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**National Association of Realtors Forecasts More Stabilization in CRE**
**全國房地產經紀人協會預測商業房地產會逐漸穩定，但真正的復蘇要素仍是就業率**

By: Barbra Murray (CP Executive)

The National Association of Realtors has released its latest Commercial Real Estate Outlook report, and the organization anticipates increasing improvement across the board for the national commercial real estate market.

There was overbuilding in just about every sector of commercial real estate in the few years leading up to the market's peak in 2007, but construction activity has long since tapered off, which is making all the difference. NAR chief economist Lawrence Yun noted that very limited commercial construction over the past few years has fixed the supply of available space, meaning vacancy rates could tumble quickly.

Among the office, industrial, retail and multi-family sectors, the office sector is presently suffering the most. While New York City and Honolulu are helping ease the pain with estimated first quarter 2011 vacancy rates of 8 percent and 9 percent, respectively, the national average vacancy rate is 16.5 percent. A bit of year-over-year progress is in store; the rather high figure is on track to decline to 16 percent in the first quarter of 2012.

The industrial sector is expected to experience a more significant amount of improvement, with the 14.2 percent vacancy rate on track to drop to 12.9 percent in the first quarter of next year. Salt Lake City and Los Angeles, the top port in the U.S. in terms of traffic, are keeping numbers down with vacancy rates of 7.5 percent. "In the last half of 2010, a lot of businesses depleted their inventory because they didn't build it up in 2008 and 2009 due to the recession," George Ratiu, an economist with NAR, told *CPE*. "Now they are starting to rebuild their inventories."

The retail sector, with a current vacancy rate of 13 percent, will improve, but by the smallest margin among the four sectors. NAR predicts that the retail vacancy rate will decline just a tad to 12.9 percent one year from now. In the meantime, San Francisco, Miami, Honolulu, and Long Island, N.Y., are the bright spots, recording average vacancies of approximately 7 to 8 percent.

"In large part, the main thrust is the issue of employment; office and retail are largely dependent on that," Ratiu said. "If companies are not hiring, they don't require more office space and with retail, if people are not earning money, they are not going to go out and spend. Increased employment; that is what will lift these sectors."

It is the apartment sector, however, that outshines them all. As the economy improves, the apartment market improves. The sector's current vacancy rate of a relatively low 5.8 percent will have dropped even lower to 4.9 percent come the first quarter of 2012. "With multi-family, there is a combination of issues," he noted. "On one hand, we have the issue of employment. A number of young people are entering the labor force, so the formation of new households will increase in 2011. The number of college grads is not slowing down. They may be having problems finding jobs, but at the same time, these are the folks who are most likely to find employment because of their wage bracket. And on the

other hand, we have the demographics of the housing market. With so many foreclosures still taking place, people have to live somewhere and one of their alternatives is renting."

There is one common road to success for office, industrial, retail and multi-family, he said. "For all the sectors, employment remains the main factor."

**CMBS Market's Exposure to Bankruptcy Filing by Borders Raises Concerns**
**Borders 書店破產對商業抵押擔保證券有一定程度的影響，但其 遠不及之前宣佈破產的 Circuit City 和 Linens 'n Things**

By: Elaine Misonzhnik (Retail Traffic)

**After the retail sector** went through an entire year with few major bankruptcies or liquidations, the announcement of Borders' Chapter 11 filing last Wednesday served as an unwelcome reminder that the industry is not out of the woods yet.

While the planned closing of 200 underperforming stores by Ann Arbor, Mich.-based Borders will certainly put additional pressure on retail landlords, the impact should be far less devastating than the Circuit City bankruptcy in 2009 and the Linens 'n Things filing in 2008, according to two research firms that track the securitized lending market for commercial real estate.

"The good news is it's 2011, not 2008," says Manus Clancy, senior managing director with Trepp LLC, a New York City-based provider of CMBS and commercial mortgage information. "The last three years have been tough on mall owners, and the loss is not a good thing. But by the same token, you are not losing a Sears."

The CMBS market's total exposure to Borders stores, both those slated for closing and those that will continue to operate, comes to 3 million square feet of space—about one-fourth the impact that Circuit City had on the CMBS universe, according to Steve Jellinek, vice president with Realpoint LLC, a Horsham, Pa.-credit rating agency and research firm.

Trepp estimates that the 200 announced closings will affect approximately 50 retail centers within existing CMBS pools. Meanwhile, Realpoint estimates that there are approximately 33 centers encumbered by CMBS loans that will be affected by Borders' closings. At 13 of those centers, Borders occupies the entire building. At another 15, it takes up at least 50 percent of the space. Altogether, the closings will push occupancy rates below 80 percent at 29 retail centers.

***Outlook by size***

For regional malls greater than 1 million square feet, the closings likely won't turn into a major issue because at less than 50,000 square feet, Borders stores aren't large enough to lower occupancy rates to dangerously low levels. The closings probably also won't trigger co-tenancy provisions, says Clancy. (Co-tenancy provisions are clauses within retail leases that allow tenants to switch to lower rents or vacate the property if another retailer exits the center, or if the overall occupancy falls below a certain level, usually 80 percent.) Smaller centers and standalone Borders locations could face greater problems, however.

