of the recovery prospects are likely to find this a tempting time to rotate into the more cyclical real estate sectors such as hotels and offices. The more risk averse may choose to wait a little longer to make sure that the recovery is firmly grounded.

U.S. Retailers to See Continued Slow Growth

Fitch Ratings is predicting that supermarket chains are expected to see some top line benefit in 2011 from higher food inflation, although growing competition from nontraditional retailers will limit their margin improvement. The department stores and apparel retailers will likely experience some margin pressure from sharply higher cotton prices, insofar as they are unable to pass these costs through to their customers. Discount retailers, on the other hand, should continue to perform well and take market share from the other retail sectors.

Jones Lang LaSalle's 2011 retail outlook says that increased consumer buying power is expected to lead to greater sales and profits for retailers, and renewed demand for store space in malls and shopping centers will further strengthen the retail leasing market and ultimately, the retail investment sales market. These stronger fundamentals are fueling new interest in the retail investment markets and a lack of product on the market is creating fierce competition among both core buyers looking for quality assets and opportunistic investors seeking distressed product, according to JLL.

Office, Industrial Vacancies near Peaks

The U.S. office market vacancy rate is expected to slowly decline over the next two years, falling to 16.4% by the end of 2011 and to 15.3% by the end of 2012, according to analysis from CBRE Econometric Advisors (CBRE-EA). CBRE-EA forecasts that the office vacancy rate will peak in second quarter of this year at 16.8%, up from the 16.6% level at third quarter.

"The recent increase in leasing is a step in the right direction but activity is uneven across markets and generally tenant footprints are not increasing," said Arthur Jones, senior economist of CBRE-EA. "Since office space is the 'economy in a box,' continued job growth is key to the market's ongoing recovery."

The U.S. industrial real estate sector's national availability rate is expected to fall to 13.1% in 2011, down from 14.% in the third quarter of 2010, according to CBRE-EA, which forecasts that the industrial availability rate is expected to continue declining during 2012, ending the year at 11.8%. The national industrial availability rate peaked at 14.1% in the second quarter of 2010.

Hotel Occupancies, Deal Volume to Increase

Hospitality consultant, The Plasencia Group, says hotel occupancy picked up with vigor in most major U.S. markets during 2010, but average daily rate (ADR) growth remained somewhat soft.

However, it said it believes rates will recover quickly in 2011 and most market ADRs should hit prerecession levels in 2012 and 2013 (un-inflated adjusted), representing in a rather short 5-year peak-to-peak recovery.

Hotel values will also pick up in 2011 and 2012, primarily as a result of NOI increases, and that will drive volume.

Additionally, many "unwilling owners" - CMBS servicers, banks and the like - will be compelled to rid their portfolios of a vast number of assets before they can reinvest or lend anew. While this purging won't come in the form of a tidal wave, the number of assets expected to gradually hit the market throughout 2011 will be three to four times 2010 levels.

REITS will rule as the primary buyer, at least for the initial portion of this next cycle, Plasencia says.

The FDIC Sells Four Loan Portfolios Totaling $1.22 Bil.
聯邦儲蓄保險公司賣出四筆總值$12 億美元的貸款組合

By: Mark Heschmeyer (CoStar)

The Federal Deposit Insurance Corp. closed on the sale of a series of loan portfolios.

In the first deal, the FDIC sold a 40% equity interest in a newly- formed limited liability company created to hold assets with an unpaid principal balance of approximately $204 million from 12 failed bank receiverships.

The winning bidder of the FDIC Multibank CRE Venture Loan and REO Structured Transaction 2010-2, Northern Pool was ColFin Milestone North Funding LLC, a consortium of investors organized by Los Angeles-based Colony Capital. The purchase price was 27% of the unpaid principal balance. The Cogsville Group LLC of New York is minority-owned and partnered with Colony.

As an equity participant, the FDIC will retain a 60% equity interest in the LLC and share in the returns on the assets. The FDIC offered 1:1 leverage financing to the LLC, which will issue to the FDIC purchase money notes of $28.5 million. The sale was conducted on a competitive basis with the FDIC receiving bids for either a 40% ownership interest or a 20% ownership interest in the LLC.

