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Investors Tap Cash on the Sidelines as Sales Velocity Begins to Rise
商業地產交易量上漲

By: Beth Mattson-Teig (Retail Traffic)

The stockpile of capital that investors have been accumulating may finally start to shrink as investment in retail real estate picks up.

Industry experts have tossed the "cash on the sidelines" phrase about so often during the last few years that the supposed mountain of money has taken on almost mythical proportions. Even though the exact dollar amount is difficult to pinpoint, brokers say it easily adds up to tens of billions of dollars—or more. Investors across the board, from public and non-traded REITs to private buyers, pension funds, life insurance companies and foreign investors, have amassed significant war chests since the market crashed in late 2008.

In 2009, investment sales volume ground to a halt, but volume slowly built up throughout 2010. In the fourth quarter, nearly $8 billion in retail properties changed hands—the highest level recorded since the market crashed. Overall, retail sales during 2010 totaled $22.6 billion. It's a step in the right direction, even if it amounts to just 27 percent of the $83.4 billion in retail real estate that sold in the industry's peak year of 2007, according to New York-based real estate research firm Real Capital Analytics. (The firm tracks sales transactions valued greater than $5 million.) But observers expect that volume will rise in 2011. The most bullish predictions are that volume could double 2010's total. That would put the industry on par roughly with 2004—before things got out of hand in the bubble years.

Centers with high occupancies to good tenants remain the most sought after by investors.

Institutions, funds and even private buyers have continued to accumulate capital over the past two years from both equity and debt sources as they restructured debt, cleaned up balance sheets and continued to raise funds from individual investors and stock offerings. As the prospects for the sector improve, equity targeting retail assets will increasingly step into action as investors exhibit a growing appetite for real estate and an increased willingness to assume risk. Demand has returned along with a consensus that the retail sector is near the bottom.

"I think people are starting to feel like the light at the end of the tunnel is not a train," says David Birdsall, a senior vice president at Cincinnati-based Phillips Edison & Co. And Phillips Edison is positioning itself to be one of the firms that steps into the light first. The company plans to raise $1.5 billion in public money over the next three years through its non-traded REIT, the Phillips Edison ARC. Phillips Edison has also launched Strategic Investment Fund II last October, and the private fundraising initiative has already raised $35 million towards a $100 million goal.

Cash on hand

Pinpointing exactly how much capital that is poised to strike is a difficult proposition. Some parts of the market are more transparent than others.

Publicly traded REITs, for example, are flush with cash thanks to the success the sector has had in raising capital from both debt and equity sources. That fundraising prowess is due largely to the strong recovery in REIT stock prices after stocks hit bottom in early 2009. U.S. retail REITs raised about $9.6 billion in capital through the debt and equity offerings in 2010—a 14 percent increase over the record $8.2 billion the sector raised in 2009, according to data compiled by Jones Lang LaSalle and Bloomberg. In addition, there were several REIT IPOs in 2010 and more in the works for 2011.

REITs are also in a stronger financial position today because they have spent the past two years cleaning up their balance sheets. Houston-based Weingarten Realty Trust, for example, has implemented a number of capital strategies over the past two year, such as renewing its bank line of credit, completing a bond offering and initiating two secured financings. The result is that the firm has dropped its leverage to 45 percent and reduced its 2011 loan maturities by about $1 billion. In addition, the company has access to a $500 million line of credit—the vast majority of which is untapped. "Frankly, we have a tremendous amount of capital. The issue for us is finding opportunities that make economic sense to deploy that capital," says Weingarten CEO Drew Alexander.

Public non-traded REITs also are sitting in a strong cash position. Effective non-traded REITs raised an estimated $5.7 billion during the first three quarters of 2010 and closed and effective REITs combined are sitting on $3.1 billion in cash and equivalents, according to data from Blue Vault Partners LLC. Foreign investors are bringing even more capital to the table with a resurgence in demand for U.S. retail properties. In fact, foreign real estate investors are more bullish on U.S. real estate today than at any time in the past decade. According to the 19th Annual Foreign Investment Survey conducted by the Association of Foreign Investors in Real Estate (AFIRE), more than 60 percent of respondents said that the United States is the country that offers the best potential for capital appreciation.

Cole Real Estate investors paid $31 million for the Volusia Square shopping center in Daytona Beach, Fla., in racking up $2.5 billion in acquisitions in 2010.

That is the highest level since the survey question was first asked in 2000. In addition, 72 percent of respondents say they plan to invest more capital in the U.S. in 2011 than they did in 2010. Although apartments rated first, foreign investors tabbed retail as their second choice among property sectors they would like to buy in the U.S. in the coming year. Kimco Realty Corp. is one REIT that is tapping into that growing foreign demand for retail properties. Kimco formed a joint venture relationship with Israeli-based BIG Shopping Centers in 2010. The two companies now jointly own some 22 properties together totaling 3.5 million square feet.

"I think that is indicative of an appetite from foreign investors generally who want to invest in U.S. real estate," says Scott Onufrey, a senior vice president at Kimco, which is based in New Hyde Park, N.Y. Kimco also has access to equity through its partnerships with about two dozen different institutional investors. "We buy a lot of properties with partners, because they are a good source of equity capital," Onufrey adds.

Lastly, there is a considerable amount of cash in private hands waiting to strike. It is difficult to pinpoint exactly how much is out there in these dark pools. But industry insiders believe that private investors may have the biggest pile of cash of all.