There are some freestanding Borders in the market and some centers where Borders serves as the main tenant. Owners of those centers will likely feel the pain from the bankruptcy more keenly. But because their properties are generally smaller, their loans won't exceed $15 million or $20 million, according to

Clancy. In other words, the owners might struggle to make their mortgage payments, but the losses for the lenders will be minimal.

That's a concern because at properties like this, once occupancy falls below 80 percent, co-tenancy provisions do kick in, reducing cash flow from the remaining tenants, says Jellinek. That might push some owners who were teetering on the edge into default.

According to estimates by CoStar Group, a Washington, D.C.-based research firm, there are more than 400 retail centers in the U.S. that feature a Borders superstore. With Borders closing stores at 200 of these retail centers, they will experience a vacancy increase of 530 basis points to 9.5 percent, which is higher than the current national vacancy rate of 7.2 percent.

"If I've got a shopping center and I lose a 30,000-square-foot tenant, it's definitely going to severely impact my financial situation," says Chris Macke, senior real estate strategist with CoStar. "That's not only because of the lost revenue from the Borders, but also because of the lost foot traffic that will affect other tenants' sales. And it could lead to losing other tenants as well."

***Good portfolio***

The saving grace is that many of the Borders slated for closing are in attractive locations, says Andy Graiser, co-president of DJM Realty, a Gordon Brothers Group company that specializes in strategic real estate solutions, dispositions and valuations. That means landlords will have an easier time getting alternate space users to backfill the buildings.

DJM will be helping Borders dispose of its excess real estate, so Graiser is quite familiar with the stores. The units average about 24,500 square feet each, though some stores are as small as 13,000 square feet while others are in excess of 40,000 square feet. The portfolio is scattered throughout the country, but many of the stores are in primary markets including New York, Boston and Chicago.

The morning after the bankruptcy announcement, DJM was already receiving calls from parties interested in looking at some of the spaces. Graiser says some retailers that might be interested in picking up vacant Borders over the coming weeks and months include supermarket chains, furniture stores and electronics sellers. Some spaces might also be leased by gyms and bowling alleys.

"Over a three-year period, I think you will see a good amount of absorption," Graiser notes, though he adds that it will likely take longer than that for the market to absorb the entire portfolio.

Plus, there is the question of how the rents on the new leases will compare with what Borders was paying. The asking rent for a 21,338-square-foot Borders in the Kips Bay section of Manhattan is $51.04 per square foot. That's almost three times the quoted average of $17.79 per square foot for power centers nationally, according to fourth-quarter 2010 statistics from CoStar.

In very good markets, the incoming tenants will likely be willing to pay rents that will be comparable to those paid by Borders, according to Graiser. But in smaller markets, the landlords might have to be more

aggressive about the pricing, says Macke. The discounting, however, will likely not have to be nearly as drastic as that needed to backfill empty Circuit City and Linen ’n Things buildings.

“We had a year and a half of positive net absorption in retail,” Macke notes. “So the space will be absorbed a lot faster today than it would be 18 months ago.”

**Dollar Stores Set for More Growth**
一元店最近幾年持續超越許多其他種類的零售店；**Family Dollar Stores Inc.** 收到紐約對沖基金 **76** 億美元的要約收購

By: Elaine Misonzhnik (Retail Traffic)

**A $7.6 billion** buyout offer for Family Dollar Stores Inc. is just the latest sign that this once-maligned corner of the retail world continues to gain respectability.

Dollar store sales have outperformed many other retail segments in recent years and the major players in the space continue to expand at a brisk pace. Moreover, some dollar store chains are expanding grocery offerings and experimenting with grocery-only concepts, which will make them even greater competitors with traditional supermarkets.

Last week, Matthews, N.C.-based Family Dollar, which operates more than 6,800 locations, confirmed that it received an acquisition proposal from the Trian Group, a New York City-based hedge fund. The bid values Family Dollar's shares at between $55 and $60 apiece for a combined total of approximately $7.6 billion. Before news of the offer emerged, the company's shares were trading in the mid-$40s range. The stock opened trading Wednesday morning at just more than $51 per share.
***Repeating history?***

Trian's offer follows in the steps of the successful deal Kohlberg Kravis Roberts (KKR) made with Dollar General. After paying $7.3 billion for the retailer in 2007, KKR embarked on a massive expansion and eventually took the chain back to the public markets in November 2009, reportedly tripling the value of its investment. It has been hailed as perhaps the most successful private equity buyout of a retailer in the past decade.

If the Trian Group ends up buying Family Dollar, the hedge fund would look to emulate KKR's strategy with continued store growth, according to Howard Davidowitz, chairman of Davidowitz & Associates Inc., a New York City-based retail consulting and investment banking firm.

"He's paying so much money the only way he could generate the kinds of earnings he needs is by growth," Davidowitz says of the Trian Group's CEO Nelson Peltz. "He's not buying hard assets that he could sell; what he's got is a cash machine and the only way it could be successful is to accelerate growth."

Family Dollar has already been expanding at a brisk pace. In its fiscal 2011, the retailer plans to open 300 new stores, an increase of 50 percent compared to fiscal 2010. The chain has also been investing more money and devoting more space to groceries, a strategy that has been helping dollar stores steal market share from Walmart, according to Spence Mehl, senior vice president with RCS Real Estate Advisors, a New York City-based retail real estate consulting firm.