The FDIC as receiver for the failed banks will convey to the LLC a portfolio of approximately 557 distressed commercial real estate loans, of which more than 50% are non-performing. Collectively, the loans have an unpaid principal balance of approximately $204 million. About 82% of the collateral in the portfolio is in Michigan. As the LLC's manager, Colony will manage, service, and ultimately dispose of the LLC's assets.

All of the loans were from banks that failed during the past 20 months.

In a second deal, the FDIC closed on a sale of a 40% equity interest in a newly- formed limited liability company created to hold assets with an unpaid principal balance of approximately $137 million from five failed bank receiverships.

The winning bidder of the FDIC Multibank CRE Venture Loan and REO Structured Transaction 2010-2, Western Pool is Colony Milestone Co-Investment Partners LP, a consortium of investors also organized by Colony Capital. The purchase price was 60.10% of the unpaid principal balance. The Cogsville Group again partnered with Colony.

As an equity participant, the FDIC will retain a 60% stake in the LLC and share in the returns on the assets.

The FDIC offered 1:1 leverage financing to the LLC, which will issue to the FDIC, as receiver, purchase money notes of $42.6 million. The sale was conducted on a competitive basis with the FDIC receiving bids for either a 40% ownership interest or a 20% ownership interest in the LLC.

The FDIC as receiver for the failed banks will convey to the LLC a portfolio of approximately 198 distressed commercial real estate loans, of which more than 38% are non-performing. Collectively, the loans have an unpaid principal balance of approximately $137 million. About 78% of the collateral in the portfolio is in Utah. Colony will manage, service, and ultimately dispose of the LLC's assets.

In a third deal, the FDIC sold a 40% equity interest in a newly-formed limited liability company (LLC) created to hold assets with an unpaid principal balance of approximately $279 million from nine failed bank receiverships. The winning bidder of the Western Residential Acquisition and Development pool of the 2010-2 Multibank Structured Transaction was Cache Valley Bank in Logan, UT, with a purchase price of 22.22% of the unpaid principal balance.

As an equity participant, the FDIC will retain a 60% stake in the LLC and share in the returns on the assets. The FDIC offered 1:1 leverage financing to the LLC, which will issue to the FDIC a purchase money note of $30.6 million. The sale was conducted on a competitive basis with the FDIC receiving bids for either a 40% ownership interest or a 20% ownership interest in the LLC.

The FDIC as receiver for the failed banks will convey to the LLC a portfolio of approximately 761 distressed residential acquisition and development loans, of which more than 50% are delinquent. Collectively, the loans have an unpaid principal balance of approximately $279 million. About 81% of the collateral in the portfolio is in Utah, Arizona, California, and Nevada. Cache Valley will manage, service, and ultimately dispose of the LLC's assets.

All of the loans were from banks that failed during the past 14 months.

Lastly, RoundPoint Financial Group purchased a 40% stake of a $603 million mortgage loan portfolio from the FDIC in conjunction with RBS Financial Products Inc.

The FDIC retains a 60% equity interest in what is a newly created venture that will acquire the pool of mortgages. RoundPoint Capital Group and RoundPoint Mortgage Servicing Corp. will oversee the management and servicing of all loans in the portfolio.

U.S. Home Prices Weaken Further
美國房價持續下跌

By: Dees Stribling (Commercial Property Executive)

Retail sales and other economic indicators might be chugging along now, but the housing market is proving to be the sick man of the recovery. Or, to use more contemporary phasing, the sick person–vexed by oversupply, tight credit and high unemployment, the market is bed-ridden and not responding to various interventions.

That's the conclusion most observers are drawing from the fact the S&P/Case-Shiller Home Price Indices trended toward negative territory in October. The 10-City Composite Index posted a meager 0.2 percent growth rate in October compared with the same month last year; as recently as May, its year-over-year growth was 5.4 percent. The 20-City Composite Index has now wholeheartedly re-entered negative territory, down 0.8 percent in October versus the same month a year ago.

The month-over-month change in October in every one of the 20 markets in the 20-City Composite was negative. The year-over-year change in each market wasn't much better: only the three major California markets (LA, SF and SD) plus Washington DC showed any price appreciation this October compared with last.

In some metros areas, a decade or more of price appreciation has been lost. An October index level of 68.86 in Detroit indicates that average home prices there are more than 30 percent below their January 2000 values. Las Vegas, Cleveland and Atlanta are roughly back to their 2000 levels. On a relative basis, Los Angeles, New York and Washington DC have fared best, retaining the most of their mid-2000 price appreciation.