Anecdotally, Hessam Nadji, managing director of research and advisory services for Marcus & Millichap Real Estate Investment Services says, "We know that it is significant. The way I gauge is it from inquiries about consulting work [and] people coming to us asking for advice in picking markets and picking assets. I can tell you that we have had more of those inquiries in the last 18 months than in the previous 10 years."

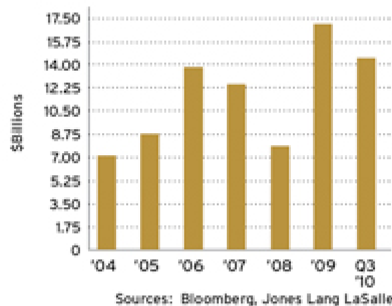
All told, it makes for an impressive amount of capital looking for deals.

Pent-up demand continues

Part of what's kept so much cash on the sidelines up to now is that investors have been waiting for values to stabilize and more attractive buying opportunities to emerge. For a long stretch, it wasn't clear

how much retail assets should be trading for. So much of the activity has been on core assets, where supply has been limited.

“There has been such little core product introduced to the market that the capital hasn’t dwindled much,” says Kris Cooper, managing director of Jones Lang LaSalle retail investment sales practice in Chicago.



Today, however, buyers are increasingly considering assets lower down the value chain. There was a rise in demand for such assets in the fourth quarter and that interest will increase in 2011.There has also been a steady stream of acquisitions in the pure distressed market as banks and special servicers offload their worst properties.

In addition, the financing picture continues to improve as banks, life insurance companies and even conduit lenders have become more comfortable in lending on retail deals.
Another factor that should increase activity is the fact that retail fundamentals are stabilizing. Vacancies on both shopping centers and malls stopped rising in the second half of 2010, according to New York City-based real estate research firm Reis Inc.

The company still thinks the vacancies among neighborhood and community centers may tick up a bit from the current level of 10.9 percent to reach 11.2 percent by the end of the year. But most of the worst is behind and in 2012 the picture should decisively improve. Moreover, the decline in effective rents appears to be tapering.

Meanwhile, the situation is even better with regional malls. Vacancies have already begun to fall from a peak of 9.0 percent and expected to decline to 8.5 percent by the end of 2011. In addition, rents will rise a slight 0.2 percent in 2011.

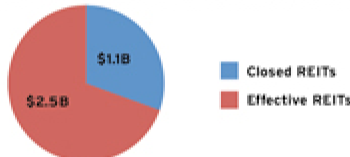
Competition for Core Assets

Still, the big institutional investors—life insurance companies, pension funds, REITs and foreign investors—remain focused on quality properties in major markets. “Those investors have plenty of capital, and they have not found homes for a lot of that cash,” he adds. And those buyers becoming

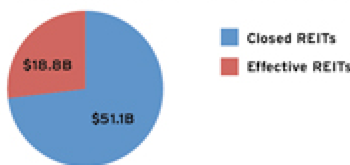
more active in 2011 will find themselves in competition with firms that have been busy even during the industry's down years.

BUILDING AMMUNITION
Nontraded REITs continue to raise funds

Total nontraded REIT industry cash and equivalents



Total nontraded REITs industry assets



Sources: BlueVault Partners LLC

Companies such as Phoenix-based Cole Real Estate Investments have continued to raise and deploy capital throughout the recession. Cole, which operates several public non-traded REITs, invested $2.5 billion in 2010 alone, and the company anticipates spending even more in 2011 with a goal of completing between $2.5 billion and $3 billion in acquisitions. Cole typically targets class-A properties anchored by leading grocers and tenants such as Kohl's, Walmart and Walgreen's.

For example, Cole recently purchased the Volusia Square shopping center in Daytona Beach, Fla. for $31 million. The 228,139-square-foot center is 96 percent leased. Investors such as Cole are hoping that a better balance between the supply and demand for retail properties will create a more stable investment market in 2011. "There is going to be more competition, but I also think there is going to be more product on the market," says Thomas W. Roberts, president, real estate group, at Cole Real Estate Investments.

The increasing competition and limited supply of top properties listed for sale has made it more difficult for buyers to win transactions. "I don't know if it is as competitive as 2006, but there are multiple, multiple bidders on any property of any quality," Alexander says. In addition, borrowers who are seeking loans on best-in-class properties are finding very attractive mortgage rates that make the leveraged buyer very competitive, he adds.

Chasing higher yields

Intense competition for core properties is prompting buyers to pursue value-opportunities that generate higher yields. Cap rates are as low as 6 percent for class-A trophy assets and range to more than 10 percent for non-core distressed shopping centers, according to Jones Lang LaSalle.

Kimco expects to invest about $250 million in new assets in 2011, and has already closed on $56 million in new retail properties in January. The company is focused on acquiring high quality, core assets that also include a value-added component.

For example, Kimco recently purchased the Shops at District Heights, a 91,000-square-foot grocery-anchored center in Washington, D.C. The newly constructed project was still in the midst of its lease-up with an 86 percent occupancy rate at the time Kimco bought the property in late 2010. “We view the opportunity to lease up those vacancies as a value-add for the portfolio,” Onufrey says.