Family Dollar started increasing its food offerings back in 2006. By the first quarter of fiscal 2011, consumables made up 67.9 percent of its sales. The chain plans to continue growing its grocery division in the coming year.

"The expansion of consumables is a theme now that we have been working on for several years, and I think you will see that continue as we go into the back half of the year," said Jim Kelly, Family Dollar president and CEO, during an earnings call with analysts on Jan. 5. "We're not ready to provide the exact details, but I think the cadence of that expansion of our assortment to support those key strategic areas will continue and that will provide us with further sales momentum."

Family Dollar projects that its same-store sales growth in fiscal 2011 will reach between 5 percent and 7 percent.

The company's first quarter results, reported last month, showed that its comps rose 6.9 percent—the biggest first-quarter jump in more than 12 years—while overall sales rose 9.5 percent to just under $2 billion. Its net income increased 9.9 percent to $74.3 million and its gross profit margin as a percentage of sales fell to 36 percent, compared with 36.1 percent in last year's first quarter.

***Other players***

In addition to Family Dollar's growth into grocery sales, Chesapeake, Va.-based Dollar Tree Inc. started testing Dollar Tree Market stores early last year. The stores, which are twice the size of an average Dollar Tree with 23,000 square feet of space, specialize in grocery and baked goods products. Goodlettsville, Tenn.-based Dollar General also has experimented off and on for years with its own grocery concept called Dollar General Market. In December, signs were that the chain was preparing to grow the concept once more.

Limiting their apparel merchandise and concentrating on greater food selection instead is "the single smartest thing dollar stores could have done," according to Davidowitz. The expansion into groceries allows customers to make the stores an all-in-one convenience destination instead of forcing them to spend their food dollars at nearby retailers.

In fact, dollar stores look set to dominate the retail real estate landscape for some time. In the past, these chains operated primarily in secondary and tertiary markets. From 2008 to 2010, as the recession raged on, they were able to move into locations in primary markets by backfilling vacancies left by other retailers, says Mehl. Today, as vacancies subside and rents begin to stabilize, their expansion potential might be diminishing, but the industry will likely still see considerable growth from the dollar stores.

"There is a lot of growth potential because we are moving in the right direction, but we are far from out of the woods," Mehl says. "Unemployment is high and the housing market is still going down. Those two pieces alone will create a big play for the super value retailers. Dollar stores are doing just fine. The strategy of what they've done over the last couple of years has been the right strategy for them. They just have to be disciplined and not get too aggressive with the rents that they pay."

Family Dollar, Dollar Tree and Dollar General all rank in the top 10 of RBC Capital Markets' list of the fastest growing retailers. It estimates the three combined will open 2,400 stores in the next 24 months. In the coming year, Dollar General, which operates just more than 9,000 stores, plans to open 625 new stores and enter three new states: Connecticut, Nevada and New Hampshire. In 2010, the retailer opened approximately 600 new locations.

Dollar Tree has not yet released its results for full year 2010, but during the third quarter, the most recent period for which data is available, the company opened a net of 84 stores. The openings increased its total square footage by 6.6 percent, to 34.4 million. As of October, Dollar Tree operated 4,009 stores in 48 states.

**Blackstone Buys Centro's 588 U.S. Shopping Malls for $9.4 Billion**
**Blackstone Group LP，全球最大的私人股權投資公司，協議以 94 億美元買下 Centro Properties Group 的 588 間購物商場**

By: Angus Whitley & Nichola Saminather (Bloomberg)

Blackstone Group LP, the world's largest private-equity firm, agreed to buy Centro Properties Group's portfolio of U.S. shopping centers for $9.4 billion, two people familiar with the matter said.

The transaction for 588 shopping centers, at the market price they were valued at as of Dec. 31, may allow Centro's Australian operations to continue as an independent company, said one of the people, who declined to be identified before an official statement. The deal may be announced as early as today, the person said.

Miche Paterson, a spokeswoman for Centro at communications firm Kreab Gavin Anderson, didn't immediately respond to a voicemail message, and Peter Rose, a spokesman for Blackstone in New York, didn't immediately respond to an e-mail seeking comment outside business hours.
Melbourne-based Centro, which manages A$16.5 billion ($17 billion) of shopping malls in Australia, New Zealand and the U.S., is considering scrapping the planned sale of its Australian assets, and using the proceeds from the U.S. sale to reduce debt, one of the people said.

**Retail Watch: Best Buy and Target Aim for Smaller Centers": Best Buy plans to improve efficiency through its Best Buy Mobile stand-alone stores, while Target plans to begin launching its CityTarget small-format stores**
相對於傳統的大型店面，**Best Buy** 和 **Target** 將逐漸開啟小型店面

By: Mark Heschmeyer (CoStar)

Best Buy Co. Inc. plans to significantly cut the number of openings of its larger, standard-sized store format in favor of its smaller Best Buy Mobile stores.

The Minneapolis-based electronics retailer also announced plans to improve efficiencies in its U.S. supply chain operations.

"The actions we are taking are consistent with our strategy of driving businesses that have earned the right to additional capital while curtailing activities that we believe will not meet our return on investment thresholds," said Brian Dunn, CEO of Best Buy.

The company plans to open approximately 150 Best Buy Mobile stand-alone-stores in the U.S. in fiscal 2012. These openings would take the total Best Buy Mobile stand-alone-stores to approximately 325 in the U.S.

The company plans to open only six to eight large-format stores in the U.S., resulting in square footage growth of less than 1%. This is a significant reduction compared to the average square footage growth rate of 5% during the last three years.

The company also plans to restructure certain end-to-end supply chain processes in the U.S., which it believes will improve efficiency and reduce costs. This restructuring will result in charges related to asset impairments on real estate, equipment and inventory as well as costs incurred to deliver labor efficiencies.

The company estimates that restructuring charges, which include asset impairments, settlement of lease obligations, facility closure costs, severance costs, and inventory adjustments will total $225 million to $245 million, including approximately $60 million of cash settlement costs, all on a pre-tax basis.

Given the timing of these actions, the company expects that the majority of the charges will be reported in the fourth quarter of fiscal 2011 (approximately $210 million to $230 million or $0.33 to $0.36 diluted EPS impact) with the balance of the charges reported in fiscal 2012.

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**Target Targets Urban Centers with Smaller CityTarget Format**

Target has identified the first location for its new small-format store concept. Target plans to open the store in Chicago in the Carson Pirie Scott building at South State Street and Madison Street East. The small-format stores are being dubbed CityTarget.

Target previously reported last fall that it hopes to open up to 10 such locations in 2012. Other cities mentioned included Seattle, San Francisco and Los Angeles.

CityTarget will offer a smaller assortment groceries, apartment essentials, trendy fashions and exclusive designer collections.

The store will open in 2012 and create about 200 jobs locally. Target currently has 10 other stores in the City of Chicago.

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**Apollo Management Merging Henry's and Sprouts Farmers Markets**

Two separated cousins of the natural foods business are planning to re-unite: Henry's Farmers Market and Sprouts Farmers Market. The two companies that were founded by the same family years apart, but which have always operated under separate owners -- are planning to combine forces under the majority ownership and sponsorship of private equity firm Apollo Management LP.

The Boney Family, which created both brands, will manage the company from an operating perspective.

The combined company, which will also include the Henry's stores currently operating as Sun Harvest Farmers Market in Texas, will eventually come together under the Sprouts Farmers Market name.

Sprouts will thus become one of the larger grocers in the Western U.S., with 98 stores, more than 7,000 employees, and annual revenues in excess of $1 billion at the time of the closing, which is expected to be early in the second quarter of 2011.

Until the closing of the merger, Henry's/Sun Harvest and Sprouts will remain separate and distinct entities. Once the merger is finalized, changes will be phased in gradually over the next year, with the lion's share of them taking place in the second half of 2011 and into 2012.

Shon Boney, CEO of Sprouts said it was currently evaluating whether all of the stores the two currently operate would remain open after the merger.

Once the deal has closed, the corporate operations will be run out of the Sprouts' offices in Phoenix, AZ. The Henry's office in Irvine, CA, will remain open serving regional needs of California. However, that decision could be re-evaluated in the future once the company has determined the combined needs of the merged operations.

The company said almost all existing positions would be retained, especially in the stores, but that there could be a small number corporate roles eliminated that are duplicative in nature.

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**Noteholders Set a Base Bid of $290 Million for Blockbuster**

Blockbuster Inc., the Dallas-based movie and game rental giant undergoing Chapter 11 bankruptcy reorganization, has initiated a process to sell the company, which it said it believes represents the best means of maximizing value for its stakeholders.

Blockbuster has entered into an asset purchase agreement with a "stalking horse" bidder, Cobalt Video Holdco LLC, a limited liability company formed by funds managed by Monarch Alternative Capital LP, Owl Creek Asset Management LP, Stonehill Capital Management LLC and Värde Partners Inc., each of which is a secured noteholder of the company.

Under terms of the agreement, Cobalt has agreed to purchase substantially all of the assets of Blockbuster Inc. and its U.S. and international subsidiaries for $290 million, subject to adjustment.

The Cobalt agreement serves as the "stalking horse" bid in the auction, which sets the floor or minimum acceptable bid.

"By initiating a sale process at this time, we intend to accelerate our Chapter 11 proceedings and move the company forward," said Jim Keyes, chairman and CEO of Blockbuster. "An auction will allow the company to invite competing bids from both strategic and financial investors. This will also allow for the consolidation of ownership of the company to those with a clear and focused vision for Blockbuster's future."

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**DJM Realty Gets Borders' Assignment; Hilco Gets A&P**

Borders Group Inc., which filed a bankruptcy petition under Chapter 11 last week, has retained DJM Realty, a Gordon Brothers Group Co., to manage the disposition project of approximately 200 underperforming stores.

The 200 leases that are available for assignment total 4.7 million square feet and range individually from 12,895 to 42,770 square feet.

"Borders' real estate has begun to create interest among retailers, supermarkets and non-retailer users," said Andy Graiser, co-president of DJM Realty. "The available portfolio offers a unique mix of mid- and big-box locations with long lease terms and strong retail co-tenants. Numerous properties are located in markets that are very difficult to enter, including northern and southern California, the cities of New York, Chicago, Dallas, Atlanta, Boston and their neighboring suburbs."