"There is no good news in October's report," David M. Blitzer, chairman of the index committee at Standard & Poor's, in a blunt statement. "Home prices across the country continue to fall. The trends we have seen over the past few months have not changed."

Consumers Not Quite So Confident

As if on cue after Tuesday's housing report, the Conference Board's Consumer Confidence Index, which had improved in November, decreased slightly in December (in fact the data for the Confidence Index was collected earlier this month). The Index now stands at 52.5, down from 54.3 in November. The index's baseline is in those presumably confident days of a generation ago, with 1985 = 100.

"Despite this month's modest decline, consumer confidence is no worse off today than it was a year ago," noted Lynn Franco, director of the Consumer Research Center at the Conference Board in a statement that put the best face on things. "Consumers' assessment of the current state of the economy and labor market remains tepid, and their outlook remains cautious. All signs continue to suggest that the economic expansion will continue well into 2011, but that the pace of growth will remain moderate."

Growing Restaurant Chains Help Landlords Create Signature Menus
餐飲對購物商場的重要性

By: Mike Janssen (Retail Traffic Magazine)

The economic troubles of the past few years may have put a damper on consumer spending, but industry observers say that through it all, shoppers appear to have maintained a healthy appetite for dining out. Now, with the economy showing signs of recovery, new concepts for restaurants are emerging. Local and regional chains are vying to squeeze in among the national contenders, appealing to developers who want to snag diners with a diverse menu of distinct and flavorful options.

Overall, the U.S. restaurant industry added 2,600 new eating and drinking locations in 2009, according to a report from the National Restaurant Association (NRA), citing data from the U.S. Bureau of Labor Statistics. That's well off the pace of 11,000 new locations per year averaged between 2002 and 2008, but given the depth of the recession, the growth was viewed as a positive sign.

The stakes are high for landlords—they know that a shopper who eats at the mall is likely to stay longer and spend more. "We look at the clusters of restaurants at our centers as becoming another anchor," says Guy Mercurio, a vice president who oversees restaurant leasing for Santa Monica, Calif.-based regional mall REIT Macerich Co. "The number of people that they bring in by combining several concepts can equal the number of people that go into a department store."

Shoppers can spend up to 40 percent longer at a property if they eat there, according to one study Mercurio cites. In addition, he says, a slate of restaurants can draw upwards of 2 million diners a year, many of whom might not have visited the mall otherwise.

"We're essentially trying to stretch the shopping day and the shopping hours," he says. With the right restaurants, "we believe we will draw more people from a greater distance, and they'll stay longer at our center."

Over time, landlords and restaurateurs have changed their thinking about what kinds of restaurants will accomplish that goal. They now emphasize that today's diners are looking for unique, lively experiences. Customers who once sought out reliability and consistency now desire authenticity, says Rob Wilder, co-founder of Washington, D.C.-based restaurant operator ThinkFoodGroup.

"The big trend over time has been that restaurants are entertainment," says Wilder, a business partner of Washington–based Spanish chef José Andrés. "They're social. Families get to sit down with their kids and focus. There aren't those demands you have around the kitchen table."

In keeping with that trend, observers say, restaurateurs increasingly aspire to create a fun and casual atmosphere. They're shying away from excessive formality and adding a wider array of entrees at varying price points, including kids' menus at restaurants that previously overlooked younger diners. Some expanding chains even introduce movies, live music, games or bowling into the dining experience.

These developments come as restaurateurs show growing optimism about their prospects in coming years. An NRA survey in September found that 43 percent of operators expected higher sales over the next six months compared to the same period the previous year. Meanwhile, 38 percent anticipated an improving economic outlook over the next six months, up from 25 percent in August. They also reported rising customer traffic, and net same-store sales rose for the first time in six months. In addition, the NRA's Restaurant Performance Index stood at 100.3 in its October reading. Anything above 100 signifies expansion in the index of key industry indicators.

Eating out, but eating less

Compared to retailers, observers say, restaurants weathered the recession relatively well—though not all equally. Customers continued to eat out but sought to save money by sharing portions or trading down to cheaper locations. That resulted in steeper declines in revenues at the highest-end restaurants, such as steakhouses, says Bryant Siragusa, professional director of mall restaurants and entertainment for Chattanooga, Tenn.-based regional mall REIT CBL & Associates Properties Inc. Companies taking employees out on expense accounts traded down to upscale casual locations, whose usual diners in turn traded down to casual dining. The lower-end restaurants saw less of that churn.

