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Shopping Center and Mall Fundamentals Stable, But Challenges Remain
購物商場與大型購物中心的租金和空無慮漸趨穩定，但復蘇仍需時日

By: David Bodamer (Retail Traffic)

Real estate research firm Reis Inc.'s preliminary data for the fourth quarter of 2010 shows that fundamentals continue to stabilize at neighborhood and community centers and regional malls. Vacancies at malls declined and at shopping centers remained flat from the third quarter. For shopping centers, it is the second straight quarter where vacancies have been stable and the second straight quarter of improvement for malls.

Neighborhood and shopping centers appear to be "meandering around a bit after the temporary reprieve from deterioration in fundamentals for retail properties last quarter," according to Reis economist Ryan Severino.

Vacancy levels remain at 10.9 percent, just a shade lower than the all-time high of 11 percent hit in 1991. Reis expects that the broader economic challenges mean that the vacancy rate could continue to tick upward in 2011, despite the recent stability. In addition, asking and effective rents declined by 0.1 percent, which Severino described as "a slight resumption of the downward trend in rents that began in mid-2008 and persisted until last quarter."

The vacancy rate for neighborhood and community centers remained flat or declined in 45 of the primary 80 metropolitan areas Reis monitors and effective rents remained flat or increased in 35 out of 80 markets.

Although a slight majority of markets Reis covers posted flat or even improving fundamentals last quarter, a minority of markets posted flat or improving effective rents this quarter. "This provides further evidence that retail is not yet on the road to recovery and any apparent optimism from last quarter about a recovery beginning to take hold and spread to a larger number of markets has clearly been squelched," according to Severino. Looking forward, the market will remain choppy.
Developers brought just 594,000 square feet of neighborhood and community center space online, reflecting both the tight credit conditions and still weak fundamentals for retail real estate. This represents the lowest level of completions on record since Reis began tracking quarterly data in 1999.

Brighter outlook for malls

While the outlook for neighborhood and community centers remains muddy, the regional mall sector is showing clearer signs of recovery. Vacancies declined by 10 basis points, from 8.8 percent to 8.7 percent during the fourth quarter. This is the second consecutive quarter that vacancy for regional mall figures has declined after rising from the third quarter of 2007 and peaking in the second quarter of 2010 at 9.0 percent.

In addition, asking rents increased for the first time since the third quarter of 2008. According to Severino, "It is not entirely surprising to observe regional malls performing relatively better than

neighborhood and community centers as the economy recovers. Regional malls did not experience massive supply increases like neighborhood and community centers during the last decade."

Still, regional mall asking rents are still at a level last observed in the second quarter of 2006, which is providing an incentive for former tenants of smaller strip malls to consider leasing space in malls. What this means is that, to some extent, the success of regional malls is coming at the expense of neighborhood and shopping centers. This view is bolstered by the fact that the blended vacancy rate for both sectors sits at 10.4 percent and has been flat for three quarters.

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CRE Pricing Volatility Continues; Assets Attracting Higher Prices Remain Exception Rather Than the Rule
頂級地產與問題地產差價顯著

By: Randyl Drummer (CoStar)

Strong investor demand for the best-located trophy properties in core markets offset by continued weakness in smaller and distressed assets.

The three national commercial real estate repeat sales indices released in this week's CoStar Commercial Repeat-Sales Indices (CCRSI) were down for the month of November -- the second consecutive month of decline for the trio of "headline" indices measuring the investment sales market -- despite a significant boost in prices for high-profile core deals in Washington D.C. and New York City.

While the disparity between "troubled and trophy" assets continued to contribute to overall volatility in pricing of commercial properties in fourth-quarter 2010, the pricing volatility typically accompanies market transitions and does not necessarily constitute a setback in the pace or strength of the CRE recovery, CoStar Group analysts said.

The index measuring investment-grade property sales was down 4.1% for the month, giving back some of the 8.1% net gains observed over August, September and October. Despite the November decline, the Investment Grade Index, comprised of the largest transactions in terms of dollar volume, is still up 7.6% since its cyclical low earlier this year, according to CoStar Group's newly released Commercial Repeat-Sale Indices (CCRSI).

Though the general real estate index fell 1.8% for the month, price declines for non-investment grade commercial property decelerated in November. The November decline puts the General Real Estate Index, which represented smaller transactions that comprise the largest number of real estate deals, at its lowest point since 2004. The index is 3.9% below its level three months earlier and 11.7% below November of 2009, in large part because smaller and mid-sized regional banks, which normally make up the bulk of lending for smaller, more local real estate, continue to struggle with distressed inventory and have yet to significantly resume lending.