In separate bankruptcy news, Hilco Real Estate LLC was appointed real estate advisor to The Great Atlantic and Pacific Tea Co. (A&P) in its bankruptcy restructuring. Hilco is managing A&P's disposition efforts, including the immediate sale of 31 leases on stores in the process of being shuttered.

"These 31 locations range from 24,000 to 60,000 square feet. They are in prime locations in Connecticut, Delaware, Maryland, New Jersey, New York and Pennsylvania. Early interest in these sites has been significant and we expect that momentum to continue throughout the sale process," said Gregory S. Apter, president of Hilco Real Estate.

The sale process will be managed by Ross Block, a senior disposition specialist.

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**Two Pizza Chains Cook Up Chapter 11 Reorganization Plans**

Two big-name pizzerias filed for bankruptcy reorganization in the past week: Round Table Pizza Inc. in Concord, CA, with 470 locations; and Chicago's Giordano's Enterprises Inc. with 55 locations.

Round Table Pizza filed a petition for protection under Chapter 11 with the U.S. Bankruptcy Court in Oakland designed to improve the company's cash flow and stabilize its business through recapitalization of its debt and renegotiation of above-market leases.

Despite improving business performance and expense reductions, the company said seeking legal protection under Chapter 11 was necessary to improve the company's competitiveness as the economy recovers.

The filing does not impact Round Table's 148 franchisees that operate 355 independently owned Round Table Pizza restaurants on the West Coast.

Round Table Pizza said that it would close some unprofitable, company-owned restaurants but stressed that most of its company-owned locations and all of its franchised locations will remain open, with minimal impact on consumers.

"Our company has experienced consistent growth and management has been responsive to the difficult economic environment," explained Rob McCourt, the company's president who has also been appointed CEO. "Unfortunately, we are compelled to take further steps, including this reorganization plan, to meaningfully address the high cost of our capital and above-market leases.

Giordano's Enterprises, home of the "world famous" deep-dish pizza, filed for bankruptcy protection in U.S. Bankruptcy Court in Chicago.

Giordano's sought Chapter 11 protection along with 32 affiliates. In court papers, Giordano's said it has "an urgent and immediate need for cash to continue to operate."

Also seeking bankruptcy protection were real estate affiliates of Giordano's: Randolph Partners LP, which owns 12 restaurant buildings leased to four company-owned stores, two joint ventures and six franchises, according to court documents.

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**Convenience Store Decline Reverses Course in 2010**

The number of U.S. convenience stores increased 1.2% to 146,341 as of Dec. 31, 2010, over the store count from the year prior.

This increase in the National Association of Convenience Stores and The Neilsen Co.'s TDLinx 2011 Convenience Industry Store Count reversed a rare two-year drop in the store count and is the highest number of stores ever recorded, eclipsing the 146,294 stores from the 2008 count.

"Despite some industry pressures, the convenience store count has grown dramatically since 2001," said Todd Hale, Nielsen's senior vice president, Consumer & Shopper Insights. "That said, the convenience store industry is widely fragmented, and we expect to see more consolidation as big-box retailers and some supermarket chains continue to add gas pumps to their sites."

"Look for more convenient stores to open in unique locations (office buildings, universities, airports and large condominium/apartment buildings) and without gas," Hale added. "Foodservice will continue to gain attention, as it rises to be the most profitable contributor to convenience store gross margins, especially given the cigarette tax."

"The increase in store count shows that the interruption of service in many areas, caused by many traditional fuel-based operators exiting the industry, is turning around. Those locations are now in the hands of capable retailers who see the consumer demand and are willing to fill it," said NACS vice chairman of research Fran Duskiewicz, senior executive vice president of Nice N Easy Grocery Shoppes Inc. in Canastota, NY.

A total of 117,297 convenience stores sell motor fuels, a 1.7% increase over 2009. The increase in the number of stores selling fuel (1,957 stores) was greater than the increase in overall store count (1,800 stores), with the remainder being convenience-only stores that added fueling or gas stations that added convenience operations. Overall, 80.2% of all convenience stores sell motor fuels.

The convenience retailing industry continues to be dominated by single-store operators, accounting for 62.7% of stores. The growth of one-store operations mirrored the overall growth in store count. The industry increased by 1,800 stores overall, the number of one-store operations increased by 1,766.

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**Casey's Expands in Minnesota Through Acquisition**

Casey's General Stores Inc. in Ankeny, IA, signed a definitive purchase agreement to acquire 11 convenience stores from NuWay Cooperative of Trimont, MN. All of the stores are in Minnesota operating under the NuMart banner and will be immediately rebranded to Casey's.

"These are well maintained locations that fit perfectly with the company's business model of operating in smaller rural communities and further strengthens our existing market presence in southern Minnesota," said Robert J. Myers, Casey's president and CEO.

The transaction is expected to close during the company's fourth fiscal quarter. The acquisition will be funded by existing cash and operating cash flow.

**U.S. Commercial Mortgage Defaults Decline as Prices Recover**
銀行持有的商業地產貸款拖欠率五年來首次下降

By: Hui-Yong Yu & Brian Louis (Bloomberg)

Defaults on commercial real estate mortgages held by U.S. banks fell in the fourth quarter from the previous three months, the first decline in almost five years, as prices began to recover, Real Capital Analytics Inc. said.

The default rate on loans for office buildings, malls and other commercial properties dropped to 4.28 percent of loan balances from 4.36 percent in the third quarter, according to the New York-based real estate research firm. It was the first such decline since the first quarter of 2006.

The drop "suggests that the sector's contribution to bank distress may have reached a plateau," Sam Chandan, Real Capital's global chief economist, said today in a statement. "As market conditions improve, particularly in larger metros, banks are slowly working to charge off more bad loans."

The rate of defaults is declining as real estate values start to rise. U.S. commercial property prices gained 5.5 percent in the four months ended December from an eight-year low in August, according to a Moody's Investors Service index. New York, Washington and other big metropolitan areas are leading the recovery as well-leased properties attract investors.

Commercial lenders face more potential losses. Over the next four years, "a significant portion" of the $1.5 trillion of U.S. commercial mortgages set to mature may not be refinanced because the underlying real estate is worth less than the loan, said Thomas Flexner, global head of real estate at Citigroup Global Markets Inc.

'Very Significant Headwinds'

"I don't think that we have for certain hit the bottom," Flexner said today in an interview with Tom Keene on Bloomberg Television's "Surveillance Midday." There are "still a couple of very significant headwinds that we are confronted with that are primarily in the middle-market banking system," he said.

Defaults on apartment-building mortgages fell to 3.74 percent of outstanding loan balances, from 4.43 percent a year earlier and a record 4.67 percent in the third quarter, according to Real Capital.
For commercial mortgages excluding those on apartments, defaults rose from 3.85 percent a year earlier, the 17th straight quarter they gained on a year-over-year basis, the research company said.
Loans in default are past due by 90 days or more or in so-called non-accrual status, meaning the lender doesn't expect to make a full recovery.

The drop in the balance of loans in default shows lenders modified or sold mortgages, or liquidated the underlying real estate to try to recover part of the debt, Real Capital said.
Shopping Malls, Hotels

About $45.8 billion of loans on office buildings, shopping malls, hotels and other commercial real estate were in default in the fourth quarter, up from $41.8 billion a year earlier and down from $46.8 billion in the third quarter.

Banks held about $1.07 trillion of commercial mortgages and $214.8 billion of apartment mortgages as of the fourth quarter. Many banks, particularly smaller lenders who hold more construction and development loans, “still face serious challenges” managing distressed financing, Chandan said.

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**2011 Brings a Resurgent CMBS Market, More CRE Liquidity**
**2011 年至今商業抵押擔保證券很活躍**

By: Mark Heschmeyer (CoStar)

CMBS activity has flourished in the past few weeks with more than $6.5 billion in new securitization coming to market. In addition, Freddie Mac brought two multifamily-backed offerings totaling $1.86 billion to market.

The activity in February alone is almost two-thirds of all CMBS deals offered last year - and for some is reminiscent of 2007 when commercial mortgage-backed securities offerings were at their peak, which has the commercial real estate market bullish and fretful at the same time.

On the one hand, the volume in CMBS loan origination is another welcome sign that liquidity has returned to the markets. However, relatively large amount in a short period of time is also raising apprehensions that the still frail health of general commercial real estate is being unduly sustained by perhaps overly eager lenders.

"I think it is clear that CMBS is coming back -- something that is probably positive in the short-term as far as jump-starting the investment marketplace and helping to establish a new baseline for pricing while, hopefully, alleviating some of the distress issues out there. But is it a good thing in the long run?" Garrick Brown, Northern California research director of Cassidy Turley BT Commercial asked.

"I have serious concerns as to whether we have learned the lessons of the past," Brown answered. "The fact is that too much capital chasing too few assets is one of the factors that helped to create a commercial real estate investment bubble in the first place. I suppose I may be old school, but the problem I see is that the stock market was always about higher levels of risk and reward, but commercial real estate was the safe and stable alternative. Yet, as we saw during the last cycle, injecting Wall Street via CMBS offerings into the commercial real estate market didn't do much to improve CRE returns but certainly sent the risk through the roof."

Robb Barnum, CFA, vice president structured and quantitative research at Conning & Co., an asset management firm in Hartford, CT, added that, "Contrary to the thinking a year ago or so that [the CMBS deals] would be much better this time around, I don't think the new deals are tremendous. Just look at the new [J.P. Morgan Chase Commercial Mortgage Securities Trust 2011-C3] deal. Though underwritten with lower LTV [loan-to-value] and higher DSCR [debt service coverage ratios], it doesn't mean it's a good conduit deal. Over half the properties are in secondary or tertiary markets. Almost two-thirds is retail. 15% is a Class B mall in a secondary market. Given how much CMBS spreads in general have marched in, the market seems over bought to me."

**Rush To Fill the Void**

While there is no real count of the number of financial institutions jumping in to CMBS loan origination, Marcus J. Mollmann, president of Reliquid, a Greenwood Village, CO-based online network that connects CRE capital seekers with CRE capital providers, said he is seeing fresh interest from originators

this year.

"CMBS originators are broadening their lending criteria as the market stabilizes, capturing quality loans just outside the comfort zone of the larger insurance companies," Mollmann said. "This has filled an attractive void in the CRE capital market, with CMBS originators picking up quality loans with strong risk adjusted yields and owners again finding a non-recourse option at higher loan-to-value ratios."

And as the number of originators increases, so too is it likely that the number of CMBS issuances is likely to grow. That also means the competition to loan will grow, which could be a double-edged sword.

"As the number of participants in CMBS lending continues to increase, the competition to originate loans eligible for new CMBS deals will be fierce," said John O'Callahan, capital markets strategist for CoStar Group. "Insurance companies, GSEs [government sponsored enterprises], and even the healthier large banks will lend on the best properties in desirable markets, while CMBS originators will compete among themselves for the leftovers. They will have to cast a wider net across all markets to garner the volumes anticipated in 2011."

In fact, O'Callahan said CMBS origination statistics reveal that approximately 85% of origination volume in the second half of 2010 was outside of the most popular markets. And most CMBS volume financed retail properties (55% by volume), with office a distant second (27%).

"CMBS originators are clearly unable to compete effectively with the GSEs, insurance companies, or banks for apartment loans, and the supply of eligible hotel and warehouse loans remains muted," O'Callahan said. "In 2011, CMBS originators will likely face even stiffer competition for high-quality loans, which will force issuers to push the quality envelope until investors or ratings agencies push back."

A slight decrease in quality is already visible in pool average underwriting parameters in one of the first deals to market in 2011, O'Callahan noted. In 2010, pool weighted-average LTV and DSCR were better than 60% and 1.65, respectively, and relatively few loans had debt yields lower than 10%. But an initial 2011 deal has a 62% LTV, a 1.49 DSCR, and includes a larger number of loans with single-digit debt yields. The number of interest-only loans is also creeping up, from approximately 12% of the total in 2010 to 20% in 2011.

**Outlook for 2011**

CoStar's prediction for CMBS volume this year of around $25 billion on a conservative basis is at the low end of the estimates thrown around by others on Wall Street. CoStar also noted that there could be another $5 billion or so of new issuance coming from "unanticipated" sources.

Not everyone is enamored with CMBS loans either, which could hold back CMBS activity.

"There is debt available from private lenders and it's not garden variety financing," said Chris Germain, president of Piping Rock Partners, an investment firm in San Francisco. "We just financed the purchase of a 120-unit Class B-, value-add apartment property (1993 construction) at 90% loan to cost with a first and second mortgage from the same lender--the first was 10 years fixed under 5% and the second was

3-year I/O under 4%, both are fully pre-payable."

"It was a bit of an unusual situation, but on top of being optimized/customized for our needs, (the loan) was much easier to close than a CMBS deal, which can be checklist-driven nightmares for a borrower," Germain said. "This deal was also done in a small, tertiary market in the Midwest, where there is still limited capital available."

"Perhaps my anecdotal experience is an indication that more small and regional banks are returning to the market, which could then mean that CMBS volumes will take a very long time to recover," Germain said. "On top of the regulatory issues, CMBS deals are a pain in the neck to close, and if you can get a cheaper/better deal from a local bank that's easier to close, why not do it?"

Jones Lang LaSalle is one of those among the more optimistic with regard to CMBS prospects. In its 2011 Commercial Real Estate Financing Outlook, the firm said total issuance in 2011 is expected to top $40 billion, providing added liquidity to owners with maturing loans to refinance.

"We're far closer to that fully functioning debt market than we've seen since the recession," said Tom Fish, co-head and executive managing director of Jones Lang LaSalle's Real Estate Investment Banking practice. "Given the financing spigot temporarily turned off, a natural evolution occurred last year in which lenders returned to safe lending-targeting only low-leveraged, trophy assets. Now, demand has begun to exceed supply, and lenders are moving more aggressively to place capital. In the following months, we expect to see lenders move increasingly up the risk continuum as we're still in a low overall yield environment, and there's a high demand for yield generation."

Jeffrey Berenbaum, Citigroup's head of CMBS research, told CoStar Group that his outlook falls in between.

"We are expecting new issuance to be in the $30 billion to $40 billion range. While this is a huge improvement from the $9.8 billion issued in 2010, it is likely not enough to jump-start the investment market by itself," Berenbaum said. "However, there are many other sources of real estate debt capital, such as life insurance companies, banks, REITS, and hedge funds. Thus, debt capital is far more abundant now than it was just a year ago and is available at a relatively low cost due to increased competition among lenders."

"Additionally," Berenbaum said, "borrowers are able to obtain much higher leverage (up to 90% in some cases) as mezzanine/subordinate debt has returned to the market. So we think the revival of the CMBS market will certainly contribute to an investment market revival, but that the other factors mentioned above will also play an important role in the revival of investment market."

Berenbaum said he does not think the market is "over-exuberant" yet.

"With over a trillion dollars of commercial real estate loans maturing over the next few years, there is still far more demand for debt capital than is currently available. And so long as this exists, lenders will be able to selectively fund the better assets," he said. "However, a concern is that fierce competition to lend on the best assets could lead to erosion in underwriting standards."

"It's also important to keep in mind that a $30 billion to $40 billion market is very small when compared to the mid 2000s," Berenbaum said. "Overall, the credit quality of the new issue collateral remains very strong compared to the 2005-2007 peak of market originations. While this creates some bifurcation between new issue and legacy classes lower in the capital stack, there is minimal difference in credit quality at the super-senior level."

**The Stage is Set**

While investors have returned to market and are beginning to look outside of a handful of major markets and the best trophy properties, lenders have been able to come back in slowly with more confidence in the quality of projects.

"This is very healthy and when you think of it," said Michael Federle, senior vice president of NorthMarq Capital Inc. in San Francisco. "We needed to retract to a slower and more discerning level because the abuses were rampant and it shook up the whole world. The flow of capital is supporting an enormous industry and everyone needs real estate in one fashion or another. Bringing the industry to its knees wasn't planned and let's face it, over aggression criminality was wide spread."

But Federle added, "now that we have better understood the ways that the system got gamed, we can rein it in and have a higher quality of reliable capital flows. It needs to grow slowly at first but with huge stacks of money needing to be redeployed and to provide higher returns to investors and the resultant distribution into the pension world, orderly growth will occur bringing confidence and predictability back into our world."

Joe Strain, President, ISHC Hotel Realty Advisors Inc. in Dallas, pointed out that just because lending is moving beyond trophy properties, doesn't mean it is moving into junk properties.

"When you consider less than the best but still very good sponsors with great properties in strong locations, albeit perhaps with some weakness in income history or low temporary occupancy but high potential, demand across all CRE types for these highest two tiers could easily exceed the suggested issuance ranges," Strain said. "The stage is set and momentum rising for lending standards to open to a wider range of property types and quality tiers-just as buyers will begin to search for next-to-best deals when the best are priced too high for them."

"None of this would matter if it weren't for the core compelling advantages of a CMBS loan: off-put risk to the primary lender, lower interest rates and non-recourse liability (if that feature remains) for the borrower," Strain said. "Now we just have to figure out how not to let lender competition create crazy money CMBS loans written on future incomes or it will be, as has been so very well put, déjà vu all over again."

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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**

*(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 | 0.31 | 0.54 | 0.25 | 0.06 | -2.77 |
| Money market, annual yield | 0.63 | 0.62 | 0.84 | 0.61 | -0.21 | -2.12 |
| Five-year CD, annual yield | 2.01 | 1.99 | 2.65 | 1.98 | -0.64 | -1.44 |
| 30-year mortgage, fixed | 4.95 | 5.05 | 5.43 | 4.32 | -0.23 | -1.21 |
| 15-year mortgage, fixed | 4.26 | 4.36 | 4.58 | 3.71 | -0.17 | -1.35 |
| Jumbo mortgages, $417,000-plus | 5.56 | 5.66 | 6.19 | 5.32 | -0.53 | -1.55 |
| Five-year adj mortgage (ARM) | 3.72 | 3.77 | 5.79 | 3.31 | -0.57 | -1.57 |
| New-car loan, 48-month | 5.13 | 5.15 | 6.85 | 5.13 | -1.29 | -1.83 |
| Home-equity loan, $30,000 | 5.16 | 5.16 | 5.21 | 5.06 | -0.05 | -0.60 |

1985

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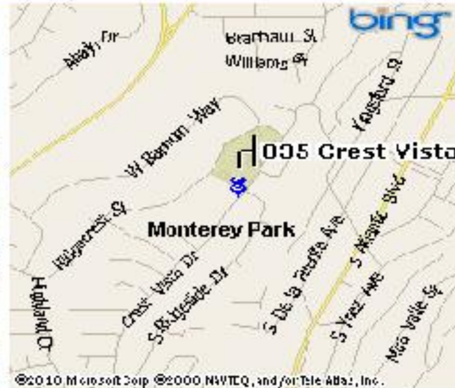
**Monterey Park Luxury Residence**
**蒙特利公園豪宅**

| ML# : H10118939 | 835 Crest Vista DR Monterey Park 91754 | List Price: $ 1,200,000 |
|---|---|---|



**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

# 10 Centerpointe

La Palma, California

**Summary:** The property is part of the Centerpointe La Palma project, a twelve (12) building complex comprised of office buildings, a R&D building, retail strip centers, and an inn. The project possesses tremendous upside potential and is a prime opportunity for a new owner to re-tenant space and take advantage of improving rents. Situated near the 605 and 5 freeways and with immediate access from the 91 freeway via Orangethorpe Avenue., 10 Centerpointe offers excellent linear visibility and traffic exposure. At the proposed price, the property presents an amazing opportunity to purchase an Orange County location well below the estimated replacement cost.

**Pricing:** $1,995,000 **Cap Rate (Year 3):** 8.72% **Current Occupancy:** 78%

**NOI (In Place):** $96,292 **NOI (Year 3):** $199,890

## Property Specifications

**Rentable Area:** 12,536 SF **Land Area:** 2.05 Acres (89,293)

**APN Number:** 276-081-63 & 276-081-64 (2 Parcels)

**Tenants:** The Market Place, H&K Media Group, Café Latte Da, Tokyo Grill, Source One Staffing, Next Day Signs

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