At restaurants at Macerich locations, "frequency and customer counts are fairly normal, almost where they've always been," Mercurio says. Yet diners have been a bit more frugal, spending less by getting wine by the glass rather than buying full bottles, or by sharing salads or entrees.

To accommodate such thriftier diners, some restaurants began offering more specials, such as bundling courses together into fixed-price menus, says Mercurio. Customers have also cut back on their lunch budgets, so restaurants might switch up menus and present the midday crowd with a cheaper, fast-casual, but still somewhat upscale set of dishes. At night, the restaurant returns to full-service.

Meanwhile, some landlords responded by adopting a more cautious approach during the downturn. "A restaurant's track record and their historical sales are more critical now," says Jason Kasal, vice president and leasing director for Oak Brook, Ill.-based Inland Southwest Management. "We're more closely vetting a restaurant's management team and their menu."

At CBL, the focus remains on long-term prospects. Many of the group's leases with restaurateurs extend to 10- or 15-year terms, Siragusa says, meaning that the company must look beyond short-term economic hardships. "Trading down to cheaper options may be happening now, but it won't always be that way," he says. "Just because fast casual is popular, CBL isn't going all fast casual."

Landlords now signing deals face an increasingly varied array of options. With higher-end restaurants and national chains reining in aggressive expansion, local and regional players have seized opportunities to fill the void. That can prove to be an asset for a landlord seeking to distinguish a property with an up-and-coming hometown restaurateur who can bring novelty and buzz to the site.

Among national chains, Cheesecake Factory, for example, was once opening 20 locations a year, says Peter Haback, vice president of restaurant leasing for Chicago-based regional mall REIT General Growth Properties Inc. This year, they opened three. P.F. Chang's was once expanding at a similar pace but it opened only six locations this year.

CBL's Siragusa says that trend appears to be ending. "Most of the national chains have flipped the switch and have started looking to expand again," he says. "I've also seen a big emergence of smaller chains that really have the ability to go national."

Keeping tabs on new concepts

So who are the expanding chains to watch? Leasing agents cite a number of up-and-comers. One is Bravo Brio Restaurant Group, a Columbus, Ohio-based chain that just went public with an October IPO. The company's Bravo! Cucina Italiana and Brio Tuscan Grille brands are likely to be in high demand, says Siragusa.

Siragusa also points to Cheddar's, a Texas-based chain akin to T.G.I. Friday's, Applebee's and Ruby Tuesday; and to BJ's Restaurant and Brewhouse, a California-based company that sells its own custom brews. Likewise, Cooper's Hawk, a Chicago-area chain that makes wine on site, may be seeking to expand. The eatery just won a Hot Concept award from Nation's Restaurant News.

Diners and developers know Florida's Darden Restaurants for its widespread brands such as Olive Garden, Red Lobster and LongHorn Steakhouse. Darden is now building out with Seasons 52, a premium casual American grill with a seasonal menu.

In addition, it's doing its best to keep its more mature concepts as fresh as possible. The firm recently announced a plan to remodel all of its nearly 700 Red Lobster locations in a style reminiscent of the seaside village of Bar Harbor, Maine, while introducing new menu items in the $8.99 to $18.50 price range. Thirty-three percent of restaurants will be remodeled by June 2011, with the goal of all Red Lobster restaurants receiving a remodel by 2014.

Macerich's new Santa Monica Place in Santa Monica, Calif., will feature a True Food Kitchen, a growing chain that Macerich's Mercurio expects to be popular. The restaurants sprang from a partnership between noted health guru Dr. Andrew Weil and Fox Restaurant Concepts, a Phoenix-based company. You might expect hippie grub such as "tofu and cabbage," as Mercurio says, but True Food instead presents healthy organic food, juices and smoothies, as well as wine, beer and specialty cocktails.

Entertainment-themed establishments form a subcategory of their own. Looking for bowling? There's Lucky Strike and Ten Pin Alley. Toby Keith's I Love This Bar and Grill brings live music into the mix, and AMC has been opening dine-in movie theaters. Chuck E. Cheese, long popular among kids, continued to expand and even reap positive revenues during the recession, says CBL's Siragusa.

