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U.S. Commercial Property Recovery Spares Economy
美國商業地產正在復蘇，應不會導致再次的經濟危機

By: Brian Louis & David M. Levitt (BusinessWeek)

From Manhattan office towers to apartments in Florida to retail properties in Washington, commercial real estate values are rising, defying predictions of a collapse that would drag the U.S. economy back into recession.

Prices of commercial properties sold by institutional investors surged 19 percent in 2010, the second-biggest gain on record, according to an index developed by the MIT Center for Real Estate. Investments in office properties, the largest part of the market, more than doubled last year to $41.6 billion, according to Real Capital Analytics Inc., which tracks commercial property sales globally.

Near record-low interest rates are luring buyers with the prospect of cheaper financing and higher returns. Lenders are beginning to sell distressed properties and loans as rising earnings give them a cushion to absorb losses. Investors, convinced the worst is over, have pushed prices on commercial mortgage-backed bonds to the highest level in two years.

“Give a little credit to the strategy put forward by the government: keeping interest rates low and giving lenders some flexibility to hold these troubled assets on their books for a while,” Dan Fasulo, managing director at New York-based Real Capital, said in a telephone interview. “Now that values are on the upswing, it’s given owners and lenders more wiggle room to work out these troubled situations.”

Conditions Stabilize

Market and credit conditions have leveled off and signs of price stabilization are emerging in several key markets, Patrick M. Parkinson, Federal Reserve director of banking supervision and regulation, said in remarks prepared for a hearing today by the Congressional Oversight Panel of the Troubled Asset Relief Program, created following the 2008 financial crisis.

“Nevertheless, while some directional metrics are improving, the commercial real estate market is still distressed and the strength and pace of improvements remain uneven,” he said. “Many banks with commercial real estate concentrations will continue to be under stress.”

While several banks will struggle, and continued delinquencies and losses will hinder economic growth, “we do not see commercial real estate losses as a threat to systemically important financial institutions,” Parkinson said.

Commercial real estate transactions may climb 40 percent to $135 billion this year, Chicago-based Jones Lang LaSalle Inc., the second-largest publicly traded broker, said on Feb. 2. U.S. commercial real estate values, which fell 45 percent from the October 2007 peak to the trough in August 2010, have risen three consecutive months, according to Moody’s Investors Service.

Vornado’s Mall Deal

Those taking advantage of improving conditions include Vornado Realty Trust, which in December paid $115 million for the $171.5 million loan on its Springfield Mall in the Virginia suburbs of Washington, resolving a standoff with its lender. The loan had been transferred to a special servicer a year earlier because the New York-based real estate investment trust was in danger of "imminent default," according to Fitch Ratings.

In downtown Fort Lauderdale, Florida, a market damaged by declining home values, USAA Real Estate Co. bought Las Olas Centre, a 469,000-square-foot (43,600-square-meter) office complex that had been seized by lender Wells Fargo & Co. USAA Real Estate, based in San Antonio, paid $170 million in September; the previous owner spent $231 million near the top of the market in July 2007, according to Real Capital.

Delinquencies Slow

Last February, the TARP oversight panel said a deteriorating commercial real estate market had the potential to wreck the U.S. economy. The panel said in a report that almost half of the $1.4 trillion in commercial property loans set to be paid off by 2014 were underwater, meaning the borrower owed more than the property was worth.

Unless refinanced, the debt "could threaten America's already weakened financial system," the report said.

While late payments on commercial mortgages bundled and sold as bonds increased to 8.79 percent in December from 4.9 percent a year earlier, the pace of growth in delinquencies is slowing, according to Moody's. In 2011, the delinquency rate will climb less than in the past two years, the ratings firm said in a Jan. 12 report.

"That tsunami of distress that had been forecast has not really materialized," said Brian Stoffers, co-president, CBRE Capital Markets, a financing and investment sales division of Los Angeles-based broker CB Richard Ellis Group Inc. "The market's getting stronger."

Fundamental Improvement

As lenders renegotiate some loans and sell others, the danger of defaults triggering another recession has eased, said Susan Wachter, a finance professor at the University of Pennsylvania's Wharton School in Philadelphia.

"Balance sheets are firming up, interest rates still are near historic lows and the fundamentals of commercial real estate are improving," Wachter said.

An expanding economy is helping boost the confidence of real estate investors. U.S. gross domestic product advanced at a 3.2 percent annual rate in the fourth quarter, the Commerce Department said Jan. 28. The U.S. office-market vacancy rate will fall to 17 percent in 2011 from 17.8 percent in the fourth quarter as employers add jobs and few new buildings are completed, according to an estimate by Grubb & Ellis Co., a Santa Ana, California-based broker.

A resurgent debt-securitization market is also driving the recovery. Commercial mortgage-backed securities issuance in the U.S. rose to $10.9 billion in 2010 compared with $2.1 billion in 2009, according to a Jones Lang report on Feb. 2. Issuance is estimated to be over $40 billion in 2011, "providing added liquidity to owners with maturing loans to refinance," the report said.

Hot Cities

The biggest metropolitan areas, notably New York, Washington and Boston, are leading the recovery as employment growth and large inventories of well-leased, income-producing properties attract investors. New York commercial property prices rose 16 percent in the fourth quarter from a year earlier, while Washington gained 20 percent, according to the National Council of Real Estate Investment Fiduciaries, a Chicago-based trade group.

In the office market, prices in the top 10 cities jumped 30 percent in the third quarter, according to CoStar Group, a Washington-based provider of real estate data. Nationally, prices fell 7 percent. Market segments including hotels, apartments and retail are also on the rise.

Hotels were hit hard by the recession, as businesses and consumers cut back on travel. A rebound started last year, with the average occupancy rate in the top 25 U.S. markets rising to 64 percent from 60 percent in 2009, according to Smith Travel Research Inc. of Hendersonville, Tennessee.

Blackstone's View

The upswing is boosting hotel sales in the Americas, which are expected to jump as much as 25 percent this year, Jones Lang LaSalle's hotel investment-services unit said on Jan. 4. As property values rise, lenders are reworking existing loans and making new ones, according to Christopher Jordan, head of hospitality banking at San Francisco-based Wells Fargo.

"Hotels represent a very attractive investment opportunity because they've seen such a sharp decline," Jonathan Gray, senior managing director and co-head of real estate at New York- based Blackstone Group LP, said during a conference on Nov. 18. "We've been deploying a lot of capital in this area."

Hotels have an advantage that other types of commercial real estate lack, said Morgans Hotel Group Co. President Marc Gordon. They can boost room rates quickly to take advantage of economic growth, while tenants at offices and retail properties tend to sign multiyear leases.

Rent Appeal

Sales of apartment buildings nationwide rose in the fourth quarter as home ownership remained at a 10-year low and demand for rentals pushed lease rates to the highest in four years, according to Axiometrics Inc., a Dallas-based research company.

Apartment rents climbed 4.31 percent in the last three months of 2010, the most since the third quarter of 2006, according to Axiometrics. The firm projects a 5.85 percent increase in U.S. rental revenue in the next 12 months.

The volume of apartment sales nationwide climbed 96 percent to $33.7 billion in 2010 over a year earlier, according to Real Capital. December's dollar volume of $6.1 billion in sales was the highest monthly total since October 2007, when Tishman Speyer Properties LP and Lehman Brothers Holdings Inc. completed the purchase of Archstone-Smith Trust, which at the time was the largest apartment real estate investment trust by value.

Retail Sales

The retail segment of the market is improving, though at a slower rate than offices or apartments. Transactions rose 51 percent to $22.6 billion last year, according to Real Capital. In the fourth quarter, deal value averaged $168 a square foot, up 30 percent from a year earlier.

Consumer spending rose more than forecast in December. Deutsche Bank Securities Inc. chief U.S. economist Joseph LaVorgna projected "continued healthy spending in 2011," citing a "tame" inflation trend.

Of the $52 billion of retail properties to fall into default, just over half have completed workouts, "giving the retail sector the distinction as the first property type to pass the halfway point in resolving its distress," Real Capital analysts wrote in a January report.

A continued improvement in the market will help banks sell off additional bad loans.
Below the Peak

The recovery isn't complete. The MIT Real Estate Center transaction index is 28 percent from its June 2007 peak. On an accumulated total return basis, which includes net income generated by the properties, the index is 16 percent below the high, the Cambridge, Massachusetts-based center said in a Feb. 2 statement.

Markets hit hard by the housing bust are struggling and are less likely to recover quickly, PriceWaterhouseCoopers LLP said in its annual Emerging Trends in Real Estate survey in October. Las Vegas, Milwaukee, St. Louis, Detroit and Cleveland are among the cities that scored the lowest in its poll of investors.

"Many secondary cities and most tertiary markets just do not appear on investor radar screens," the study said.

James S. Corl, managing director of real estate investments at New York-based private-equity firm Siguler Guff & Co., said investors are crowding into the best-performing cities, betraying a lack of confidence in the broader market.

"What's really going on right now is a classic risk aversion," he said in an interview. "Most people allocating money to commercial real estate are going after core deals" and "paying up for existing leases."

Corl said this conservative approach means investors passing up the opportunity to make bigger returns. “Risk is very attractively priced,” he said.

Working Down Debt

Banks reduced the amount of soured real estate debt last year primarily through sales of loans, according to Matthew Anderson, managing director at Foresight Analytics, an Oakland, California-based research firm. The amount of nonperforming commercial real estate mortgages and construction loans at banks peaked in the first quarter of 2010 at $126.2 billion. By September, the amount was $115.7 billion, said Anderson.

“There’s still a large volume of nonperforming loans out there that still need to be dealt with,” said Anderson, who expects further declines. He is scheduled to testify today before the TARP oversight panel that raised concerned about defaults last year.

Large Numbers

Some of the deleveraging is occurring at places such as Auction.com in Irvine, California. The company auctioned $2.2 billion of notes in 2010, fetching 56 percent of face value, and it expects that to at least double this year.

“The numbers are so large,” said Kenneth Rivkin, Auction.com managing director, who described his company as an “EBay for properties.” “With real estate values down 40 percent nationally, there has to be hundreds and hundreds of billions” of distressed mortgages and properties poised to be sold. “If somebody has a good platform that has proven itself, their business should be up significantly.”

Carlton Group, a New York-based real estate investment bank that runs the Carlton Exchange listing service, closed loans with a principal balance of more than $2 billion last year, and expects to do $7 billion to $8 billion this year, said Howard Michaels, the firm’s chairman.

Prices for the most sought-after properties in Washington and New York are approaching peak levels. Capitalization rates are falling as prices rise. The cap rate, a measure of investment yield, is calculated by dividing net operating income by purchase price.

Manhattan’s average cap rate on offices was 5.5 percent at the end of 2010, compared with 6.2 percent for central business districts nationwide, according to Real Capital.

Seattle, Chicago

As yields on properties in those markets tumble, investors are looking to other markets for higher returns.

Seattle, the San Francisco Bay area, suburban New York and Washington, and parts of Chicago and Atlanta will be among the next markets that see rising prices, according to Lee Menifee, senior director

of global strategy at CB Richard Ellis Investors in Los Angeles. The affiliate of CB Richard Ellis has $36 billion in assets under management.

“They’re getting interest both from lenders and investors,” Menifee said of these areas. “The confluence of those two things would suggest that there’s going to be a run-up in prices for high-quality assets in those next-tier markets.”

Pent-Up Shopping Demand Fuels Surge in Retail Leasing
已壓抑兩年的購物需求逐漸紓解，燃起商場租賃需求

By: Randyl Drummer (CoStar)

Mirroring the rebound in other commercial property sectors, leasing and occupancy of U.S. malls and shopping centers continued to improve across the country in fourth-quarter 2010, and CoStar Group economists expect demand to accelerate for the next two years as shoppers open their wallets and the economy adds jobs, leading to renewed demand for retail space.

With the very low amount of new supply of retail space and a strengthening economy, retail vacancy rates are expected to continue to decline through mid-2013.

Absorption of retail space, which has been positive for six consecutive quarters, should continue to be positive through at least mid-2012, CoStar Group forecast this week in its Year-End 2010 Retail Review and Outlook. CoStar Real Estate Strategist Suzanne Mulvee co-presented the retail market report with Real Estate Strategist Kevin White.

"Retail real estate fundamentals have closely followed retail sales, which are now looking quite positive. Retail sales turned positive in 2009 and between early 2009 and today, have eclipsed their pre-recession high," Mulvee said. "We're moving in the right direction from a fundamentals standpoint. Recovery is in motion."

Over the last few months, fears of a double-dip recession have eased and GDP growth, now at around 3%, will continue to be strong through this year and into 2012, White said. Consumer spending, which has improved for the last 18 months, ramped up a strong 4.4% in the fourth quarter, the best since 2006. Retail sales are growing at a healthy 7% clip, levels not seen since the housing boom, White said. Household finances have recovered to a reasonably healthy level, and pent-up demand for consumer durables is solid. Spending on health care and personal care are up 14% while food/beverage spending has increased 5% and general merchandise is up 4%.

But the outlook isn't without risk or potential problems, which could cast a shadow over the longer-term outlook later in CoStar’s forecast during 2013-14, White cautioned. Housing remains locked in a double-dip downturn. State and local government cutbacks will continue to be a drag, especially in state capitals and other metros dominated by government. The federal deficit is expected to hit a record $1.5 trillion this year, leaving a 70% debt-to-GDP ratio that could drive up interest rates.

"We're not expecting consumers to lead this recovery by any means, but we also don't expect them to be the huge drag on the recovery that some of the more pessimistic economists expect them to be," White said. The economy should get a boost from pent-up demand for cars, clothing and electronics.

"American consumers went on a buyer's strike during the recession. Finally, they're loosening up the purse strings and there's a lot of pent up demand that will continue to play out over the next year."

Stepped up leasing activity resulted in 13 million square feet of positive absorption in the fourth quarter

nationally -- the sixth straight quarterly improvement - with most individual metros seeing a net gain in leased space, including Houston (3.8 million square feet), Washington, D.C. (3.04 million square feet), Philadelphia (2.87 million SF), Boston (2.28 million) and Long Island, NY, (1.87 million) rounding out the top 5 metros that are concentrated in healthier segments of the economy, including energy, government, and health care and education sectors.

The direct vacancy and availability rates declined again in the fourth quarter and appear to have turned a corner, although they remain well above their five-year averages.

Retail construction, like most other commercial categories, remained stifled, with developers delivering a record low of less than 50 million square feet in 2010. Very new supply is in the pipeline, with starts totaling only 23 million square feet in 2010, including just 3 million square feet in the fourth quarter. That compares with 176 million square feet started during the market peak in 2007.

Very few large centers are under construction and projects have especially plummeted for grocery-anchored centers, which are exposed to the weak housing market, as big-box value retailers like Sam's Club and Costco have competed for the dollars of thrifty shoppers.

"We've not yet at the bottom for deliveries of new construction, we're still probably a year away," Mulvee said.

Quoted rents continue to fall and their recovery will trail improvements in fundamentals. With profits rising quickly, matching their 2006-07 levels, retailers are under less pressure to cut occupancy costs.

All told, CoStar forecasts a strong recovery in the retail sector. Deliveries will rise gradually, hitting 40 million square feet by fourth-quarter 2014. Absorption will peak and vacancies will bottom in the first half of 2012, with a gradual decline in absorption through 2014 paired with a rise in vacancy rates as the supply pipeline reopens.

Dangers of Decoupling: Don't Call it a Bubble, But Investment Outpacing Cash Flow
某些地區（尤其紐約）的商業地產投資的成長速度高於就業與大環境的成長速度

By: Sam Chandan

New York City's commercial real estate investment market has rebounded strongly over the course of the past year. Sales volumes and pricing metrics have both climbed from their lows, outpacing improvements in other major markets. The gains measured for the most visible assets, in the office sector in particular, have exceeded upside expectations during the depths of the financial crisis. Even as cap rates have fallen, spreads have remained wide by historic standards, attracting a confluence of investors and lenders.

Unfortunately, the observable improvements in investment activity have not yet been matched by gains in jobs or in the broadest measures of property fundamentals. While the most current data on absorption and occupancy rates show that fundamentals have reached an inflexion point in the city's strongest submarkets, the otherwise lagging pace of the recovery in cash flow as compared to investment has raised questions about whether the two measures of the market's recovery are at risk of decoupling.

Concerns about such a decoupling are reinforced by the divergence of pricing trends between the major markets, including New York, and the rest of the country. New York has been a primary beneficiary of the widely observed bifurcation of capital flows over the past year, both in terms of equity flows and credit availability. Investor and lender preferences for a select group of markets have translated into more intense competition in the arenas of acquisition and loan-making, and upward pressure on asset prices as a result. Few if any markets have matched New York in this regard.

One basis for the market bifurcation that has received scant formal attention is the role of liquidity. In New York, the improvement in pricing absent lockstep gains in fundamentals is critically reflective of the role that liquidity has played in fueling the recovery and its geographic peculiarities. If we think of liquidity as the ease of trading of real estate assets, New York has a material advantage over its peers.

Measures of liquidity rise in the presence of diverse buyer and seller groups, as well as the financing. The persistence and durability of those market participants and the efficiency with which counterparties can be identified also limit downside risks of a shock to liquidity. While the vast literature on the role of liquidity in financial markets demonstrates that it plays a role in asset prices, the underlying theory and empirical models have not been widely deployed in the practical study of commercial real estate. The current recovery cycle, however, suggests that liquidity plays an important role in the property market and that it can, under some circumstances, dominate fundamentals drivers.

The Problem With Measurement

As far as the drivers of fundamentals are concerned, New York City's office-using labor market weathered the recession far better than was originally expected. The drop-off in demand for space exceeded actual job losses, reflecting the uncertainty that characterized the financial services outlook

during this period. Many firms were understandably hesitant to commit to long-term leases, even if their own payroll outlook was stable.

As compared to 2009 and early 2010, business conditions have normalized significantly. This has emboldened firms that previously held off on committing to new space, driving a marked increase in leasing activity in the second half of 2010 and in the New Year. The uptick in leasing activity has tended to favor the highest-quality and best-located properties, which are now capturing a disproportionate share of absorption.

Just as overall fundamentals trends lag behind relatively healthier gains at the subset of prime properties-and weaker improvements elsewhere-measures of pricing and investment activity also capture buyers' and lenders' elevated bias in favor of premium assets. As a measurement challenge, this means that investment metrics will only reflect those properties that trade while rent and occupancy measures will reflect the average across the broader inventory. The fundamentals trends for all properties in the market will necessarily dilute the cash-flow trajectory of the assets that are currently defining the investment momentum. A direct comparison of the two trend lines will overstate the extent of decoupling.

Risks Remain Idiosyncratic, Not Systematic

Ultimately, the empirical analysis suggests that investors in high-quality assets remain on terra firma. The appropriateness of pricing and the potential for a winner's curse can still be determined on an asset-by-asset basis, alongside an assessment of buyers' capital costs.
Where the structure of financing covers risks of rising interest rates, the evidence currently weighs against arguments of systematically inflated prices in New York City or an imminent reversal in the positive trend. That may not remain the case, however. If prices continue to improve and current expectations of stronger gains in fundamentals are not met, the situation could grow more problematic.

Office Market Continues Rebound
辦公樓市場持續復蘇

By: Paul Rosta (CP Executive)

By any number of measures, the U.S. office market is bouncing back, concludes a new report from Colliers International. Among other encouraging indicators, absorption is on the rise, vacancy is slipping and pricing for Class A product in central business districts is beginning to creep up.

The findings prompted Dylan Taylor, Colliers' CEO for U.S. operations, to declare that the office market is "in the midst of a full-fledged comeback" and speculate that further improvement is ahead. "As the velocity of this recovery accelerates over the next few months, we would expect to see additional occupancy gains and increased rental rates throughout a growing number of key markets," Taylor commented in a statement on Wednesday. Although hiring by office tenants is a major factor , a dearth of new product is doing a great deal to tighten the market. The volume of new inventory coming on line declined from 5.5 million square feet in the third quarter to 3.8 million square feet in the fourth.

Improvement continued to gain traction during the fourth quarter of 2010, according to Colliers' survey of 62 largest U.S. office markets. The national vacancy rate declined 29 basis points to 16.15 percent over the last three months of the year, while the market absorbed 14.8 million square feet. Washington, D.C., Manhattan and San Francisco maintained their familiar places as the nation's top performers during the quarter. In Manhattan, availability dropped 30 basis points to 13 percent. Leasing volume in San Francisco neared 2 million square feet in the last three months of the year, a 300,000-square-foot increase from the city's historical average. Yet these heavyweights were not the only markets to show gains. Occupancy also ticked up in markets that have underperformed during the recession, notably Dallas, Chicago and Denver.

Other signs of tightening are a nearly 4 million-square-foot drop in available sublease space, which declined from 64.8 million to 60.9 million square feet from the third to the fourth quarters. Class A rental rates in the nation's suburban markets softened by 1.5 percent to $26.04 per square foot, but central business district pricing edged up by 0.9 percent to $32.29 per square foot. That discrepancy is also reflected in another sizeable difference; Class A central business district properties registered 16.02 percent vacancy at the end of 2010, more than 200 basis points better than the 18.34 percent rate for Class A suburb an properties. Yet by another metric, suburban markets also flexed their muscles during the fourth quarter, accounting for about two-thirds of leasing absorption nationwide. That showing marked a major jump from the third quarter, when those same markets managed only 46 percent of leasing absorption.

Many in CRE Embrace the Social Networking Phenomenon
社交網站在商業地產中亦顯其重要性

By: Mark Heschmeyer

One of the year's hottest movies, *The Social Network*, has garnered eight Academy Award nominations including one for Best Picture, and while the Internet phenomenon known as social networking may not yet have garnered as much acclaim among commercial real estate professionals, the industry is widely adopting the technology, according to an informal poll.

Social networking in the CRE business is largely in fledgling state with the industry still trying to harness its reach. CRE companies and individual deal makers are all over the leading social network sites in hopes that one day it will become the next great sensation and lead to more deals and connections.

"I have a hunger to know more about social networking, but I haven't yet figured out how to use it in business," said Gil Daniel of Southeastern Realty Group Inc. in Orlando, FL. "I am a member of LinkedIn and Facebook. I would love to have this as a tool to help sell commercial real estate, but don't know how. I'm all ears."

Like Gil Daniel, Jonathan McLaurin of Silverpeak Real Estate Partners in Atlanta also has his own personal pages on Facebook and LinkedIn and so do many others. Says McLaurin, "As social networking evolves and social networking technology starts to impact a larger percentage of people in the industry, social networking will be more a value-add phenomenon in the industry."

CoStar Group surveyed a random sample of 800 Watch List readers asking whether they or their companies are on Facebook, Twitter or LinkedIn networking and how they use them. We received 76 completed responses. Of that group, three out of every four respondents maintained a personal page on LinkedIn and half on Facebook. And about one-third of the CRE companies they represented had sites on all three networks. And while there was less widespread personal usage of Twitter, one of 10 companies identified that site a "primary" outlet for business communication.

Not There Yet

According to Michael E. Madziarek, senior advisor for Sperry Van Ness | Landmark Commercial Real Estate in Geneva, IL, social media in its present form and how people use it is not a source of information, rather a communication game that people enjoy.

"I do not care if you are attending the CCIM course 101 today and have to see for the next five days what you did in class," Madziarek said. "Because of the way people tag their tweets, you get all kinds of junk. I believe that it needs to be revamped in a way that people find it to be a source of information not a place to have a contest for the most followers and tweets for the day."

"I really don't have time to spend on the computer on social networks because I am busy actively marketing our properties, showing them, and also performing leasing and selling duties," agreed Angela Harwell, a broker / Realtor in Winter Haven, FL. "We have people come to us based on the press

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releases we issue about our activity - but I'm not sure we need to constantly put ourselves in people's faces."

It's All About The Future

The fact that social networking technology seemingly has widespread acceptance today has little to do with what industry professionals are doing right this instant, but rather is much more about where they see the industry heading.

"I think it is important as far as my business is concerned to stay up with the business networking sites, such as LinkedIn or Plaxo because they could become a real force in the future and I don't want to be starting from scratch at that time," responded R. Dabney Tompkins, Brokerage Services of CB Richard Ellis | Office Properties in Portland, OR.

"Or they may fade and never be much and I don't want to have devoted a huge amount of time to something that is going to end up irrelevant."

Some respondents compared social media adoption to the similar way the Internet was initially greeted with skepticism before being embraced by business. Katie Sherman of Commercial Defeasance LLC in Charlotte, NC, said: "It is incredibly important and crucial in today's day and age. If you don't [have a presence] you're not on the cutting edge and I believe in the years to come if you're not involved in social media then you will not be in business."

Larry J. Socia, director, retail division of Pyramid Brokerage Co. in Syracuse, NY, said: "Generally speaking, it's important to keep up with latest technology and trends to keep abreast of what's going on in the industry and worldwide. Right now, I'm more of an 'old school' person who uses these social networking resources as a means to keep pace with clients and competitors, rather than have a 'Challenger' moment trying to be first in space with cutting edge technology. It helps me look more modern."

Then Socia added: "I haven't used our fax machine in months."

"The jury is still out on the social networking," said Rebecca Horne, filing library museum evidence storage specialists with System Concepts Inc. in South San Francisco. "As the population ages and moves into management and powers of companies, it may well become the standard way of doing business…"

In fact, Horne added that we may be approaching that point: "Today is a very interesting time with Egypt and the Mideast erupting and the "normal" feeds of social networking as news sources have been cut. When the Internet does go down, how does business continue in the daily "new normal?"

It's All About Building Contacts, Promoting Buildings

Valerie Cothran of SunTrust Bank in Raleigh, NC, thinks she knows where it is heading in the future.

"I can use social networking through LinkedIn and Facebook to connect with professionals and basically build an address book of contacts that I can go to," Cothran said. "For example, if I meet someone in

passing or have lunch with them at a conference, I may not have an immediate business prospect or connection, but by adding them to my network, I can contact them in the future. Considering I work in Special Assets now, building a network of future contacts is very important as I think about being on the origination side again in the future."

Marty Busekrus, CCIM, a senior associate investment sales with NAI Rauch Weaver Norfleet Kurtz & Co. in Fort Lauderdale, recently gave a presentation at NAI's national convention on the topic of Social Media. His theme was that social networking is all about personal and property promotion.

"I use social media as an extension of my resume," Busekrus said. "I think resumes are almost going by the wayside. Rather than sending an employer your resume, send them to your website. The personal website should be a really beefed up version of your resume. From your website you can link to LinkedIn, Twitter, I have podcasts, etc. These are all great not only for potential future employers, but also future potential clients. All of these "things" may not win you business, but it will get you in the door and you will absolutely be at the forefront of technology and your clients should see that."

"Most people start researching a person with whom they are planning to do business BEFORE they do business with them," said Nicholas L. Miner, CCIM, vice president - investments for Commercial Properties Inc. a CORFAC International Firm in Scottsdale, AZ. "If you make it difficult for them to find you, they will use your competition."

Paula Greer of Black & Associates in Portland, OR, said: "LinkedIn has been good for wider realm of industry information. And for finding potential contacts for my own business. I have also used it for referrals to business associates that are not on LinkedIn when I see requests that I know would be of interest to them."

It's A Generational Thing

"Some is much ado about nothing," said Steven R. Miller, brokerage vice president Industrial Services Group of Colliers International in Greater Cincinnati. "I also think it is "generational" I am in my fifties and find that my age group or older are still very much "old school:" phone calls, faxes and snail mail. My contacts and clients of a younger grouping are IMers, texters, Facebook-, LinkedIn-, iPad-types and certainly Twitter. I do not twitter, I do feel it a necessary function to employ some social networking sites and technology but like most things I believe there is a point of diminishing return with some of this."

Joseph Scarpa of Green Paradigm Realty in Pennsville, NJ, said: "The millennial generation is growing up with this technology… naturally adapting to collaboration, research, and communications… business soon - if not now - will have a social networking presence to accommodate the next maturing generation."

Kevin Peixoto, principal of KP & Associates in San Jose, said: "I don't see social networking as a primary tool for business communication in the commercial real estate industry at this point. It may be a useful tool in the future. I believe as communication evolves with younger generations that use Facebook and other social networking websites for business communication, that this form of networking and

communication may become more popular with younger generations and it may find its place in the commercial real estate industry."

Keeping It Professional

One of the stumbling blocks some see blocking wider adaptation of social networking in business is the cross-pollination of what information professionals are willing to share and don't want shared.

"I use it primarily for branding and so clients can find out a little about me. I think it will become more important overtime," said Tim M. Noonan of the National Multi Housing Group for Marcus & Millichap in San Diego." But, at the same time, I think it is good to keep as much about your personal life personal. I like the fact that people can find me if they needed to but they don't know about my family and what I do away from the office."

Steve Basurto, an investment sales broker with CLB Real Estate Services Inc. in Temecula, CA, said: "The social networking sites I believe are still in its infancy regarding commercial real estate. I'm sure there is some value in having a presence on any one of these sites. As time goes on the information obtained from the sites will grow to be what they are, however in this business, certain information is deemed proprietary and I can't envision it being shared that way."

"I think in the brokerage business those sites are tough to use because the dissemination of information is impossible to control once posted via reposting and re-tweeting," said Nate Oleson, vice president of ARA ? Pacific in San Francisco. "In addition, investors are very particular on the type and quality they want to purchase. Also, most of my clients (private clients) don't use or have Facebook, LinkedIn or Twitter. The use of it may expand in our space but it is a ways out."

Email and Face-To-Face Are Still King

In the survey, we did not include the choice of email as a preferred option for personal or business communication. If we did, it likely would have gone home with the Oscar. We did ask if any of the three social networking sites had trumped email as a preferred method for communicating with friends and business. More than half answered a resounding "No!" while almost one in four also said "Yes" or "Not yet."

"Email is still king," said J. Francis Mahoney, SIOR, Cushman and Wakefield of Pennsylvania Inc. in Philadelphia. "Business owners and/or company executives charged with large real estate decisions are too mature/aged/busy to devote a huge amount of time to searching the social sites. They still seem to be the province of the young."

"Personally, I do not see what the fuss is about," said Karen Van Hamme of Principal Life Insurance Co. in Des Moines, IA. "I prefer to get my business communication by reading newspapers and journals (online) and emails that push the news to me rather than social networking sites. I see little value in my business of CRE research. I need more than 120 characters to get the info I need, and I want it from reputable sources, not random "twitterers."

Fred B. Cordova III, senior vice president / CART Western regional director for Colliers International in Los Angeles, and author of the firm's The Aggregate, said: "I believe in spreading knowledge an insight and sharing it openly, but it needs to be thoughtful and worthwhile. Everything else is just noise that no one has much time for. With all of the email noise, picking up the phone is more important than ever! Trying to deliver a personal message to 5,000 of your closest friends via Twitter or Facebook, just does not seem to me to be the way to go in our business."

Still, Cordova offered the one pervasive caveat that seems to be out there about social networking in commercial real estate.

"That said," Cordova added, "we are looking into it to see if there is a way to do it and protect client privacy. It does seem to be the wave of the future and with iPhones and iPads… we feel it bears serious consideration."

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Seizing Accounts Receivable in Commercial Collection Cases
Assignment Order"分配命令"：收集壞賬的方法之一

By: D. Patrick O'Laughlin, Esq.

Very often, a company's accounts receivable is its most vulnerable asset from a collection law perspective. Generally speaking, when considering alternatives for collecting from an ongoing business concern, we first look to seize real property and business assets by writ of execution.

However, struggling businesses typically do not enjoy equity in real property and may lease business equipment such that attempted seizure of these assets would be futile. That being the case, the forced sale of real property and business equipment may not be a viable option.

Accounts receivable can be intercepted by assignment order. The assignment order is one of the most powerful yet seldom used collection tools in California. Because assignment orders require significant investigation and expense, it is not a remedy normally pursued by law firms that do not specialize in collection law.

What is an assignment order?

An assignment order is a means to seize receivables at the source. That is, if a defendant is expected to enjoy a stream of income or payment from a third party, a judgment creditor can serve the third party with a court order to pay that stream of income of payment to the creditor instead of to the defendant. Regular payments from the defendant's customers are fair game. The assignment order is also effective to reach rents, commissions, royalties, or payments due from a patent or copyright, for instance. The assignment order, in essence, assigns the right to receive payment to the judgment creditor.

When is an assignment order typically utilized?

Assignment orders work well against business defendants that receive money from existing clients on a regular basis. As you can guess, defendant businesses are quite sensitive with respect to any disruption to their relationships with customers. Assignment orders often result in immediate settlement discussions. The negotiation leverage created by an assignment order is substantial.

What procedure is required to obtain an assignment order?

Initially, for an assignment order to be considered, the judgment creditor must discover a stream of income enjoyed by the defendant or learn of an impending payment to the judgment debtor.

Once the creditor has completed the necessary investigative work to discover the stream of income, the judgment creditor must pursue the assignment order by way of "noticed motion".

A noticed motion means that the creditor must reserve a court date with the clerk of the court, prepare moving papers including a proposed court order, and serve the defendant with a copy of the moving papers.

At the hearing, the judgment creditor must prove to the court that the debtor stands to be paid by a third party and that the case is appropriate for an assignment order. The creditor's burden of proof is the same as for any civil matter: a preponderance of the evidence. When possible, in preparation for the hearing, the judgment creditor should subpoena from the third party (or from the defendant directly) any documentation that may be necessary to meet the burden of proof. If the creditor can meet its burden, the judge may sign the proposed order in court or require that the judgment creditor prepare and submit a modified order.

How is the order enforced?

Once the order is signed by the judge, it is incumbent upon the judgment creditor to serve the order upon the third party from whom payment is sought. Once the third party is properly served with the court order, the third party is charged with the duty of paying over any monies that may become due to the debtor to the judgment creditor instead. In the event that the third party fails to comply with the assignment order, the third party can be held to be in contempt of court. Keep assignment orders in mind next time you are facing a struggling tenant. You may even be able to convince the tenant that it is in their best interest to re-prioritize their debts by moving their lease obligations to the top of their accounts payable.

CMBS Delinquencies Hit New High in December, but Growth Rate Slows
商業抵押擔保證券拖欠率在 **12** 月再創新高，但增長率開始緩慢

By: Paul Rosta (CP Executive)

CMBS delinquencies reached an all-time high of 9.34 percent last month, but that dubious distinction may mask something of a silver lining. Although the total delinquencies may continue to tick up for a while, they are also increasing far more slowly than they were just a few months ago, according to Trepp L.L.C. “While the rate continues to head higher, optimists can point to the fact that the rate of increase is significantly smaller than it was in the prior two months,” said Marius Clancy, managing director at Trepp, in a statement accompanying the monthly report. “Pessimists can counter that the jump comes despite the fact that new issues continue to make their way into the calculation and servicers continue to resolve troubled loans.”

As Clancy suggests, optimists and pessimists will likely draw varying conclusions from the latest figures, but last month’s 14 basis-point uptick was only about half the 27 basis-point jump from November to December and smaller yet than the 35 basis-point increase recorded a month earlier. All told, last month’s tally reflects a 63 basis-point increase in the past six months and a 285 basis-point jump in the past year.

Trepp’s report also confirms that CMBS delinquency trends continue to skew by property type. Leading the charge upward in January was the industrial sector, where the delinquency rate rose from 8.97 percent in December to 10.12 percent last month. Also on the upswing were hospitality (15.08 percent, up 77 basis points) and multifamily (16.85 percent in January, a 37 basis-point hike. Heading in a more positive direction last month was the office sector (6.88 percent, basically a wash with December) and retail (a 14 basis-point drop on the heels of a previous 27 basis-point month-over-month upturn).

Those rates should continue to fall throughout the year as new CMBS offerings come to the market, offsetting delinquency rates among existing pools. An analysis issued this week by Cushman & Wakefield Sonnenblick Goldman points out CMBS offerings are growing steadily on both size and number as major institutional players return to the market. Familiar names dipping their toes into the pool include JPMorgan Chase, Deutsche Bank, Cantor Fitzgerald, UBS, RBS and Morgan Stanley. “The offerings are growing in size as bankers gain confidence in the market’s ability to digest larger deals,” the report notes.

Forthcoming pools will reach $1.5 billion to $2 billion in value—only a fraction of a $7.9 billion securitization by Wachovia four years ago, but still twice as large as the biggest pool last year. Ratings agencies are also helping shape the new CMBS market by influencing players to create pools marked by diverse geographic location and product type. That runs counter to the trend in the two previous years toward the comparatively granular—and therefore more easily analyzed—loan pools that often characterized CMBS securitizations in 2009 and 2010, Cushman & Wakefield Sonnenblick Goldman observed.

Wells Fargo Stays Atop Mortgage Servicer Ranking
2010 年富國銀行依然是最活躍的商業抵押貸款服務商

Source: CRE Direct

Wells Fargo Bank remained the most active servicer of commercial mortgages last year, handling a portfolio of 39,125 loans with a balance of $451.09 billion, according to a survey by the Mortgage Bankers Association.

Like four of the top-five servicers, Wells saw a decline in its servicing portfolio from 2009, when it handled 41,834 loans with a balance of $473.81 billion.

PNC Real Estate and its Midland Loan Services unit, which ranked second behind Wells, saw an increase in volume last year. Its portfolio grew to 79,720 loans with a balance of $337.37 billion last year from 37,810 loans with a balance of $322.97 billion. Most of the other top servicers saw either little change in their servicing portfolios or slight decreases.

Commercial and Multifamily Mortgage Servicing Ranking Primary and Master Servicing FY2010				
Rank	**Servicer**	**#loans 2010**	**Vol. $bln 2010**	**Vol. $bln 2009**
1	Wells Fargo	39,125	451.09	473.81
2	PNC Real Estate/Midland Loan Services	79,720	337.37	322.97
3	Berkadia Commercial Mortgage	26,119	194.93	217.87
4	Bank of America Merrill Lynch	10,789	126.63	131.74
5	KeyBank Real Estate Capital	11,462	118.88	128.45
6	Gemsa Loan Services	11,036	102.31	102.30
7	Prudential Asset Resources	5,794	65.07	62.54
8	Deutsche Bank	2,597	52.26	52.02
9	NorthMarq Capital	5,470	38.55	38.96
10	TriMont Real Estate Advisors	1,365	28.39	34.07

Source: Mortgage Bankers Association

Most of the top servicers rely heavily on the securitization market for their portfolios. Wells, for instance, services 28,733 securitized loans with a balance of $368.02 billion, comprising 82 percent of its entire servicing portfolio. PNC is among the exceptions. Its portfolio of securitized loans totals $128.9 billion, which amounts to 38 percent of its total servicing portfolio.

Meanwhile, because the CMBS market remained anemic last year, every servicer saw a decline in their portfolios of securitized loans. That explains the reduction in their overall mortgage servicing activity.

Commercial and Multifamily Mortgage Servicing Ranking CMBS, CDO, ABS Servicing FY 2010				
Rank	**Servicer**	**#loans 2010**	**Vol. $bln 2010**	**Vol. $bln 2009**
1	Wells Fargo	28,733	368.02	389.29
2	PNC Real Estate/Midland Loan	12,234	128.92	138.52
3	Berkadia Commercial Mortgage	14,190	113.47	125.80
4	Bank of America Merrill Lynch	4,940	90.35	97.53
5	KeyBank Real Estate Capital	8,423	82.44	89.59

Source: Mortgage Bankers Association

PNC, by far the most active servicer of Fannie Mae and Freddie Mac loans, saw a sharp decline in its agency servicing portfolio, to $57.47 billion from $70.17 billion the year before. But that's largely because of the bank's sale of Red Capital Group, a Columbus, Ohio, agency lender, to a team of Orix USA Corp. and Stonehenge Partners last year. Other servicers saw little change in their agency portfolios. Prudential, however, saw a 16 percent increase in its servicing portfolio.

Commercial and Multifamily Mortgage Servicing Ranking Fannie Mae/Freddie Mac Servicing FY 2010				
Rank	**Servicer**	**#loans 2010**	**Vol. $bln 2010**	**Vol. $bln 2009**
1	PNC Real Estate/Midland Loan	6,067	57.47	70.17
2	Wells Fargo	7,808	46.63	44.92
3	Berkadia Commercial Mortgage	2,633	26.84	26.08
4	Deutsche Bank	2,030	26.43	26.82
5	Prudential Asset Resources	1,022	14.39	12.38

Source: Mortgage Bankers Association

LNR Partners Inc. remains atop a ranking of special servicers of securitized mortgages. Its portfolio grew to $201.35 billion from $191.68 billion. Most other special servicers saw declines in their portfolios.

Commercial and Multifamily Mortgage Servicing Ranking Special Servicing FY2010				
Rank	**Servicer**	**#loans 2010**	**Vol. $bln 2010**	**Vol. $bln 2009**
1	LNR Partners	15,015	201.35	191.68

2	CWCapital Asset Management	11,788	150.47	162.62
3	C-III Asset Management	11,936	116.20	108.45
4	PNC Real Estate/Midland Loan	8,977	61.24	95.42
5	Berkadia Commercial Mortgage	6,225	36.56	43.90

Source: Mortgage Bankers Association

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

(Reprinted with Permission of the Wall Street Journal)

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	0.31	0.30	0.54	0.25	0.06	-2.78
Money market, annual yield	0.61	0.63	0.90	0.61	-0.27	-2.28
Five-year CD, annual yield	2.01	2.00	2.66	2.00	-0.65	-1.38
30-year mortgage, fixed	5.04	4.90	5.43	4.32	-0.13	-0.56
15-year mortgage, fixed	4.30	4.20	4.58	3.71	-0.14	-0.77
Jumbo mortgages, $417,000-plus	5.56	5.49	6.19	5.32	-0.53	-1.14
Five-year adj mortgage (ARM)	3.71	3.59	5.79	3.31	-0.67	-1.41
New-car loan, 48-month	5.19	5.17	6.85	5.16	-1.37	-1.87
Home-equity loan, $30,000	5.17	5.17	5.28	5.06	-0.09	-0.75

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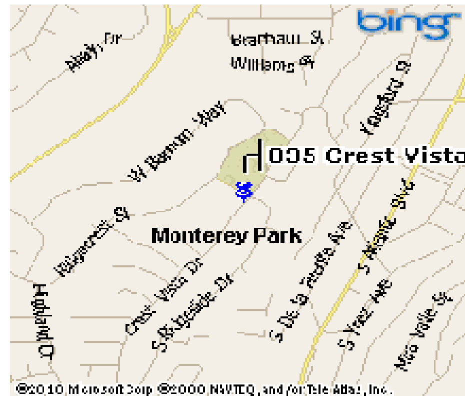
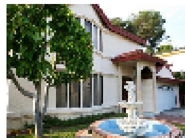
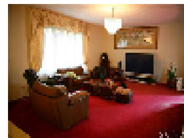
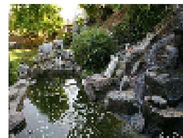
Monterey Park Luxury Residence
蒙特利公園豪宅

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.

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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