Quarterly market-level indices suggest large gains over the past several quarters in Washington D.C. and moderate gains in the most recent New York data. But these markets have been the exception rather than the rule. Strong and increasing interest in trophy properties within core markets, where prices continued to climb during 2010, stand in contrast to the overall negative trends nationally.

"Collectively [the national trends] show a market that is not just bifurcated but possibly trifurcated, with trophy assets commanding bidding wars, smaller assets languishing, particularly in secondary and tertiary markets; and distressed properties trickling onto the market as banks recycle assets at a relatively measured pace," said Dr. Norm Miller, vice president, analytics for CoStar Group.

"It looks like the longer term trend for investment grade real estate is now heading in a positive direction, and this is merely expected volatility which happens when you get a mix of properties with

such a range of prices, from trophy to troubled, in one basket," Miller added. "For smaller properties, I do see it as a decline, and we cannot make the same claim about being at the bottom."

CoStar Senior Real Estate Strategist Chris Macke noted that pricing volatility the last 12 months in the investment grade index is an improvement over its previously steady downward decline. Secondly, similar drops in investment grade pricing have been followed by increases in what Miller characterizes as a "see-sawing" market, Macke said.

"Third, at this point in the cycle, national trends mask material underlying variations by property size, quality, location, property type, etc., which are critical differences for investors," Macke said. "Fortunately, CoStar has that information for our clients."

The monthly CoStar Commercial Repeat-Sale Indices (CCRSI) include the national composite index along with 32 sub-indices, including breakdowns by property sector, region, transaction size and quality, and by market size, including a composite index of the 10 largest metro areas in the country.

The repeat sales methodology measures price movement of commercial properties by collecting data on the actual sales prices in commercial property transactions. When a property is sold more than one time, a sale pair is created. CoStar then uses the prices from the first and second sale to calculate price movement for the property, and creates a price index by aggregating all the price changes from all of the sale pairs.

The CCRSI January 2011 release is based on pricing data through the end of November 2010, when 605 pair sales were recorded compared to 596 in the prior month and 685 in September. Several of the later recorded transactions were distressed sales, forcing the indices down from the prior two months.

Investment-grade pair counts have been increasing modestly while the general pair count has been steady. Investment-grade transaction volume for November continued to be steady compared to October, and general real estate pair volume is up significantly.

There has been a significant upward trend in sale pair volume since January 2009, which appears to have been the low point of the downturn in sale pair volume, when 376 transactions were recorded. Sale pair dollar volume has since increased overall, as have the average deal sizes for both general and investment-grade sales.

By transaction count, general CRE sales accounted for 70% of the sale counts in November, but only 28% of the total sales by dollar volume. CoStar observed a spike in investment-grade sales volume in September, with nearly double the volume observed in October. The average deal size within the investment grade index was more than $23 million in September, compared to $11.4 million in November and $11.8 million in October.

The general real estate index saw higher average prices in November of about $1.9 million, compared to $1.3 million in October. Distress continues to be a significant factor in the index results with about one fifth of all transactions being distress sales and one fourth of the investment-grade transactions.

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Miller pointed out that the current market is dominated by smaller, slower-reacting banks and investors that don't anticipate market conditions as far ahead as the institutional world.

"REIT prices, for example, can lead the changes in fundamentals like positive absorption and increasing rents by several quarters, so this is more indicative of the larger institutional investment world. Our general real estate index will likely lag the investment grade index by a few quarters, especially this cycle, based mostly on the size of banks involved," Miller said. "These smaller banks are not 'too big to fail' and they still have a ways to go to get balance sheets cleaned up."

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Office Market Sees Positive Absorption
2007 年以來辦公樓第一次需求大於供給

By: Allison Landa (CP Executive)

The U.S. office market is seeing positive absorption for the first time since 2007, according to Cushman & Wakefield. The firm released statistics indicating an overall absorption rate of positive 2.2 million square feet at the end of 2010 – a whopping 106.5 percent increase from the negative 33.5 million square feet of absorption at year-end 2009.

According to the report, increases in leasing activity and limited new construction were drivers of the positive absorption. Cushman found that overall leasing activity for U.S. central business districts totaled 62.4 million square feet at the end of 2010. That's a 26.3 percent increase from 2009, when 49.4 million square feet were leased.