Such entertainment elements might add flash to a restaurant, but the food remains the top priority, says Jason Kasal of Inland Real Estate. "If they get the food right, then the entertainment usually works," Kasal says. "But if the focus is on the entertainment, the food doesn't usually work as well. It's difficult to execute both really well."

Kasal also likes working with restaurants that use social media and Web marketing tools such as Twitter, Facebook and Groupon. Such efforts demonstrate that the restaurateurs care about improving their offerings and responding to feedback from customers. “Those are the ones we’d like to be associated with,” Kasal says.

Local or national?

The array of expanding national chains, along with the local and regional restaurants seeking to grow, gives landlords a mix of choices. They now consider not just whether their restaurants are local, regional or national, but also the range of cuisines represented and how the restaurants will complement their surrounding retailers.

“The goal is to provide something in each category,” says Gar Herring, president of MGHerring Group, a Dallas-based developer. MGHerring recently added six restaurants to its Village at Fairview in the Dallas area, and three more will move in by the end of the year. Some are regional, others national, and the cuisines include Asian, Tex-Mex, Italian, seafood, burgers and baked goods.

By selecting these restaurants, MGHerring sought to offer enough variety that shoppers wouldn’t have to decide on what they wanted to eat before they arrived at the center. For those doing a little more advance planning, such as scheduling an event, Fairview also employs a dedicated restaurant concierge to field questions and requests.

For its part, Macerich doesn’t follow set formulas when balancing local, regional and national tenants, says Mercurio. But having all of them is key. “You appeal to a wider range of customers, and it becomes more of a destinational draw,” he says.

It’s an approach that has worked well for Macerich, Mercurio says, and it informed the buildout at Santa Monica Place, a refurbished center that the company opened Aug. 6. The site boasts regional and local restaurants, a food court with about a dozen options, and a market featuring local vendors of artisanal meats, wines, seafood, coffee, baked goods and other foodstuffs.

The assortment of upscale offerings sounds like a foodie’s dream, and indeed, one restaurateur says developers will need to up their game to get the attention of choosy diners. “People are somewhat jaded and really want to seek out something unique,” says ThinkFoodGroup’s Wilder.

For malls to remain competitive, Wilder says, they’ll need to become financial partners, which could mean spending up to $10 million to help a signature restaurant get built. Restaurants are a high capital business, fueled in part by the regulation and construction demands that restaurateurs must contend with. Diners “want somebody who’s going to push the limits a little bit, and that’s never going to be an old-fashioned mall deal.”

Wilder and Andrés, his business partner, have talked with developers but have yet to find the kinds of deals they’re looking for, he says. It’s too early to tell whether developers will change their minds, but ThinkFoodGroup isn’t ready to compromise.

“The hotel world has gotten with the program,” Wilder says. “They’re willing to build a restaurant and turn the key for us. And if you want us, you’ll have to do that.”

Store Openings to Increase in 2011, While Pace of Store Closings Will Decrease Slightly
2011 年新店開業增加，關店稍減

By: Elaine Misonzhnik (Retail Traffic Magazine)

The retail real estate industry will face another slow growth year in 2011, though the pace of store openings will gradually improve throughout the coming months, industry insiders predict.

Given the current brisk pace of holiday sales and availability of vacant storefronts at affordable rents, retailers with cash in their coffers will step up expansion announcements in 2011, says John Bemis, executive vice president and director of leasing and development with Jones Lang LaSalle Retail, an Atlanta-based third party property manager. In 2009 and 2010, store openings decreased slightly year-over-year for both the Jones Lang LaSalle portfolio and the U.S. retail sector overall, he notes. But starting next year, many discretionary retailers will finally be in a position to open new stores.

Ann Taylor, for instance, plans to open 40 new stores in 2011, compared to only five in 2010. Sterling Jewelers expects to open 25 new stores—the "first real expansion in the jewelry segment" since the recession struck, Bemis says. Other retailers that plan to step up expansion campaigns in 2011 include Family Dollar, Dollar General and Uniqlo.

Overall, U.S. retailers plan to open more than 65,000 new stores in the next two years, according to research by Retail Lease Trac and RBC Capital Markets. The Retail Lease Trac and RBC numbers are based on a database of 2,000 retailers (although it excludes some larger chains like Walmart and Target).