Philips Edison is also targeting opportunistic investments with its Strategic Investment Funds I & II. Both funds focus on properties within the non-grocery sector such as power centers and lifestyle centers that are in need of joint venture equity or rescue capital. The Strategic Investment Fund I recently purchased the note on a 300,000-square-foot shopping center in Fort Smith, Ark. that is shadow anchored by Target.

“The good buys are going to be on the truly broken stuff that needs a fixer. It’s not going to be on the stabilized stuff, because the cap rates haven’t floated that much,” Birdsall says. “It’s the real ugly stuff that needs an operator who can come in and run centers, that will benefit.” Strategic Investment Fund I is expected to deliver a 16 percent return to investors.

Buyers remain selective

A surge in fourth quarter transactions is a positive sign that sales velocity is improving. The closing of the $2.3 billion sale of Prime Outlets to Simon Property Group helped to elevate fourth quarter retail sales to $7.8 billion—up 30 percent compared to the $5.9 billion in sales that closed in third quarter. Predictions vary for what to expect in 2011 as capital comes off of the sidelines. Cooper thinks volume may rise modestly. “That recovery in the sales market will occur gradually throughout 2011 and 2012 and into 2013,” Cooper says.

Marcus & Millichap, meanwhile sees activity rising by 30 percent. Real Capital is the most bullish of all and says that volume might even double 2010’s total.

Yet even as investors are feeling pressure to deploy capital, they are still focused on making prudent choices given the many challenges that remain in the retail market.

“You can’t just put together an academic check list that says you want to buy a shopping center with the top grocer in the market, the top sales and a good demographic area, and then just go in and write the biggest check,” Alexander says. “I don’t think you can do that and make money for your shareholders.” So although the supply of for-sale properties is expected to increase in 2011, buyers focused on top tier properties may continue to be frustrated by the stiff competition for core shopping centers.

Until cap rates go down to levels that they were—either at or near the peak of the market, a lot of institutional sellers don’t necessarily want or need to sell. “While investors are dying to buy properties, they are not willing to put their own assets on the market,” Cooper says. “So it is really a Catch-22.”

Recovery in U.S. Warehouse Leasing Gaining Speed
工業倉庫出租率加速

By: Randyl Drummer (CoStar)

Warehouse leasing accelerated sharply in fourth-quarter 2010, helping to drive down vacancy rates amid record-low deliveries of new industrial commercial properties last year, according to CoStar's Year-End 2010 Industrial Review and Outlook.

"We saw good, stronger demand in the fourth quarter, given the historic low levels of warehouse supply," said CoStar Senior Director of Research and Analytics Jay Spivey. "That will eventually translate into higher rents. The story here is pretty good."

Spivey, along with Hans Nordby, director of advisory services for Washington, D.C.-based CoStar, and real estate economist Shaw Lupton presented the year-end warehouse report and forecast during a Wednesday webinar for CoStar clients.

The positive market outlook comes just as two global owners and developers of warehouse and distribution space may be close to merging. In breaking news first reported late Wednesday by The Wall Street Journal on its website, Denver-based ProLogis (NYSE: PLD) and San Francisco-based AMB Property (NYSE: AMB) confirmed that they are in active discussions over a "potential merger of equals" in which the two companies would combine in an all-stock, at-market transaction in what would be one of the largest combinations of publicly traded real-estate companies. These two global industrial property giants have a combined market capitalization of nearly $14 billion.

Denver-based ProLogis, which has been working to reduce debt, pulled off the largest sale of industrial property of 2010, trading a portfolio of 182 properties in 19 states to private-equity giant Blackstone Group for $1.01 billion.

“Anytime you have a merger of this magnitude, it will have an impact on the overall industrial marketplace, with the magnitude varying from market to market,” said Chris Macke, senior real estate strategist for CoStar. “The potential merger is a good sign for the industry in that REIT valuations are at levels that make mergers and acquisitions more cost effective.”

LEASING DEMAND INCREASES

The national industrial market logged 29 million square feet of positive net absorption in the fourth quarter, a noticeable spike upward from 11 million square feet and 10 million square feet in the third and second quarters, respectively.

The three months ending Dec. 31 was the third consecutive quarter of positive absorption since occupiers gave back 17 million square feet of negative absorption in first-quarter 2010, according to CoStar data. That was the last of six straight quarters of negative absorption dating back to early 2008.

The current recovery is all the more impressive given that the Great Recession left a total of 250 million

square feet of negative absorption in its wake -- nearly four times the space vacated during the previous downturn. Early in the last decade, when massive overbuilding and the simultaneous collapse of early Internet commerce dot-coms contributed to a warehouse downturn, negative absorption totaled 65 million square feet.

The market is also recovering faster this time around. In the early 2000s, it took 2 ½ years to achieve the level of 29 million square feet in positive space absorption logged at the end of 2010. Moreover, the historically low amount of new supply delivered to the market will move the demand needle upward very quickly if the broader economic recovery continues on schedule, Spivey said.

As always, results will vary by individual market. Not all metros are benefiting equally from renewed demand, Nordby said. But some large markets, notably Southern California's Inland Empire, which led the nation with 10.7 million square feet absorbed in 2010, are clearly reaping the benefits of increases in retail sales, trade and port traffic.

In fact, other markets that recorded the strongest total absorption in 2010, such as Cincinnati, Philadelphia and Northern New Jersey, are all national distribution center hubs for retailers that benefited from the rebound in sales and consumer confidence last year, Nordby said. Markets oriented to ports, and metros with strong local fundamentals, also tended to see better demand last year over 2009. Examples include energy industry based markets in Texas like Houston and Dallas, which seemed almost immune to the national housing crash and recession.

In contrast, Detroit, hit hard by tough times in the auto industry, led the nation in total negative absorption at 3.7 million square feet in 2010. The runner up, Los Angeles, saw 3.3 million square feet of negative absorption due to continuing exposure to the housing and manufacturing downturn, Nordby said.

VACANCY RATE FALLS AGAIN

The improvement in the national vacancy rate generally mirrors the 2004-2007 post-recession period. The U.S. industrial vacancy rate fell for the third straight quarter to 10.1% at year-end 2010, down from 10.3% in the third quarter -- the largest quarterly decline since third-quarter 2006. Over 65% of the submarkets that CoStar tracks are seeing vacancy declines.

"Given the low supply, we can expect to see the vacancy rate recovery move quickly; the recovery is pretty broad based across the country," Spivey said.

In addition to recession-resistant Houston, markets with the tightest vacancies included space-constrained metros such as L.A., Long Island, NY, and Orange County, CA. Markets with the highest vacancies include oversupplied but growing metros like Atlanta, Chicago and Dallas/Fort Worth, "still suffering from a hangover from the construction supply party," Nordby said.

Giving the absence of new supply, rents should continue to move upward as they have since the beginning of 2010. The annual increase in warehouse rents will approach 8% by 2012-13 -- a seismic shift for the warehouse market, where rents typically rise and fall very slowly.

NO NEW SUPPLY EXPECTED SOON

A healthy infusion of new industrial space won't begin until 2013, CoStar forecasts. In the meantime, it's official: 2010 had the lowest amount of new industrial deliveries, measured as a percentage of total inventory, since at least 1960.

Only about 17 million square feet of warehouse space started construction in 2010, almost 90% below the 10-year annual average of about 136 million square feet of new starts, Spivey said.

The scant few new projects that got under way were mostly build-to-suit rather than speculative projects. One example is the 1.8 million-square-foot project being built for Skechers USA footwear in Moreno Valley's Highland Fairview Corporate Park in the Inland Empire market, Nordby said. Delivery of the massive distribution center is expected this spring.

"Almost nothing [speculative] is breaking ground now. Given that you need about a year's lead time in the industrial market, we're not going to see much built over the next year or so," Spivey said.

While a bust for developers, there's an upside for existing owners. With little new product expected in the pipeline for two years, demand for warehouses should continue to rise very quickly.

Non-Residential Construction - Another Underwhelming Year
2010 年大洛杉磯地區商業地產建造持續低迷

Source: Los Angeles County Economic Development Corporation

The Construction Industry Research Board issued their report for nonresidential construction for 2010. Several Southern California counties ended the year, if not on a high note, then at least of ahead of where they were last year. Unfortunately, San Bernardino and Los Angeles Counties fared less well. The numbers for San Bernardino County were the weakest in the region. Total permit values in the county slumped by -25.3% in 2010. Permit values declined for all of the major sectors: industrial was down by -35.8%, office fell by -14.6% and retail trailed by -21.0%. No new hotels were built in the county during 2010.

In Los Angeles County, total nonresidential permit values were down over the year by -3.0% (to $2.6 billion) compared with 2009. Hotel permit values were up by +163.4% to $28.0 million versus $10.6 million in 2009. The value of industrial permits increased by +24.2% and retail permits shot up by +18.2%. However, the decline in new office construction rolled over the advances made elsewhere – permits were down by -62.7% over the year.

In Orange County, total nonresidential permit values rose by +19.8%. Office permit values raced ahead of 2009's total, reaching $97.7 million in 2010 compared with just $4.6 million during 2009. Retail declined by -16.7%, while hotels were down by -14.4%. In the industrial sector, permits valued at $23 million were issued last year versus none in 2009.

Nonresidential construction activity in Riverside County increased by +41.6% during 2010, but this was up from very low levels in 2009 when just $376.8 million in new construction activity was permitted. While industrial permits were down by -45.5% through the twelve months ending in December, the value of office permits rose by +49.9% compared with 2009. Retail permits increased by +125.3% and hotel permits more than tripled, rising by +219.5%.

Total nonresidential construction in San Diego County was up by +12.8% over the year. Retail permits jumped by +51.1% while hotels soared by +284.4%. Partially offsetting these gains were declines in office building permits (down by -4.1%) and industrial permits (down by -69.4%).

In Ventura County, total nonresidential permit values increased by +4.2% over 2010. No permits were issued last year for industrial or hotel buildings. Office permits were down by -8.1%, but retail rose by +122.0%, which pushed Ventura County nonresidential construction into positive territory for the year. In the 9-county Bay Area, the total value of nonresidential permits inched up by +1.5% over 2009. Industrial permits increased by +22.2% and office was up by +62.9%. Retail was down by -28.9% and hotels fell by -13.6%.

The Climate for Group Investing: Syndications Offer a Ray of Sunshine for Transaction Brokers
在現今市場的緊貸款標準中，集中資源合股投資的投資者較受益

By: Eugene Trowbridge (CCIM)

Today's stormy real estate weather may be a good time for commercial real estate professionals to consider syndication as a way to expand their business opportunities. In particular, one of the dark clouds hovering over commercial real estate – less traditional debt financing – often encourages the growth of real estate syndication transactions.

Syndication is merely the pooling of resources from multiple investors rather than relying on one investor to complete a transaction. Today's tight lending has created an environment where multiple investors are needed to pool their resources to purchase commercial real estate. This offers a chance to specialize as syndicators or to create a new business line providing group investing. For CCIMs who are willing to face a couple of challenging issues, the syndication business can be quite lucrative.

Selling the Sizzle

The current syndication market appears to be a direct result of the commercial mortgage-backed securities financing market in August 2007 and the subsequent absence of traditional sources of debt for the purchase of commercial real estate. But Despite this opening created by tight credit markets and the potential to purchase properties at discounted prices, syndicators still face two main challenges today when talking to investors.

Investor Hesitation. While abundant investment cash appears to be available, syndicators report that before they can present a particular offering to a potential investor they must take three steps.

First, they must gauge the investor's interest in the broad area of commercial and investment real estate. Not every investor is interested in investing in real estate during the current market, but those who are appear to be interested in current cash flow, upside potential through positioning a property, or buying a property at what they believe is a below-market price.

They also see stability in the real estate market when compared to the uncertainty in other investments. Once past that barrier, syndicators need to educate potential investors on the benefits of the syndicator's particular property focus such as apartments, self-storage, or development. Syndicators must identify the economic benefits of their product niche and match them to the economic benefits the investors are looking for. For example, a single-tenant, net-leased property will appeal to security-minded investors, but a raw land speculative development appeals to a different investor group. In addition, the syndicator's track record, educational background, and individual investment experience will be reviewed before the potential investor decides to invest with the syndicator. Once those issues are resolved, investors are willing to look at a particular offering. But too of en syndicators start by trying to sell the offering without first getting confirmation from the investor.

Securities regulation. Real estate professionals themselves of en are hesitant to get involved with the highly regulated area of securities, which includes group investing. When a syndicator asks an individual

to invest money in a common enterprise such as a limited liability company and the investor expects to make a profit, and the profit will happen as a result of the syndicator's action, it is likely that the investment will be deemed a security — even if the investors are friends or family.

Every security offered must be registered with the Securities and Exchange Commission unless it is exempt. The syndicator must employ a securities attorney to guide the offering through state and federal securities laws that cover everything from what an investor must be told, to how the syndication can attract investors without violating the available exemptions, to the expensive and time-consuming process of registration. Even though a security is being offered, the syndicator rarely needs a securities license as there is an issuer exemption similar to the "for sale by owner" position in real estate.

Syndicators can sell the securities they issue without a license, but they cannot sell anyone else's and no one can sell theirs without a license. Every syndication offering has its own structure of investor returns and syndicator compensation. Syndicators should identify the fees and cash distributions they will take during the life of the project and then use a present-value approach to determine the compensation value in today's dollars and balance the compensation against the perceived risk. Discount rates used by syndicators generally range from 15 percent on a relatively risk-free offering to 30 percent on a development project.

Inexperienced syndicators sometimes structure the transaction to maximize yield to the investor and then just take what is left over. This is the wrong approach. The syndicator must first determine the appropriate level of compensation for the risk taken. Then the syndicator should determine if the amount left for the investors is adequate to attract the necessary capital. If it is not, the offering should be abandoned. An inappropriate approach may leave syndicators in a position where they are assuming all of the risks with few rewards.

Syndication Basics

The predominant syndication vehicle today is the limited liability company. The LLC entity offers the manager and the investor limited liability, while allowing the investors to be involved in management, depending on the language of the operating agreement. Most investors choose not to be involved in the day-to-day management, but the LLC format provides the option, as opposed to the more restrictive limited partnership format. The LLC structure provides for three types of offerings.

Specific offering. The syndicator identifies one or more specific properties to be acquired in the offering and raises the amount of money needed to acquire the identified properties. T is allows the investors to examine each property and make a decision regarding the investment potential of each property before they invest. This is the structure most of en used and many syndication sponsors report that it is easiest to raise money with this strategy.

Semi-specific offering. The syndicator identifies one or more specific properties to acquire and presents a business plan to the investors to raise funds to purchase additional properties that have not yet been identifi ed. This offering is popular for syndicators who want to provide diversification to their investors and raise larger amounts of money without multiple offerings.

Blind pools. The syndicator presents a business plan to the investors explaining how the syndicator will go about acquiring properties but does not identify specific properties. The investors must understand the business plan, see its value, and be convinced that the syndicator can succeed with the plan. Generally the syndicator must have a track record of doing specified or semi-specified offerings to be successful in raising capital for a blind pool.

REITs. While not a vehicle every syndicator can tackle because of their complexity and cost, real estate investment trusts are very effective for pooling large amounts of debt or equity. In effect, a REIT is a corporation that issues shares to its investors. However, a REIT may avoid taxation at the corporate level under certain rules that include the requirement of having a minimum of 100 investors. T e startup costs are substantial and the syndicator must deal with complex state and federal regulations. While the REIT may not pay taxes, the distributions to the shareholders may be taxable. There are non-traded REITs that are private off erings where the shares are not traded on any stock exchange and provide limited liquidity for investors. Publicly traded REITS listed on the various stock exchanges do provide transferability of the shares.

Investor profiles. Individual investors have the most interest in syndications. These investors may not be interested in or capable of acquiring and managing commercial investment real estate by themselves. They are willing to pool their equity with others so that they can be part of an investment in a larger piece of property and take advantage of professional management. Many individual investors like the diversification available to them when they purchase interests in several syndications. Some institutional investors also are actively investing in syndications, placing their clients' funds into institutional-quality real estate managed by syndicators with professional management skills.

Syndication Financing

Syndicators today face the same issues as any buyer when it comes to the availability of debt financing for commercial real estate. But syndications face additional hurdles in the underwriting process. The lender underwrites the property looking to see if the property can support the proposed loan. Lenders also underwrite the syndication group to determine creditworthiness, net worth, liquidity, and local property management expertise. They of en require the group to personally guarantee a portion of or the entire loan.

Currently, multifamily appears to have the best financing potential through the government agencies. Regional banks where the syndicator has an established relationship also are a source for financing, and some life companies may finance other property types. Depending on the particular transaction, it is not unusual for the lender to require that the syndicator have a net worth in an amount equal to or larger than the amount of the loan requested. The LLC often is required to have liquid cash equal to six months to 12 months of debt service. The lender also looks to see if there is local property management in place.

These requirements of en require the syndicator to involve sponsors or credit enhancers in the transaction, which usually increases the cost of the syndication. Lenders also are interested in members of the investor group who are not going to take an active role in management. Generally a lender will want to underwrite any member of the group that has more than 15 percent to 20 percent ownership in

the group. Members also may be asked to sign personally. Today's lack of available debt financing is driving investors to pool their resources to acquire commercial real estate. CCIMs considering the opportunity to provide services to these investors should make sure they understand all the issues involved.

Bouncing Hard Along the Bottom: Bankers' Eye View of CRE
多數銀行依然認為商業地產房貸風險太大，但少數願意承擔風險以獲得更高的回報

By: Mark Heschmeyer (CoStar)

The nation's banks, while still clearly unenthusiastic about commercial real estate, are finally acknowledging that CRE markets have hit a hard rocky bottom. A handful even says they are re-loaded and ready to resume lending.

That is largely the view expressed in fourth quarter bank earnings statements and conference calls, including the nation's nine largest banks. While their comments anecdotally substantiate that the worst of the recession for CRE has past, it's also clear that many don't see better days just around the corner.

Banks reported that commercial real estate markets displayed mixed results - still mostly negative - but that leasing markets and investment exhibited increasing signs of recovery, while nonresidential construction remained weak.

Demand for loans also was reportedly mixed with the more well funded players returning to the banking well. Overall, though, it appeared that new lending was not keeping up with loan resolutions and CRE loan amounts outstanding continued to shrink and still could for a few more quarters.

From here on out in this report, we'll let bank executives do the talking.

Still De-Risking

We clearly have to come out and say that we want the investors CRE to be no more than 100% of risk based capital or $14 billion. If you look at it, we are $15.9 billion at period end.

We are still making commercial real estate loans. The demand for that product is fairly limited, and is much better underwritten, much better priced, but it's not sufficient today to sustain the level of commercial real estate loans that we have. We will expect that to improve as the economy improves, but quite candidly, we could see our commercial real estate loans drift below that targeted level of $14 billion.

O. B. Grayson Hall, Jr., president and CEO, Regions Financial Corp.

A Bifurcated Market: Good Getting Better; Not So Good Not Getting Better

[CRE] is very much a bifurcated market and continues to be so. For stabilized assets, particularly multifamily, we're seeing intra Class A good location properties. We've seen very good activity both in note sales, as well as in terms of sale of the asset itself. And that has continued.

Cap rates have come down. Investors have adjusted their expectations. But I think the other side of the market is really getting back to the comment I made earlier on residential commercial real estate where

prices are hard-to-find, and we think values have continued to go sideways to down. So what's good is getting better. What's not so good is not getting better.

Charles Hyle, chief risk officer, executive vice president, KeyCorp

Continuing But Choppy Improvement

During the quarter, we saw a continuing improvement in the commercial real estate market. For the third quarter in a row, leasing activity and vacancy trends remain strong in New York where we have our largest CRE exposure.

Traditional CRE investors continue to re-enter the market providing needed liquidity and sponsors continue to invest new equity into troubled transactions enabling us to right size many of our troubled loans.

We expect that the worst of the commercial credit cycle is behind us but we expect a few more quarters of uncertainty and choppiness in commercial charge-offs and non-performers.

Richard D. Fairbank, founder, chairman, and CEO, Capital One Financial Corp.

Multifamily, Industrial Values Coming Back

Many borrowers, of course, are still cautious in light of what they have been through over the past several years and in light of their revenue outlook. Commercial real estate and housing appear to us to have generally stabilized and are bouncing along a bottom, in some cases a rocky bottom, but in some cases better than that.

When it comes to CRE, we're starting to see some encouraging developments there, so to speak, as some investors step up and start to make some investments in commercial real estate. But I think it's still tentative, still modest, and we want to wait and see how that evolves. I think the signs are encouraging, but I think there is still tentativeness to how commercial real estate values are going to perform over the next number of months.

Some areas, like multifamily housing have been very strong but we're not in office towers, we're not in big shopping centers. So, for us, it's more in the industrial space, owner-occupied space and their values look to be at an appropriate level, but we don't see a big uptick in demand.

Clearly, the Nevada economy is really among the worst hit in the country. We are seeing some progress. You are seeing tourism has picked up. I think that you are seeing better business there in Las Vegas. Construction, however, while there is a little bit of new loan construction, is a long way from coming back and land prices and commercial real estate continue to be kind of where they were.

Russell Goldsmith, chairman and CEO, City National Corp.

Opportunities in CRE

We're also seeing opportunities in commercial real estate as we have capacity in this asset class. Pricing terms are favorable in the CRE sector as we book loans with experienced borrowers with good track records. We will continue to actively pursue new business in 2011, while maintaining credit and pricing discipline.
D. Bryan Jordan, president and CEO, First Horizon National Corp.

What we've seen is actually over the last few months, some stabilization within the income CRE. Within our core areas, we see principally stabilization in the industrial, and in the retail to a degree.

We've had opportunities in multifamily as well as hospitality within our contiguous states in Tennessee. What we see is, obviously, the states that are under duress, Florida, Nevada, Arizona, still under some stress. Our exposure is declining there fairly significantly. We did have an asset sale in Nevada this last quarter, and it's still a little messy in some of the states, but within our core area, we are seeing some stabilization and we actually see sponsors now stabilizing themselves, which is assisting as we're looking at renewals through 2011.

Greg Jardine, chief credit officer, First Horizon National

CRE Still a Credit Risk

We are reducing our commercial real estate exposure. And that has been for the last two years the single largest concern for us on the credit risk front. But we still are over concentrated. We reduced the CRE portfolio by about $260 million and we are running usually between $250 million to $300 million a quarter, but we are a billion plus in aggregate exposure beyond that which we would prefer to be at. So, as we think about credit risk, we are more - to the extent we are concerned - it's more weighted towards commercial real estate than the other portfolios.

Stephen D. Steinour, chairman, president and CEO, Huntington Bancshares Inc.

Feelin' a Little Better

In our large credit or large corporate groups, taken to include our middle market groups, credit quality has improved measurably. We continue, though, to have challenges in commercial real estate and residential real estate lending, particularly in some of the more troubled southern states, Florida, Arizona, Nevada. And the solutions to those situations will come in time. It's a bit lumpy, but I don't think I'm willing to forecast how soon that improvement is coming.

I think the United States is stabilizing at an uneven rate, although I think everybody's getting a little bit

better. And I feel a little bit better about it personally, but very difficult to forecast."

William Morrison, CFO, Northern Trust

CRE Still Extremely Stressed

Commercial real estate, I just have to characterize, it's still extremely stressed. I think it will remain extremely stressed for another 12 to 18 months. There has been a little sign of life in multifamily product, medical office product. So there is some demand out there. But obviously, residential construction is not coming back anytime soon.

P. Parker - chief credit officer and executive vice president, U.S. Bancorp

Trying To Be Opportunistic, Not Foolish

In terms of commercial real estate, we're seeing opportunities out there but we're trying to be opportunistic but not foolish in terms of how we're dealing with those opportunities.

There is a little - I don't want to call it a pricing war - but there is certainly some very aggressive pricing from a couple of our competitors that are out in the market that frankly don't make sense to us and look like they're trading short-term gain for longer-term margin problems, so we're just not going to be trapped by that.

Richard B. Anderson, Jr., executive vice president, chief lending officer, Virginia Commerce Bancorp

Going Against the Flow

The other interesting thing you might look at is [that] our commercial real estate numbers actually went up and I don’t know if you’ve seen any people - or see that happening as most people are running away from it.

We have been able to find a lot of these folks and funds that are buying things at 50% of replacement cost and the like. You can lend 50% on a 50% cost, and that 50% cost is really 50% of replacement cost and you’re getting really good rates and fees on that, that’s a good business, too.

We are living up to our reputation of being salmon and swimming upstream, in some respects, are going against the flow as we like that business… We are seeing good growth on the real estate side as people take advantage of their ability to take advantage of the dislocations in the market.

Edward J. Wehmer, president and CEO, Wintrust Financial Corp.

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MBA Talks Real Estate Finance
抵押貸款銀行家協會成員講解最近的政府規章會如何影響 **2011** 年

By: Barbra Murray (CP Executive)

The Mortgage Bankers Association shared its annual assessment of the commercial real estate industry during its recent State of the Real Estate Finance Industry media conference call, during which the association also discussed its legislative and regulatory agenda.

What's going on in the commercial real estate finance industry? In a nutshell, uncertainty about jobs and the economy.

"The markets are still tough, but they are starting to gain momentum," Michael Berman, chairman of MBA, said about the commercial and multi-family sectors. "We need sustained job growth to right those markets."

He elaborated on the state of multi-family housing mortgages during the question-and-answer segment of the call. "At this point, while lenders are getting back into the markets, it's certainly a more cautious lending environment than we saw three or four years ago. The trend is certainly positive, but lending criteria are clearly more conservative than they were in the last part of the cycle."

Cautious lending environment or no, more financing will become available for apartment properties this year, he said. "We'll see more liquidity and more construction started in the multi-family sector."
As for MBA's advocacy agenda for this year, it is chock-full of issues that, if appropriately addressed by the powers that be, will play a big role in jump-starting the real estate markets, according to MBA. Among the pressing issues is the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which includes mortgage reform.

"The law sets out a skeleton and now we're in the process of putting meat on that skeleton," John Courson, MBA president and CEO, said regarding the new rules that will be part of the legislation's enactment. "About 100 of those rules will specifically affect real estate finance."

Courson asserted that the big concern is that a set of rules will emerge and then another set will surface a few months later, leading to a great deal of confusion and counter-productivity. MBA has its ideas about the various topics covered in the Dodd-Frank Act, including risk retention.

As MBA notes in a document outlining its legislative and regulatory priorities for 2011, Dodd-Frank requires federal banking agencies and other regulators to create rules obligating securitizers to retain a portion of the credit risk of assets they securitize and to determine the allocation of risk between the originator and the securitizer. As it pertains to commercial real estate, Courson pointed out during the call that MBA backs provisions that would "have risk retention at a lesser degree than 5 percent."

Also on MBA's priority list is the future of the government's role in the secondary mortgage market. Few players in the federal government and the real estate industry argue against the need to address the sad state of financial affairs concerning government-sponsored enterprises Fannie Mae and Freddie Mac.

Some advocate change, some advocate elimination, but there is veritably no support for maintaining the status quo. Before serious progress can be made on the matter, the White House has to reveal its highly anticipated plan, which had been scheduled for circulation in January of this year. “We expect the Administration’s proposal regarding GSEs to be out within a month,” said Berman, adding that, “our proposal has been well received.”

MBA’s proposal, conceived in 2009, centers on what the organization describes as a new type of mortgage-backed security, a two-part MBS for both multifamily and residential assets. “First, a security-level, federal government guaranteed ‘wrap’ similar to that on a Ginnie Mae security,” as the organization documents in its legislative and regulatory priorities outline. “The government backstop would be explicit and focused on the credit risk of these mortgage securities. Second, the security would be backed by loan-level guarantees provided by privately owned, government-chartered and well-regulated mortgage credit guarantor entities. The infrastructures of Fannie Mae and Freddie Mac, including their technology, human capital, standard documents and existing relationships, should be used as a foundation for one or more MCGEs. A strong federal regulator would oversee the MCGEs and would charter new MCGEs to provide competition in the market. MCGEs would stick to securitizing standard loan products for single family and multi-family housing, and there would remain plenty of room in the market for the return of private label securities and continuation of government programs such as the Federal Housing Administration, the Department of Veterans Affairs and USDA rural housing lending.”

All parties involved wait with bated breath for the administration’s proposal, presently due at some point in February. However, promised delivery dates are, well, soft. It is the government, after all. “We’re anxiously awaiting having the train pull out of the station,” Berman said, “but the first marker people will look for will be the administration’s proposal.”

In terms of advocacy, MBA has a great deal on its plate. But so much of the association’s goals are contingent upon the action of others. “While regulators write the rulebook for the mortgage finance system of the future, Congress will begin considering the future role of government in the secondary mortgage market,” as per MBA. “Put all that in front of a backdrop of continuing macroeconomic challenges and efforts to re-examine the tax code, and 2011 will remain a time of intense uncertainty and rapid change for the mortgage business.”

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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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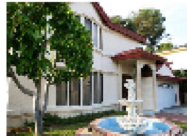
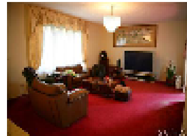
Consumer Money Rates

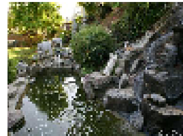
	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0.00	0.00	0.00	-	-3.00
Prime rate*	3.25	3.25	3.25	3.25	-	-2.75
Libor, 3-month	0.30	0.30	0.54	0.25	0.06	-2.81
Money market, annual yield	0.63	0.63	0.90	0.63	-0.25	-2.34
Five-year CD, annual yield	2.00	2.07	2.67	2.00	-0.66	-1.53
30-year mortgage, fixed	4.90	4.92	5.43	4.32	-0.31	-0.74
15-year mortgage, fixed	4.20	4.20	4.58	3.71	-0.28	-0.97
Jumbo mortgages, $417,000-plus	5.49	5.62	6.19	5.32	-0.61	-1.27
Five-year adj mortgage (ARM)	3.59	3.59	5.79	3.31	-0.83	-1.63
New-car loan, 48-month	5.17	5.18	6.85	5.16	-1.40	-1.97
Home-equity loan, $30,000	5.17	5.12	5.28	5.06	-0.08	-1.30

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.

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Investment Opportunity
投資機會

Shoppes at Puente Hills Mall

17501 Colima Rd., City of Industry, CA 90601

Summary: Shoppes at Puente Hills Mall consists of a 20,174 square feet retail center built in 2009. The property is situated as an outparcel to the very successful Puente Hills Mall. It is ideally located at the highly trafficked, signalized intersection of Azusa Avenue and Colima Road with total traffic counts exceeding 100,000 cars per day and is adjacent to 60 Freeway with 214,000 cars per day.

Pricing: $13,470,000 **Cap Rate:** 7.0% **Net Operating Income:** $942,579

Loan Information: Buyer may obtain a new loan at approximately 5.65% interest with a 30-year amortization schedule, and 55-60% LTV. Total proceeds due 10 years from origination.

Property Specifications

Rentable Area: 20,174 SF **Interest:** Fee Simple **Land Area:** 2.52 Acres (109,771)
Year Built: 2009 **APN Number:** 8265-004-124

Tenants: Panera Bread, Chipotle, The Vitamin Shoppe, Wing Stop, T-Mobile, Jamba Juice, Red Mango, and Niko-Niko Sushi

If you are an interested investor, please contact our investments division at: investment@stcmanagement.com