Cushman executive managing director & head of Americas research Maria Sicola said that the positive absorption portends good things for the office market's recovery. She added that during this year, restricted new development will play a major role in sustaining that recovery.

That's good news, because new construction is indeed limited. In 2010, there was 7.5 million square feet of new office space completed – a 40 percent drop from the 12.4 million square feet completed in 2009. It was also the lowest yearly total since 2005, when 5.2 million square feet was built.

However, rental rates remain stagnant, according to Cushman. The overall rental rate for U.S. central business districts was $36.4 per square foot at the end of 2010, a $0.09 decrease from $36.5 at the end of the third quarter.

Investors and Lenders Should Expect More Historically Low Interest Rates – But for How Long?
短期內利率預計持低

By: Sam Chandan (The New York Observer)

For the recovery in commercial real estate investment, and for the policy makers that have worried over the systemic implications of mass mortgage defaults, historically low interest rates have proven one of the downturn's few blessings. The last few quarters' sharp rise in property sales, in New York City and other major markets, would have been impossible under a scenario of significantly higher rates.

Similarly, in the management of legacy distress, loan extension and modification strategies have depended inordinately on lowering borrowers' interest costs. As a result, the principal write-downs that could undermine the viability of many lenders have been relatively few in number.

While a rise in interest rates is inevitable, a sharp increase over the next year could upset the commercial real estate market's return to health. If baseline measures of debt capital costs climb, property values, borrowing costs and lenders' loss-mitigation strategies would each have to adjust in ways that would temper current investment trends.

The question of higher rates is not academic. Rather, it has returned to the fore in recent months, as long-dated treasuries have fallen in price and yields have risen from their nadir in October. The 10-year treasury rate has risen by almost 100 basis points over the past three months. Although many economists attribute the increase to the slowly improving economic outlook, the offset may be in higher borrowing costs that would dampen the outlook.

Thus far, commercial lending rates have resisted upward pressure from rising long-term treasuries. Improving sentiment with regard to the commercial property outlook currently dominates any such headwinds.

But in a forewarning of potential challenges for commercial property markets, residential mortgage rates have been rising over the past few months. From an extraordinary low of just under 4.2 percent in November, Freddie Mac reports that average 30-year fixed mortgage rates have inched up to nearly 4.8 percent as of last week, down from closer to 4.9 percent a week earlier. Given the fragile state of the residential recovery, even marginally higher rates are unwelcome.

Short-Term Rates and the Policy Bias

What then is the outlook for interest rates? Short-term market rates are expected to remain at extremely low levels for some time. The London Interbank Offered Rate (LIBOR), in particular, is virtually unchanged since last September, hovering near historic lows across the range of 1-month to 12-month terms.

With substantial slack in the real economy and few indications of upward pressure on core prices or labor costs, monetary policy makers have enjoyed their full degree of discretion in maintaining an accommodative policy bias for short-term rates. This bias will likely persist.
In its most recent revision, the Fed's staff's economic outlook anticipates that core personal-consumption-expenditure price inflation will trend lower in 2011 and 2012 than previously projected, even as energy costs rise. Supported by this benign outlook for inflationary pressures and mindful of its full employment mandate, the Federal Open Market Committee elected in December, with one dissension, to maintain the 0 to .25 percent target range for the Federal Funds Rate. Signaling its intentions for future meetings, the committee restated "its expectation that economic conditions are likely to warrant exceptionally low levels for the federal funds rate for an extended period."

Private forecasters are evenly split between expectations of further weakness in the economic recovery, resulting in an unchanged target rate in 2011, and, in the alternative scenario, projections that the target rate will rise as high as 1 percent by year end. The most current economic data seems to support the former scenario.

The December jobs report, for example, shows that employers remain extremely reluctant to grow payrolls. While the unemployment rate fell to its lowest level in 19 months in December, the rate of net new job creation is agonizingly slow. As it stands, there are 7.2 million fewer jobs in the United States than at the peak of the market, in December 2007. At the current pace of job creation, it would take just under six years-until late 2016-for employers to replace those jobs. To encourage an improvement in labor market outcomes, monetary policy makers are obliged to remain accommodative in the absence of offsetting inflationary pressures.

For the time being, there is little chance of an increase in short-term rates related to the Fed Funds target. In fact, if the target rate had not already reached its lower bound, the FOMC might reduce it further. Chairman Bernanke, in testimony before the Senate Committee on the Budget last week, stated as much in explaining why the Fed has turned to less traditional forms of market intervention: "In a situation in which unemployment is high and expected to remain so and inflation is unusually low, the FOMC would normally respond by reducing its target for the federal funds rate. However, the Federal Reserve's target for the federal funds rate has been close to zero since December 2008, leaving essentially no scope for further reductions."

Long-Term Interest Rate Outlook

Unlike the short-term target rate, long-term rates are subject to the vagaries of a market over which the Fed exerts more limited and less direct influence. It is in this arena that the most serious risks present themselves. Yields on long-dated government bonds will rise in correspondence with the economic outlook, responding to favorable policy developments such as the extension of tax cuts. This is the most manageable circumstance involving higher rates, because it also implies that property fundamentals are generally improving.

But rates can rise for other reasons as well. Apart from an improving economic outlook, an increase in expected inflation will positively impact treasury rates, as will an increase in treasury issuance or an increase in investor risk tolerance.

Why might rates resist rising, or even fall back? For one, expectations of slow growth and modest inflation keep treasury rates low. Rates also narrow as a function of risk aversion. As investors' appetite for risk wanes or market risk increases, the risk-free investment becomes relatively more attractive, pushing prices up and driving yields lower. The risk-averse character of investors has been a factor in pushing treasury rates lower as the European sovereign debt crisis has unfolded, driving investment into the safety of U.S. government assets.

Will an improving economic outlook trump instability in Europe, pushing rates higher? For now, the outlook for long-term interest rates is fairly manageable. In December's Wall Street Journal Economic Forecasting Survey, the overwhelming majority of participants projected that rates would remain at or below 4 percent through the end of 2011. Only a small subset anticipates that rates will rise to about 5 percent. For rates to rise above 5 percent in 2011, the economy or capital markets would have to experience some unexpected shock.

For Now, a Benign Interest Rate Outlook

Unless growth or inflation expectations are revised upward, or demand for treasuries slips unexpectedly, investors and lenders should anticipate that rates will remain low by historic standards. Modest increases in long rates are unlikely to be unsettling to commercial real estate markets; it is only at the upper bound of the forecast range for long-dated treasuries that pressures on cap rates and comparable-term lending rates are likely to become apparent.

Still, we cannot afford to be complacent. In spite of the baseline expectations, there is an element of unpredictability in this market that is exaggerated by our current fiscal position, among other factors. Thomas Hoenig, president of the Federal Reserve Bank of Kansas City and the dissenting voter at each of the last eight meetings of the FOMC, pointed out in a commentary last week that "the reaction of interest rates and exchange rates to unsustainable fiscal policy can be sharp and disruptive."

This presents us with a problem since, as Chairman Bernanke reaffirmed last week before the Senate, "It is widely understood that the federal government is on an unsustainable fiscal path. Yet, as a nation, we have done little to address this critical threat to our economy."

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CMBS Lenders are Coming Back, As is Their Appetite for Risk
商業抵押擔保證券與它們愿承擔的風險正在復蘇

By: Elaine Misonzhnik (Retail Traffic)

Faster than anyone thought possible—and without much in the way of government help—the CMBS market has regained its vigor.

One of the first news reports to hit the commercial real estate industry at the start of the new year has been the revelation that Deutsche Bank and UBS will soon start selling a new CMBS issue valued at $2.5 billion. While CMBS issuance started picking up speed in the summer of 2010, the Deutsche Bank and UBS transaction is emblematic of the huge leap in lenders' willingness to tolerate risk over the past six months. The deal's size—it is one of the largest issuances of its kind since June 2008—is only one of the factors.

When Goldman Sachs revived the CMBS market in late 2009, with a $400 million issuance, the particulars of the deal were such that it couldn't even be seriously considered a CMBS financing, says Richard Jarocki, managing director of debt and equity finance with Grubb & Ellis Co., a commercial real estate advisory firm.

The issue was backed by a portfolio of assets owned by a single borrower, Developers Diversified Realty, a publicly-traded retail REIT, and representing a single asset class in 28 stabilized grocery-anchored shopping centers. What's more, Goldman Sachs and Developers Diversified took advantage of the Federal Reserve's Term Asset-Backed Securities Loan Facility (TALF) program to finance a small portion (about 18 percent) of the issue's total price.

New issues coming onto the market today represent an entirely different animal, notes Jarocki. Average dollar amount have jumped to almost $1 billion by the end of 2010 from several hundred million only a few months ago. And the deal size is still growing. Issuances in the works today are between $1 billion and $2.5 billion. In addition, the pools of assets now included in new securitizations involve multiple borrowers and multiple property classes.

Acceptable leverage levels have risen from approximately 60 percent 12 months ago to as high as 75 percent today. And while class-A assets in primary markets remain the preferred product type, new issues increasingly feature properties with some level of risk—centers positioned in secondary or tertiary markets, complexes with near-term lease rollovers or higher than expected vacancy rates.

"We are sort of in the middle range, where lenders are trying to see how far they can push the envelope," says Dan E. Gorczycki, managing director in the New York City office of Savills LLC, a real estate services provider. "They'll go to a tertiary market if everything else about the deal is fine, or they'll do lease-up risk if everything else about the deal is fine. We are not at the point where they'll do everything, which is where we were at the peak of the market."

What's driving the appetite for risk is the increasing number of players in the CMBS space (as well as historically low interest rates). By the end of 2010, about a dozen or so firms had come back to doing CMBS issuance. As 2011 plays out, the number might swell to 25, notes Jarocki.

In addition to the usual suspects—Bank of America, J.P. Morgan, Citibank—there have been several newly formed funds that don't have any legacy issues from the peak of the market and so can afford to be more aggressive on loan terms, says Steven Yazdani, managing director with Lucent Capital, a Los Angeles-based firm that specializes in arranging debt and equity financing.

As a result, approximately $10 billion in new issuance has already been lined up for the first quarter of 2011, according to Alan Todd, an analyst with J.P. Morgan Securities LLC. By the end of the year, Todd expects to see up to $45 billion in new issuance. Issuance in 2010 totaled $18.3 billion, according to Commercial Mortgage Alert, an industry newsletter.

The catch is that most of that money will go to finance new acquisitions or to refinance loans with low original leverage ratios, industry sources say—in other words, the kinds of loans that could easily secure financing from traditional real estate lenders like banks and insurance companies. Borrowers looking to refinance riskier stuff will either have to put more money into their assets or look for mezzanine lenders to bridge the gap in funding, says Gorczycki.

Terms of service

Retail owners stand to benefit the most from the greater availability of CMBS financing as retail happens to be a preferred asset class right now, says Steven Roberts, senior managing director of debt and equity finance with Grubb & Ellis. Wall Street firms like multifamily and industrial product as well, but those properties get quickly snapped up by agency lenders and life insurers respectively, he notes. Life insurers also get dibs on most of the class-A office buildings in large cities. What's left—suburban office space—is considered too risky of an investment by CMBS shops because of the stubbornly high unemployment rate, Roberts says.

In the last three deals of 2010, retail made up anywhere from 31 percent to 43 percent of the entire issue, representing the largest piece of the pie. For the most part, the focus has been on grocery-anchored centers with good credit tenants, say industry insiders. Borrowers of unanchored strips in secondary and tertiary markets still have some trouble getting financing. Or rather, if the asset doesn't involve too much risk, CMBS lenders will show a willingness to finance it, but they will offer such stringent terms that it would make more sense for the borrower to sign a recourse loan with a bank, says Yazdani.

At the same time, a borrower no longer has to be one of the largest publicly traded REITs in the country to be considered an acceptable candidate for CMBS financing, though a good credit history still helps. "The sponsor doesn't have to be pristine because in this environment everybody's had problems," says Gorczycki. "As long as they didn't commit any bad acts, they will be okay."

Lenders continue to pay careful attention, however, to borrowers' experience level with a particular asset class and knowledge of the local market. Someone who's always concentrated on Southern

California would have a hard time securing financing for a property in the New York region, notes Yazdani.

Financing terms have gotten more favorable than they were 12 months ago. Interest rates on class-A 10-year deals have dipped as low as 5.4 percent. But everything that gets underwritten these days gets underwritten on current cash flow, Yazdani says. Plus, the lenders have started paying a lot of attention to debt yields, something that was not even part of the equation in the mid 2000s, he adds. Today, an acceptable debt yield ranges anywhere from 9 percent to 13 percent, to give the lenders some breathing room if the Treasury rates spike too much before the loans come to maturity.

“That’s what people are now looking at—what’s going to happen in the future, and they are trying to take a conservative view,” says Roberts.

Current debt service coverage ratios on CMBS loans range from 1.25 to 1.35—they still haven’t come back to 1.20. Plus, CMBS lenders have upped the average dollar amount of each individual loan that goes into the issue to approximately $15 million to $20 million, adds Jarocki. The reason is that with fewer smaller loans in the issue investors feel more comfortable with their ability to analyze every loan. They no longer blindly trust issuers to do the due diligence for them.

But while the resurgence of the CMBS market is certainly good news for commercial real estate pros, they continue to worry about the billions of dollars in loans coming due over the next several years. In 2011, for example, approximately $54 billion in CMBS loans will reach maturity, according to Trepp LLC, so the $45 billion in new issuance will be almost “entirely offset” by legacy pay downs, according to J.P. Morgan’s Todd. What’s more, even if the market sees a greater level of issuance than expected, CMBS lenders will likely stick with new loans or with refinancing loans with conservative original underwriting.

“You have to remember that depending on the year a lot of that stuff was [originated], it’s probably very difficult for the new financing to take out the old financing,” says Roberts. “Property values have dropped, things were very aggressively underwritten and many owners are going to have to make a decision [if] they want to put more equity into their properties. That’s going to drive where we are going to be.”

CMBS Markets More Hardy Than Doomsters Speculated
商業抵押擔保證券市場比預計穩固

By: Mark Heschmeyer (CoStar)

New Issuance, Active Secondary Market, Increased Modifications Pave the Way for Stronger 2011.
All things considered, 2010 wasn't such a bad year for the commercial mortgaged-back securities (CMBS) market. Predictions earlier in the year of a CMBS tsunami of defaults flooding the market largely missed their mark. Delinquencies, which were forecast to hit 12% by 2012, now seem likely to top out at right around 10% this year.

And issuance last year tripled from 2009's anemic $5 billion to $16.1 billion in 2010, with 40% of the year's issuance occurring in the last quarter of the year - a much faster recovery than many anticipated, according to Christopher T. Moyer, an associate with Cushman & Wakefield Sonnenblick-Goldman LLC.

"Absent a spike in Treasury rates, our sense is that 'the Street' is so anxious to push this product, and investors are sufficiently interested in the yield premiums they're getting in CRE debt, that issuance will be at the high end of that range, or higher," Moyer said.

"Three major factors contributing to the stabilization of the CMBS delinquency rate," David Tobin, principal of Mission Capital Advisors in New York, told CoStar. "New originations have helped reduce overall delinquency. Conduit programs have re-started or started anew because of the pending maturity avalanche that is expected, because secondary market performance of CMBS has been strong following the credit implosion, and because firms perceive CMBS to have less credit and regulatory risk than RMBS [residential mortgage-backed securities]."

Lower interest rates also allowed for flexibility, Tobin added.

"Modifications, new originations and discounted payoffs are all able to be financed by virtue of the even lower rate environment today," he said. "And resolution rates are accelerating. Modifications, loan sales and foreclosures are all accelerating. By our measure, advisor-led special servicer loan sales increased from 2009 to 2010 from $554 million to $3.01 billion or 543%."
Special Servicers Speeding Up Loan Resolutions

Xiaojing Li, senior financial analyst in CoStar's Boston office says, "the bucket of current CMBS delinquent loans is heavily loaded, with $60 billion of unpaid balances. Close to half of that bucket - $26.6 billion - consists of loans in foreclosure or REO. Not surprisingly, most of the bucket contains soured loans originated from 2005 to 2007."

Going forward, analysts expect two factors will determine the size of the bucket of delinquent loans: the

rate at which previously performing loans become delinquent each month (thereby adding to the delinquency balance), and the rate at which special servicers resolve delinquent loans each month via liquidations or modifications.

"While the first driving factor may not moderate in the near term, the second factor has improved dramatically recently," Li detailed. "As the volume of distressed loans peaked at $89.4 billion by the third quarter of 2010, the average cycle time for the cumulative $28.4 billion of loans resolved by special servicers since 2009 has improved over that time."

"The declining cycle times suggest that after two years of dealing with a growing volume of bad loans, special servicers are getting more efficient in resolving troubled loans. It also appears they are supplementing their standard toolbox of resolution options (modifications, note sales, liquidations, etc.) with some creative solutions to maximize the return to investors."

For example, Li noted, one new approach is to put a distressed asset into receivership and allow the receiver to sell the asset directly, with an assurance to potential buyers that the debt is already in place; i.e., the buyer assumes the modified CMBS mortgage loan.

"As property values turn up more broadly in 2011 and loan resolution cycle times decline further, the ratio of newly delinquent loans to resolved loans will continue to fall," Li said. "As that momentum continues, that ratio will fall below 1.0, and the overall delinquency volume will begin to fall in 2011."

Li added one caveat, however - it may take longer this year to resolve loans.

"The majority of loans that have defaulted since 2009 haven't been resolved yet," she said. "Since better loans get reinstated or resolved more quickly than loans with bigger problems, the average resolution time could increase when more loans eventually get resolved."
Investor Appetite Returned

Will Sledge, managing director of sales & trading at Mission Capital Advisors, said the use of CMBS loan sales has increased markedly over the past 12 months.

"The willingness of special servicers to utilize the loan sale process versus other workout or liquidation scenarios likely stems from or correlates to the steep influx of assets serviced by the respective special servicers and the human resources required to manage the loans and the speed at which loans can be sold (6 weeks) versus modified or, foreclosed, listed and sold via traditional REO methods (several months)," Sledge said.

Also Sledge added, "the investor communities increasing aggressiveness in terms of pricing (which is

likely the result of the sense that the worst is behind us and the market's floor has been reached) has also sparked loan sales."

"Investor appetite remains very strong for CMBS debt," Sledge said. "Generally speaking, investors tend to chase CMBS loans secured by the following (listed in order of preference) multifamily, office, retail, hospitality, mini-storage, industrial, manufactured housing, healthcare, then other)."

The tie in between Treasury rates and investor demand was evident late in the year, though. The aggregate value of commercial real estate (CRE) loans priced by DebtX that collateralize CMBS decreased to 80.3% as of Nov. 30, 2010, from 80.9% as of Oct. 29, 2010. Loan values were 77.7% as of Nov. 30, 2009.

"The decline in the value of commercial real estate loans in November was due primarily to an increase in Treasury rates," said DebtX CEO Kingsley Greenland. "Rising Treasury yields were partially offset by tighter whole loan spreads for higher quality assets."
Issuance Volume Likely To Continue Increasing

With momentum in mind, industry veterans are forecasting 2011 CMBS issuance to total anywhere from $35 billion to $50 billion, reported Annaly Capital Management Inc. in its latest monthly commentary. Most expect investment banks to team up with other specialty finance lenders and securitize mortgages as soon as practical

"Structurally, there were some improvements to 2010 CMBS transactions. Credit enhancement went back to 2002 and 2003 levels of 18% to the AAA class, a welcome relief from the aggressive levels for 2006 and 2008 vintages," Annaly reported. "We anticipate some pressure to subordination levels in 2011 as originators compete for product."

Annaly estimates that approximately $300 billion of commercial mortgages will mature during 2011. Nearly 70% of that amount is attributable to the banks and thrifts and another 20% to CMBS and the balance to life insurance companies.

Banks' balance sheets have been mending and as a result they have an increased desire to add commercial real estate loans to their portfolios. That activity, coupled with a resurgent CMBS market and better life company allocations, should result in sufficient funds for those projects which are financeable, although we may see more 'amend, extend and pretend' programs for over-levered commercial real estate," Annaly reported.
Increased CMBS Issuance Leads Moderating Delinquency Percentage

Delinquencies closed out 2010 at 8.23%, though they have moderated in recent months, according to

the latest Loan Delinquency Index results from Fitch Ratings.

While U.S. CMBS delinquencies are down from the high of 8.66% reached in September 2010, Fitch projects late-pays to peak at or near 10% within the next year. This is a notable markdown down from Fitch's original forecast of 12% by 2012. Several factors should work to keep the index near 10% despite continued defaults of highly leveraged loans, according to managing director Mary MacNeill.

"Property market fundamentals are stabilizing and liquidity is returning to the market, allowing special servicers to resolve an increasing number of loans," MacNeill said.

An increase in new CMBS issuance for 2011 will also help to offset amortization and repayments, keeping the universe size relatively stable. In 2010, the size of Fitch's rated universe shrank by approximately $36 billion as principal was reduced.
Improved CMBS Market, Not Necessarily Good News for CRE Yet

Trepp LLC, a provider of CMBS and commercial mortgage information, analytics and technology, put the December delinquency rate at 9.2%. If defeased loans were taken out of the equation, December's overall delinquency rate would be 9.74%, up 26 basis points from November.

"Many have speculated that between the emergence of new CMBS lending, the resolution of many troubled CMBS loans and an uptick in trophy property sales, that the commercial real estate crisis was nearing its final stages," said Manus Clancy, managing director of Trepp LLC. "The December delinquency rate underscored that there still may be some nasty surprises in store even as the market shows some signs of healing."

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Starwood Capital Group Acquires $157M Non-Performing Commercial Loan Portfolio
Starwood 資金集團以四折的價錢收購價值$1.5 億美元的拖欠商業地產貸款組合

By: Lisa Benston (Global Viewpoints of CRE)

Starwood Capital Group ("Starwood"), a leading private investment firm, has completed the acquisition of a non-performing commercial loan portfolio with an outstanding principal balance of $157 million from a major Midwest Regional bank. The portfolio of loans was purchased for 40 cents on the dollar, representing an attractive price of approximately 32% of initial capitalization.

The portfolio consists of 137 commercial loans with concentrations in Florida, Indiana, Michigan, North Carolina and Ohio. Through its Starwood Global Opportunity Fund VIII ("SOF VIII"), which closed earlier this year, Starwood has now purchased three loan portfolios in 2010 with an aggregate outstanding principal balance of $537M.

"This acquisition is another example of Starwood Capital Group's ability to create value in today's competitive real estate market while building on the momentum we have achieved with Starwood Global Opportunity Fund VIII this year," said Chris Graham, Managing Director at Starwood Capital Group. "Our real estate expertise and experience resolving and managing underperforming loans allows us to maximize returns for Starwood investors."

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

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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	-3.75
Money market, annual yield	0.64	0.64	0.90	0.63	-0.26	-2.81
Five-year CD, annual yield	2.06	2.07	2.70	2.02	-0.63	-2.29
30-year mortgage, fixed	4.85	4.95	5.43	4.32	-0.49	-0.78
15-year mortgage, fixed	4.19	4.28	4.75	3.71	-0.56	-0.95
Jumbo mortgages, $417,000-plus	5.74	5.74	6.21	5.32	-0.47	-0.88
Five-year adj mortgage (ARM)	3.59	3.78	5.79	3.31	-0.96	-1.81
New-car loan, 48-month	5.17	5.42	6.85	5.17	-1.45	-1.83
Home-equity loan, $30,000	5.12	5.10	5.28	5.06	-0.14	-1.75

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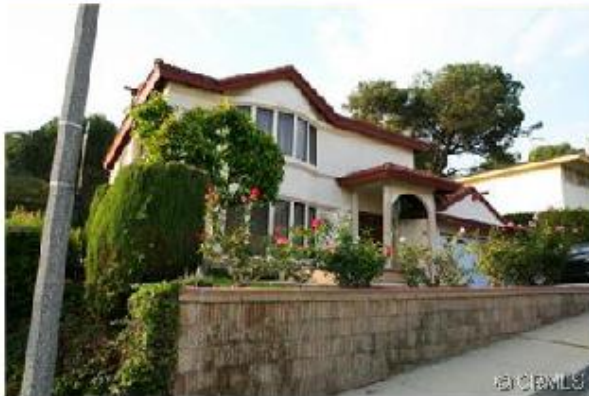
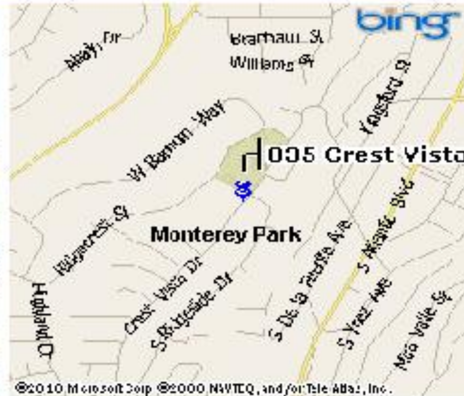
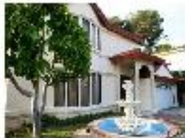
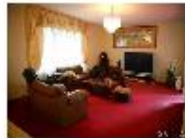
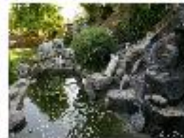
Monterey Park Luxury Residence
蒙特利公園豪宅

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:

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Accuracy of square footage, lot size and other information is not guaranteed.