That means in 2011, retailers will open approximately 35,000 new stores, estimates Rich Moore, an analyst with RBC Capital Markets who helps compile the report. Michael Wiener, president and CEO of Excess Space Retail Services Inc., a real estate disposition and lease restructuring firm, expects retailers to expand as well, but not as quickly. Weiner says retailers are likely to expand gradually, with about 20,000 new stores in 2011 and another 40,000 to 50,000 in 2012.

"I think people are just getting back into the marketplace and trying to understand what kinds of deals they can get," Wiener says. "We still think things will be on a very slow upswing, but we do think that there will hopefully be at a minimum a slow and steady recovery in retail."

Store closure projections

At the same time, Wiener expects that next year retailers will continue to shutter stores at roughly the same pace as in 2010, or that store closings will decrease only slightly year-over-year. Through the third quarter of 2010, retailers closed approximately 4,680 stores, according to ICSC statistics. That puts the industry on pace to surpass 2009's total of 4,811, but finish below the 2008 peak of 6,913 closings.

The figure for 2010, however, should come in below predictions offered at the beginning of the year, when many in the retail industry thought retailers might close up to 8,000 stores this year.

Even if store closures remain at the same level in 2011 as this year, it could still be a positive trend for retailers, notes Andy Graiser, co-president of DJM Realty, a Gordon Brothers Group company which specializes in strategic real estate solutions, dispositions and valuations.

Most of the closings will likely involve underperforming stores that have failed to meet retailers' return hurdles and so dropping them will contribute to the companies' financial health. In addition, some retailers might shutter new concept divisions that haven't performed to expectations, returning instead to their core brands.

"I don't see chains closing down, I just think you will see a lot more pruning," Graiser says. "Pruning is helpful because companies are being disciplined on what their hurdle rates need to be and that makes them much healthier and stronger."

Graiser predicts that store closings in 2011 will total about the same as in 2010. Bemis, on the other hand, thinks closings might return to 2005 levels, when the industry closed 4,269 stores.

Path to recovery?

There is greater consensus around the notion that the recovery in the leasing market will be a slow, labored one, with retailers no longer beholden to the whims of Wall Street. Instead, even publicly traded chains will open only as many locations as they consider prudent for their bottom line, only in those centers they feel they can afford.

"There is a general feeling that the market has stabilized, but the recovery is going to drag on for a reasonable amount of time," says Matthew Bordwin, principal and managing member of Keen Consultants, a Melville, N.Y.-based real estate consulting and restructuring firm. "Most retailers don't have significant store opening plans and those that do are being very conservative. And so there still remains a large amount of empty space on the market and few retailers that are expanding at a meaningful pace."

Investec Proves That California Coastal Retail is Golden
加州海岸線的購物商場在低迷市場里依然保值

By: Barbra Murray (Commercial Property Executive)

The list of retail property owners that can claim their portfolio's average occupancy level did not dip below the mid-90 percent range during the economic crisis is a short one, but Investec Real Estate Companies is on it. Investec–which also invests in office, industrial, self-storage and multifamily assets–has spent nearly three decades lining its portfolio with California neighborhood shopping centers within close proximity of the Pacific Coast, and the company's remarkable success over the last two years indicates that certain retail properties within close proximity of the water in the Golden State are apparently recession-proof.

"We have approximately 2 million square feet of retail from San Diego to San Francisco located 10 miles from the ocean and that has been our mandate for the last 30 years," Kenneth P. Slaught, president of Investec, told CPE. "Our portfolio occupancy level before the crash of 2008 was at 98 percent and at the depth of the recession, we were at 96 percent." The final numbers 2010 numbers for the U.S. are not in yet, but in its 2010 National Retail Report, Marcus & Millichap Real Estate Investment Services predicted that after having skyrocketed 240 basis points in 2009, the national retail vacancy rate would increase another 80 basis points to finish the year at 13 percent.

"The closer you are to the coast, demographics like income and population density are off the chart," he said. "On the West Coast, there are pretty strict environmental regulations, so there is very little chance of getting outflanked. When there are supply constraints, the demand continues to increase."

More often than not, beach real state is practically synonymous with upscale real estate, but no such description can be attached to Investec's holdings. "If you had high-end retail on the coast, you are probably still suffering. We are not high-end or specialty; we're grocery- and drug-anchored. Most of the retailers are necessity based. People still have to get their clothes dry-cleaned and they still have to eat. "

Investec's retail properties, while not upscale, are certainly in the Class A category. The company's purchases in 2010 include San Diego's 100,000 square-foot Plaza at Sunbow (pictured), which Investec acquired in an off-market cash transaction for $21 million. Ralphs supermarket and CVS/pharmacy anchor the eight-year-old property where the tenant roster is at maximum capacity.

And Investec frequently skirts the real estate bidding process when buying. "Six or seven of our transactions over the last 24 months have all been off-market since a lot of sellers in the market don't want people to know they're selling because it connotes that they are in trouble," Slaught said. "We could buy a shopping center from a Forbes 500 guy and no one would have to know. They could have issues in other parts of their portfolio and want to sell. So we're moving around and picking up the crown jewels of people who have to sell because of other issues in their portfolio. It's been a great opportunity. We love this market! We're paying all cash and we're seeing opportunities we've never seen. We're not stealing them, but we're getting them at market price. They typically come at an expensive premium that we're not paying right now."

Investec also develops shopping centers–it completed the $17.5 million construction of the 60,000 square-foot Gene Autry Plaza in Palms Springs in fall 2009–and more acquisitions are certainly on its agenda. In October 2010, the company raised $130 million for the purchase of grocery- and drug-anchored shopping centers in, of course, California's coastal region. “Some people thing it's a small market, but it's huge,” Slaught noted. “And some people think we're a bit boring because we've done the same thing for 30 years, but why take the risk?

The Rise and Fall of Default
2010 年被聯邦儲蓄保險公司關閉的銀行(共 161 家)

By: Sam Chandan (The New York Observer)

The default rate for commercial real estate mortgages held by the nation's depository institutions—including mortgages at least 90 days delinquent and mortgages in non-accrual status—increased to 4.36 percent in the third quarter of 2010, up from 4.27 at midyear.

While the default rate continues to trend higher, the most recent increase is the second smallest in three years. Growth in the balance of defaults at banks has slowed considerably in recent quarters, according to Real Capital Analytics' analysis of bank filings. The $604 million increase in the default balance in the third quarter is less than one-tenth of the $7.2 billion increase in the second quarter of 2007.

As property prices and rent measures stabilize in many markets, the increase in strain on bank health related to commercial real estate is also becoming more measured.

Reasons for Caution

The third quarter's 9-basis-point rise in the commercial mortgage default rate is the 17th consecutive quarterly increase. At the low point in defaults, in the first and second quarters of 2006, the default rate was just 0.58 percent. By comparison, the current default rate is just 19 basis points shy of its record high of 4.55 percent, reported in 1992.

As banks have worked through only a subset of these loans—there are $46.8 billion in bank-held defaulted commercial mortgages as of the third quarter—the potential for losses related to resolutions of distress remains a key feature of the marketplace.

Multifamily Default Rate Rises

The multifamily default rate increased sharply between the second and third quarters, jumping from 4.13 percent to 4.67 percent. Between the first and second quarter, the multifamily default rate had fallen by 50 basis points, the first such decline of the cycle, raising hopes that the bank stress related to real estate exposures might have reached its inflexion point.

Over the course of the downturn, the increase in the default rate for multifamily mortgages has been more dramatic than for commercial real estate. The current multifamily default rate is nearly 20 times higher than the 0.24 percent default rate measured in the first and second quarters of 2005. Banks' exposure to the multifamily sector is more limited, however, with total outstanding balances of $215.8 billion and mortgages in default of $10.1 billion.

Legacy Issues Constrain Bank Lending

The weight of unresolved distress is manifest in greater regulatory and supervisory oversight in making new loans, as well as adjustments in lending standards and many banks' willingness to extend new credit in the sector. Demand for loans has also moderated.

As a result of these shifts, banks have been drawing down their exposure to commercial real estate, making new loans at a slower pace than the pace at which maturities, amortization and distress have removed exposure from their balance sheets. In the third quarter, total commercial real estate mortgage balances fell by $8.8 billion. In 2010 year-to-date, balances have fallen by $18.5 billion. Multifamily balances increased slightly from the second to third quarter but also remain below their peak levels from last year.

Smaller Banks Exhibit Lower Default Rates

Default rates are highest at the largest institutions (those with $10 billion or more in assets), where the concentrations in commercial real estate are lowest and the capacity to absorb related losses benefits from diversification. At smaller institutions (those with less than $1 billion in assets), default rates are generally lower. For example, at banks with between $100 million and $1 billion in assets, the commercial mortgage default rate is 3.29 percent, 107 basis points lower than the national average. But concentrations in commercial real estate, multifamily lending and construction lending remain much higher at these smaller institutions.

Combined with the lagging recovery in values in secondary and tertiary markets, where these banks dominate lending activity, the greater concentration still implies a much more limited capacity to manage related losses. It is important to note that there is considerable variation in the default and loss experience of regional banks, in particular. Institutions of similar size and geographic footprints and with similar exposures to commercial real estate exhibit differences in losses that may relate to the effectiveness of workout strategies and not just the health of the underlying mortgages.

Implications for Credit Availability

As reported by Real Capital, increases in the lending activities of large institutional lenders, including life companies, have resulted in an improvement in credit availability in many of the largest and most liquid metropolitan areas and for the highest-quality properties. This trend will see further support from an increase in securitization activity.

But outside of the major metros—including New York, Washington, D.C., and San Francisco, among a select few others—transaction activity and credit remain constrained. The slowdown in bank-held commercial mortgage defaults suggests that the sector's contribution to bank distress may be nearing a plateau.

Nonetheless, banks still face serious challenges in drawing down their default and real-estate-owned balances and in working toward a normalization of credit in the markets where the bank-lending model is most appropriate.

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

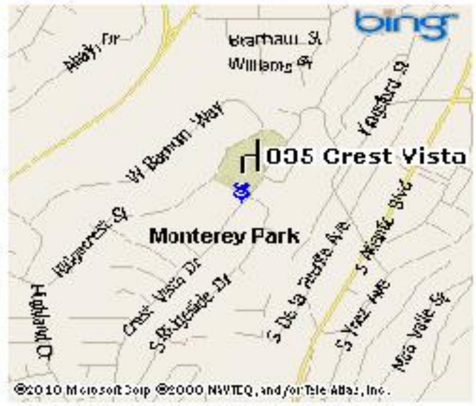
(Wall Street Journal)

Consumer Money Rates

	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	-	-4.25
Prime rate*	3.25	3.25	3.25	3.25	-	-4.00
Libor, 3-month	0.30	0.30	0.54	0.25	0.05	-4.34
Money market, annual yield	0.66	0.65	0.95	0.63	-0.26	-2.82
Five-year CD, annual yield	2.07	2.06	2.70	2.02	-0.54	-2.33
30-year mortgage, fixed	5.05	5.04	5.51	4.32	-0.46	-0.75
15-year mortgage, fixed	4.42	4.38	4.83	3.71	-0.33	-0.92
Jumbo mortgages, $417,000-plus	5.73	5.71	6.33	5.32	-0.60	-1.07
Five-year adj mortgage (ARM)	4.08	4.02	5.79	3.31	-0.58	-1.54
New-car loan, 48-month	5.43	5.44	6.85	5.42	-1.37	-1.55
Home-equity loan, $30,000	5.12	5.13	5.28	5.06	-0.12	-1.76

Monterey Park Luxury Residence
蒙特利公園豪宅

ML# : H10118939 **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/Source:	**4,931/Assessor's Data**
Lot Sqft/Source:	**16,013/Assessor's Data**
View:	**City Lights**
Assoc Dues:	

Interior Features

Bedrooms: **11**
Bath(F,T,H,Q): **6, 0, 0, 0**
FirePlace: **See Remarks**
Cooling: **Central**
Laundry:
Rooms: **See Remarks**
Eating Area:
Floor:
Utilities:

Property Description

Beautiful traditional eastern-style home with numerous bedrooms and unique elegance. Large, spacious bedrooms on both floors in well-kept condition. Custom-built in 1986 with addition of the back part of the house in 1992. Spacious backyard with a zen garden, large waterfall, and bountiful fruit trees. Also includes a large storage shed. Home is located in a secluded, safe neighborhood right next to a large park and tennis courts, and provides 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** Home Ph: **626-913-3881**
Contact DRE: **01093005** Fax:
Office: **STC Management**

School Information

School District:
Elementary:
Junior High:
High School: