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Where Should Investors Place Their Real Estate Bets in 2011?
2011 年美國商業地產最佳地點：高成長、供應受限的沿海都市（洛杉磯、波士頓、紐約、三藩市、西雅圖、華盛頓）

By: David J. Lynn (NREI)

Last year marked a turnaround for U.S. commercial real estate. Vacancy rates bottomed for all property sectors. Corporate tenants took advantage of lower rents to consolidate their space, and leasing activity surged over the past three quarters.

To capture the market trough, investors began to return to commercial real estate. Well-leased, cash-flow-generating assets in primary markets were particularly in demand.
National transaction volume totaled $120 billion in 2010, more than double the $54.6 billion in 2009. Of the five property sectors, office and hotel experienced the largest year-over-year gain in transaction volume.

The average capitalization rate per transaction for all properties more than $5 million declined 30 basis points to 7.4% during 2010. The NCREIF Property Index (NPI) reported a strong total return of 13.1% for 2010, rebounding from a dismal negative return of 16.8% in 2009.
Based on brokerage pipelines, we expect to see many more transactions over the next several months as lenders begin to put their assets on the market and investors feel more comfortable about the improving fundamentals of the property market.

We believe that we are in the early stage of the next real estate up cycle. In 2010, the global search for yield put rapid downward movement on the cap rates of institutional-quality properties in primary markets.

With improving fundamentals, we believe that the commercial real estate market will attract significantly more investor interest and new capital in 2011.

When to Invest

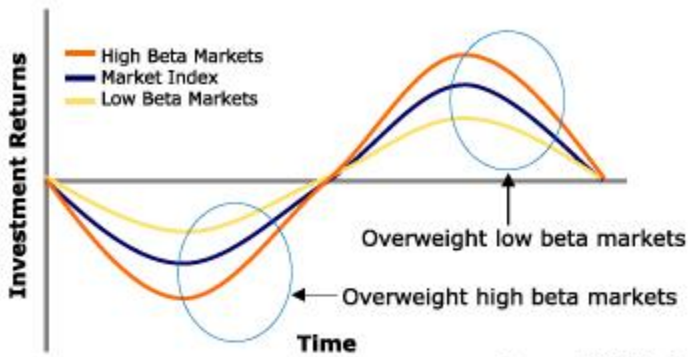
Historically, the different property sectors exhibit different behaviors during expansion and contraction cycles. During contraction periods, the better-performing sectors have been retail, apartment, and to a lesser extent industrial. Office and hotels tend to perform poorly during the down cycle.

Conversely, during periods of expansion, office, hotel, and to a lesser extent industrial, tend to be better-performing sectors, while apartment and retail generally lag.

In anticipation of the coming real estate recovery, we believe that a portfolio that is overweighted in high-beta sectors and markets is likely to outperform the benchmark NPI index over the next few years. Typically, a market with a higher beta relative to the NPI index has higher returns when the index is increasing and lower returns when the index is decreasing.

An investment strategy focused on beta would seek higher returns by timing the real estate market cycle and taking on calculated market risk, with the goal of outperforming the market benchmark NPI index [Figure 1]. The strategy requires a thorough understanding of market fundamentals and an estimate of future market performance.

FIGURE 1: HIGH BETA MARKETS SHINE DURING RECOVERY PERIODS



Source: ING Clarion

In the early part of an up cycle, it's wise for investors to overweight high beta sectors and markets to maximize portfolio returns. As the market moves toward a peak, the portfolio strategy should then shift to overweight low beta sectors and markets in order to minimize potential losses during a downturn. We believe the market environment over the next 24 months may present a favorable time to acquire quality assets at a discount to replacement cost and below historic valuations, which will result in attractive risk-adjusted returns.

Purchasing near the bottom of this cycle should position new investments to capture strong income and appreciation returns during the recovery phase, exceeding historic averages.

Where to Invest

As capital markets continue to improve and become increasingly attractive for real estate financing, we expect primary markets and several selected high-growth secondary markets to outperform during the next cycle. In particular, we prefer high-growth, supply-constrained primary markets in coastal areas, including:

- Boston
- Los Angeles
- New York / Stamford, Conn.
- San Francisco / San Jose / Oakland
- Seattle
- Washington, D.C.

These markets have well-established large economies with vital economic drivers. They are concentrated with financial and professional services and technology-related industries and Fortune 500 companies.

Economic forecasts suggest that these metros will experience relatively strong job and population growth in absolute terms over the next few years. These markets have attracted talented and highly educated workers. As a result, the average incomes are much higher compared with the rest of the country.

In addition, these coastal cities tend to be 24-hour international gateway cities, offering cultural diversity and serving key connections with the rest of the world. International visitors and foreign purchasing of U.S. goods and real estate are fairly common in these cities, fuelling additional growth. Based on our analysis, the above markets exhibit another key characteristic: They are relatively supply-constrained due to limited space and a challenging entitlement process. Because of these attractive investment qualities, these markets are relatively liquid with significant inventory of investment-grade real estate and substantial exposure by institutional investors.

Historic data suggest that these markets tend to bounce back more quickly after a recession than the rest of the country. We expect that pattern to hold in this recovery. Consequently, for core investments, we suggest that a focus on these markets at the early stage of the recovery cycle could achieve a solid return while minimizing potential risks.

In particular, we expect certain property types in these primary markets to outperform the overall NPI based on their identification as high beta markets. For example, the office sector in New York is a high beta-performing sector.

Concentrated in financial services, the New York office market has shown greater volatility than the average NPI office performance. Consequently, total returns for the New York office market are much lower than the NPI during the last two downturns, but significantly higher during the upturn.

Similarly, San Jose, with its concentration in the technology industry, has shown greater volatility than the overall NPI industrial sector performance. Like the New York office market, total returns in the San Jose industrial market were much lower than the NPI industrial sub-index during the last two downturns, but significantly higher during the upturn.

Distressed Housing Markets See Highest Rates of Retail CMBS Delinquencies
商業抵押擔保證券最高拖欠率的產業：位於下滑最多的住房市場的產業、**2006** 與 **2007** 年貸款的產業

By: David Bodamer (Retail Traffic)

Although delinquencies on loans contained in commercial mortgage-backed securities (CMBS) seem to rise with each passing month, not all property types, loan vintages and markets are going through the same experience.

With retail properties in particular, the greatest problems are showing up in housing markets that went bust and areas where manufacturing has been hard hit in recent years, according to New York-based Trepp LLC. Moreover, loans issued in 2006 and 2007 are going bad at a higher rate than loans of other vintages.

Overall, Trepp measured the national CMBS delinquency rate at 9.39% at the end of February. That represented a new record — topping January's figure by five basis points. By property type, the multifamily sector had the highest delinquency rate (16.6%), followed by lodging (14.6%), industrial (10.4%), retail (7.8%) and office (7.1%).

Retail Traffic Editor-in-Chief David Bodamer spoke with Thomas Fink, senior vice president and managing director at Trepp, about trends the firm is seeing for retail properties that are ending up with delinquent CMBS loans.

Bodamer: Can you talk about how retail compares with the other major property types?
Fink: We have some 24,000 retail properties in the pool we monitor, so that gives us a good selection to look at across the entire marketplace. Overall, retail properties are doing better from a delinquency-rate perspective than a lot of other properties, which might surprise a lot of people. Multifamily is the worst right now and retail is actually better than the overall average.

Bodamer: Are there certain areas where the delinquency rate on retail properties is higher than others?
Fink: To a certain extent, there are not any huge surprises. Nevada leads because of the strain in the casino-related retail space. Alabama, believe it or not, is in the top 10 along with Arkansas, Arizona,

Iowa, Louisiana, Colorado, Michigan, Ohio and lowly Vermont. In Vermont, there are not a lot of properties, so it could be a small-state influence. One bad loan can throw off the entire picture. California has a lot of delinquent loans because of its size, but the delinquency rate there is just 6.9%.

Overall, looking at the numbers, you can see that it's a lot of states with housing problems and a lot of states with issues in manufacturing. Both of those situations tend to create problems for retail as well. These are projects that were built in anticipation of residential development that never followed.

Bodamer: What about vintage? Or delinquencies concentrated in any particular years?

Fink: We do see that in the 2006 and 2007 vintage, there's a lot more stress than you would expect for loans so recently originated. The retail delinquency rate is 10.5% for 2006 and 8.4% for 2007. There are also some problems with some older vintage loans as well. A lot of the loans from 1999 and 2000 have been paid off or refinanced. So, the stuff that's left are where the problems exist and are showing delinquency rates in the middle teens overall. For 1999, where there's about $1 billion in loans left, the delinquency rate is 24 percent. So that's an interesting situation we're running into.

Bodamer: What's the reason the 1999 vintage of CMBS retail loans is showing signs of trouble?
Fink: Some of these might be older malls that have gotten to the end of their life cycle and gone into default. You expect them to have an issue, not because the borrower doesn't like the property or because it's a bad borrower. But for older centers sometimes the location is not what it was when the property was built. The population shifts. Or malls that were the center of the universe when they were built are seeing spotty traffic today. There might be new highways, or people have moved. Or there's newer competition. It just might be the case that there isn't much that can be done. The property is just at the end of its life cycle.

Bodamer: Is the pace of CMBS loans entering delinquency slowing? What can we expect going forward?

Fink: The overall pace of delinquencies is slowing, but that's not necessarily true for retail. We're still seeing a bit of an increase going into it.

Bodamer: Are there trends in how distressed retail situations are being resolved?

Fink: We've tracked about $20 billion of modifications since the start of 2010. Of that amount, about 45% have been retail properties. What we see is a combination of loan extensions for maturing loans and changes in amortization — lenders offering interest only for a while as well as some interest rate reductions, but not as much as you'd think. In most of these situations it's a cash-flowing property, and the owner is committing additional capital, so the owner is able to work something out with the lender.

Investor Optimism Rising as CRE Recovery Slowly Gains Traction
商業地產復蘇日趨樂觀：投資者搶在利率上漲之前買進地產

By: Randyl Drummer (CoStar)

Investors are growing more confident that the commercial real estate industry is moving past the bottom of the cycle as the economy adds jobs and property fundamentals slowly improve, according to the results of the first-quarter 2011 PwC Real Estate Investor Survey.

Tracking the expectations of survey respondents for the future performance of the office, retail, industrial and multifamily property sectors from 2011 to 2014, PricewaterhouseCoopers found that investors have a sense that, although real estate is recovering, the pace of the recovery in the U.S. economy has been slow and uneven at best.

As investors become more confident about the long-awaited recovery in occupancy, sales and leasing, however, they're eager to get deals done, noted Mitch Roschelle, partner and PwC U.S. real estate advisory practice leader.

"This bodes well for the industry as the volume of capital chasing deals is expected to increase in all sectors as investors work to deploy capital before interest rates rise, overall cap rates increase and the industry shifts more in favor of sellers," Roschelle said.

PwC analyzed historical and forecasting data to measure how the inventory of each sector changes over time in relation to the four stages of the real estate cycle, contraction, expansion, recession and recovery. The report surveyed 31 markets, including 10 national markets; and individual product types including regional mall, power center, strip shopping center, CBD office, suburban office, flex/R&D, warehouse, apartment, net lease, and medical office buildings. The report also includes a review of 18 major U.S. office markets and three regional apartment markets, Mid-Atlantic, Pacific, and Southeast.

The report finds that average overall cap rates decreased in 27 of the 31 surveyed markets as signs of recovery emerged for both the economy and the real estate industry. Investors reported the largest quarterly decreases in the regional apartment markets, where average cap rates compressed between 39 and 73 basis points in the first quarter.

Cap rate compression continues in sales involving well-located and better-positioned assets with stable rent rolls and limited leasing risk, and an increasing number of investors are expanding their property searches to include secondary markets and impaired assets, the survey found.

Due to strong buyer interest combined with increased debt market liquidity, investors expect that overall cap rates will either hold steady or decline in 25 of the survey's 31 markets over the next six months.

The results of the PricewaterhouseCoopers survey corroborate recent analysis by CoStar Group, which publishes a monthly index tracking repeat sales of investment-grade commercial properties. The index jumped 10.6% in January over the same period last year, the largest year-over-year gain since the height of the real estate boom in 2006. The increase in the index for higher-quality properties hit a five-year high in January despite dipping slightly from December, a reflection of how strongly the index has recovered within 12 months.

First-quarter CoStar outlooks for the office, multifamily, industrial and retail sectors also showed improving fundamentals in investment sales and leasing activity.

Below are PwC survey findings relative to the major property types:

Office

Most of the nation's office inventory will be in recovery by year-end 2011 due to a lack of new supply and signs of falling vacancy for the U.S. office market. Recovery is in sight, with more than 86% of the U.S. office sector passing over the market bottom by year-end 2012. That said, office markets such as Chicago, Las Vegas, Los Angeles and Tampa are expected to remain in recession through 2012.

Retail

Spotty consumer spending and inflation fears will keep the majority of retail inventory, 76.6%, in recession through 2012. A recovery by year-end 2013 will include 77% of retail inventory. Individual retail markets expected to perform better than the overall sector include Long Island, Nashville, and Fairfield County, which are each expected to be in recovery during 2012.

Industrial

Availability rates for the U.S. industrial property are expected to peak in 2011 as tenant demand strengthens in a growing economy. Most industrial stock will be in recovery in 2011 and 2012, nearly 72 and 86.2%, respectively. Rising imports and exports will send a larger portion of industrial inventory into expansion phase in 2013 and 2014 (20.9% and 40.6%) Individual markets that are expected to underperform the sector include Tampa, FL; Akron, OH, Cleveland, and Minneapolis.

Apartments

U.S. multifamily leads the other three sectors handily in terms of recovery. As tighter loan restrictions continue to dampen single-family home-buying, pent-up housing demand will grow the proportion of multifamily stock in the expansion phase through 2014, when it hits 30.2%. Two multifamily markets, New Orleans and Syracuse, NY, aren't expected to enter expansion over the near term.

Coping With Marketplace Shifts
在市場低迷的情況下，房客與房東該如何聯手共度難關

By: Bill Scarpino (CCIM Institute)

With the economy no longer on a long-term growth trajectory, retail real estate users and providers must reassess how they do business. Several significant changes already have occurred. For example, lenders are now more actively involved in transaction approval. They are less willing to fund tenant build-out allowances. As a partial result, tenants are finding expansion cash either hard to get or expensive, and landlords are finding tenants less willing to accept "build-it-and-they-will-come" projects.

Landlords and tenants share one common threat: lenders who want to control the negotiation process to protect their interests. Typically lenders are risk adverse. This is an anathema to landlords and tenants for whom risk is calculated into their business models. This dichotomy presents an inherent disconnect in how the three entities approach a business opportunity.

Exploring Options

Both landlords and tenants should fight lending practices that hinder their ability to conduct business. Increased government oversight has forced lenders to actively avoid risk. Lenders will want more control over borrower's activities, but these restrictions can force poor decision making on the part of both landlords and tenants. The end result can be mediocre performance or outright failure.

To effectively fight unduly restrictive lease clauses, tenants always can walk away from the table. If a lender is forcing the issue, ask the landlord if the tenant representative can meet with the lender personally to present the tenant's case. If the tenant is financially able, there might even be the possibility for the tenant to provide the landlord financing to circumvent the lender.

When the lease is signed and has commenced, landlords have little incentive to provide additional help to a tenant. This has always been the case. Today this is aggravated by the fact that landlords have little left in reserve. Since 2008, tenants have repeatedly leaned on their landlords for help just to keep the doors open. And landlords have helped.

Now many landlords are literally tapped out. Moreover, they are close to violating their loan covenants. Facing such strong headwinds, can tenants expect to solicit support from their landlords when such help is needed? The simple answer remains "yes." Landlords and tenants have a vested interest to work together. But the process is more difficult now. The success rate will be lower and the tenant consideration for relief will be more costly. And tenants must be creative with incentives to enable landlords to work with them and justify their actions to their lenders.

Tenant Approach

When tenants run into difficulty, they need to adjust their way of operating to make ends meet before approaching anyone for assistance. And landlords must do the same thing. After the last two years of adverse economic turmoil, real estate practices have changed. The tactics and techniques of real estate practitioners on both sides of the table must evolve to meet today's new challenges.

Before tenants approach landlords they should:

- Get their house in order. Tighten their operations and be able to demonstrate that they have taken such steps to the landlord.
- Study the landlord's situation and develop scenarios illustrating how they will be impacted by a closure. Then use this information to forge compelling proposals for assistance.
- Think outside the box. One creative option is to consider buying the property back at a discount, thereby monetizing the asset for a struggling landlord. The property can then be resold on better lease terms or placed in inventory.
- Before making an offer to extend a lease or exercise an option, always review the lease terms that impact the long-term value of a leased parcel with an eye to negotiating more flexible terms. Upgrade those lease terms that facilitate redeployment if the site becomes operationally marginal.

Landlord Actions

Similarly, when tenants approach landlords the landlords should:

- Determine if the tenant has made significant changes in operations to warrant outside help. Review profit and loss statements. Tenants should be willing to provide them on a confidential basis. One objective in this review is to see if tenants are viable.
- Before responding to a proposal, study the tenant's corporate situation to see if there are other locations in trouble in your portfolio or if they may want to occupy vacant space you may have in other locations.
- Think outside the box. Are there concessions this tenant can make that will help you with other vacancies or tenants, either in this center or any location?

Tenants seeking rent concessions will likely meet with strong resistance. But there is no reason not to approach landlords for concessions to assist in remodels or refurbishments, compensate for lease extensions or the exercise of options, or any other lease change that adds value to the leasehold estate or the center as a whole. More than ever before, this is the time that landlords and tenants should find ways to work together to strengthen their relationship.

The Risks & Rewards of Sale-Leaseback Transactions
售後回租：風險與回報（在何種情況下該考慮售後回租？）

By: Renee Shprecher (CCIM Institute)

Today's economic climate has forced both public and private sectors to think outside the proverbial box to come up with innovative financing strategies. One strategy that has recently gained popularity is the sale-leaseback.

The mechanics of a sale-leaseback are fairly straightforward. The sale component allows the seller to shift the risks and benefits of ownership to a third party and generate immediate profit from the sale. It also allows the investor to purchase the asset at a fair market rate. The leaseback component allows the seller to benefit from its continued use of the asset, while allowing the investor to derive income generated from the long-term rental of the property — typically 20 years to 50 years.

Sale-leasebacks have been a staple of private real estate investors for years. Warehouses, offices, hotels, movie theatres, stores, restaurants, and even schools have been included in sale-leaseback transactions, which can range in size from a single property to a large portfolio.

Limited financial resources have prompted some state governments to use sale-leaseback transactions to tap into their property's equity and use the proceeds to solve budgetary constraints. Last year Arizona sold 14 state buildings for $735 million. Public-sector sale-leaseback transactions such as these are similar to bond sales, where investors purchase certificates of participation instead of outright ownership.

Sale-leaseback benefits are counterbalanced with risks, mainly whether the influx of the sales profit outweighs the costlier rental payments made over the term of the lease. California's planned sale-leaseback of 11 buildings for $1.2 billion was held up by legal challenges in late December and finally canceled by newly elected Gov. Jerry Brown. It was estimated that the state would have paid $6 billion more than state ownership over the course of the 35-year lease, according to the California Legislative Analyst's Office.

Practical Considerations

While most private-sector sale-leaseback transactions lack the political rhetoric of public offerings, buyers and sellers still must balance risk/reward factors when making such decisions. In a sale-leaseback, the seller's risk is the investor's profit. In today's market the investor often is acquiring the asset at a reduced market value. But depending upon the structure of the leaseback component, the investor is likely to recoup its investment at a premium. Leases are usually triple net, so that rent and all operational costs related to the use and upkeep of the asset will be net to the investor. However, below are significant risks associated with structuring the deal that can be minimized with seeking the appropriate legal advice.

Verify seller's commitment. The crux of making the transaction work for both parties is the seller's long-term commitment to use and occupy the property for its initially intended use. Ten- and 20-year leases are quite common in sale-leaseback transactions. For example, Inland Public Properties Development, a subsidiary of Inland American Real Estate Investment Trust, purchased seven public charter schools for $61 million and is leasing them back to Imagine Schools for 20-year triple net leases, at an annual lease rate of $4.6 million, according to Inland.

Clarify intent. As with any investment, a thorough review of the creditworthiness of the seller/tenant is critical. In these transactions, the seller's credit, or lack of it, may signal an ulterior motive, such as an intent to hide assets or avoid tax liability, which would have significant legal implications in the event that the seller were ever audited or were to seek bankruptcy protection. For example, if the investor/landlord were ever forced to terminate the leasehold interest and repossess the property, the seller/tenant may argue that the underlying intent of the transaction was to create a mortgagor/mortagee financing arrangement, thereby allowing the seller/tenant to seek a right of redemption. To avoid later speculation, document each party's intent clearly in the lease.

Know the property. The sale-leaseback transaction differs from most other lease transactions in that the seller/tenant has more personal knowledge about the condition of the property than the investor/landlord. To address that issue, the lease should contain specific acknowledgements from the seller/tenant that it is extensively familiar with the condition of the property, there are no existing conditions affecting its use, and that it continues to occupy the property in as-is condition.

Right of first refusal. Considering the seller/tenant's connection to the property, the seller/tenant may negotiate a right of first refusal to buy back the property if the investor receives a bona fide offer from a third party. Additionally, the tenant may negotiate a right to buy back the property during the lease term at a fair market price. If this is the case, the investor will want to negotiate a price with a pre-determined escalator to guarantee a set return on the investment. Before considering a sale-leaseback arrangement, investors should know all of the risks and benefits associated with the structure of both the sale and leaseback components of the deal in order to safely determine whether this is the right strategy for both parties.

INVESTMENT OPPORTUNITIES 投資機會

RECENT DISTRESSED PROPERTY DEALS

FORMER DOWNTOWN L.A. STOCK EXCHANGE

70,000 SF Downtown LA

Recently sold for: $3,067,055 ($44/SF)

2010 Assessed Value: $7,390,000

LONG BEACH MARINA OFFICE COMPLEX

140,000 SF Built in 1979

Recently sold for: $4,000,000 ($29/SF)

Previous loan amount in 2007: $10,000,000

POMONA INDUSTRIAL COMPLEX

200,000 SF 8 Acre Lot

Recently sold for: $3,740,500 ($19/SF)

If you're interested in learning more, please contact us at investment@stcmanagement.com

Updated Borders Group (BGP) List of Reorganization Store Closings
Borders 書店將關閉的店面：加州有 **42** 家

Source: Borders Group

For general information purposes, Borders Group has provided the list below of Borders superstores closing as part of the company's Chapter 11 reorganization process. The list was updated on March 17, 2011 to include 26 additional stores. (These additional stores are noted below through gray shading.) Stores are expected to close by the end of April 2011 unless otherwise noted. The list does not create any obligation by Borders Group with respect to the closure of any specific store; actual store closures may differ. Borders Group undertakes no obligation to notify third parties of such changes.

Please do NOT contact local stores. All inquiries related to these stores must be directed to Mary Davis, Borders Group Public Relations Manager, at (734) 477-1374.

Borders Group has retained DJM Realty to manage the disposition of these properties. Please contact Brooke Horn for more information at (631) 752-1100.

California Locations

Alameda, CA Alameda Towne Centre 2245 South Shore Center
Bakersfield, CA (closing by late May 2011) 4980 Stockdale Highway
Cerritos, CA Cerritos Towne Center 12741 Towne Center Drive
Chino, CA Chino Spectrum Town Center 3833 Grand Avenue
El Cajon, CA Parkway Plaza East 159 Fletcher Parkway
Fremont, CA The Fremont Hub 39210 Fremont Hub, Suite 211
Glendale, CA Glendale Marketplace 100 S Brand Blvd
Goleta, CA (closing by late May 2011) Camino Real Marketplace 7000 Marketplace Ave.
Hollywood, CA (closing by late May 2011) Hollywood Marketplace 1501 Vine Street
La Habra, CA Lahabra Westridge Plaza 1310 S. Beach Blvd.
Long Beach, CA Los Altos Market Center 2110 Bellflower Blvd
Long Beach, CA The Pike At Rainbow Harbor 101 South Pine Avenue
Los Angeles, CA Westfield Century City 10250 Santa Monica Blvd.
Los Angeles, CA Howard Hughes Center 6081 Center Dr, Suite 118
Los Gatos, CA Old Town Center 50 University Avenue, Ste 280
Milpitas, CA (closing by late May 2011) McCarthy Ranch Marketplace 15 Ranch Dr.
Mira Loma, CA Eastvale Gateway 12423 Limonite Ave.
Modesto, CA Vintage Commons 3900 Sisk Rd
Montclair, CA Perimeter Plaza 5055 S Plaza Lane
Orange, CA The Block At Orange 20 City Boulevard, W.
Oxnard, CA Esplanade Shopping Center 241 W. Esplanade Drive
Pasadena, CA South Lake Avenue 475 S. Lake Avenue
Pico Rivera, CA Pico Rivera Town Center 8852 Washington Blvd.

Pleasant Hill, CA (closing by late May 2011) Pleasant Hill Shopping Center 120 Crescent Drive
Pleasanton, CA Metro 580 Shopping Center 4575 Rosewood Drive
Rolling Hills Estates, CA The Promenade on the Peninsula 550 Deep Valley Drive, Suite 261
San Diego, CA (closing by late May 2011) The Courtyard-Carmel Mountain 11160 Rancho Carmel Dr.
San Diego, CA Gaslamp District 668 6th Avenue
San Francisco, CA San Francisco Centre 845 Market St.
San Francisco, CA Union Square 400 Post Street
San Jose, CA Santana Row 356 Santana Row, Suite 1030
San Jose, CA Westfield Shoppingtown Oakridge 925 Blossom Hill Road, Suite 1741
San Mateo, CA El Camino Real 2925 El Camino Real
San Rafael, CA (closing by late May 2011) 588 Francisco Blvd. West
San Ramon, CA The Shops At Bishop Ranch 120 Sunset Dr
Santa Cruz, CA 1200 Pacific Ave 1200 Pacific Ave, Suite 100
Sherman Oaks, CA Ventura Boulevard 14651 Ventura Blvd.
Stockton, CA Park West Place 10776 Trinity Parkway
Tustin, CA The District at Tustin Legacy 2493 Park Ave
Union City, CA Union Landing 32111 Union Landing Blvd
Valencia, CA Valencia Town Center 24445 Town Center Dr.
Yorba Linda, CA Yorba Linda, Ca 22401 Old Canal Rd

Rising Interest Rates: The Threat Hasn't Gone Away
10 年國庫債券息率因中東動盪與日本地震會下滑，但當宏觀條件穩定時，長期利率很可能快速上漲

By: Sam Chandan (The New York Observer)

Buffeted by the crisis in Japan, the escalation of armed conflict in Libya and geopolitical instability across the rest of the Middle East and North Africa, investors have been returning to the safety of U.S. treasuries. An uptick in demand for the 10-year note has cut yields by roughly 50 basis points since early February, to just over 3.4 percent as of last Friday.

For many investors, the current decline in long-term interest rates has tempered recent concerns that rising risk-free returns might exert upward pressure on cap rates and financing costs, dampening the momentum in commercial property markets.

These investors should be careful to avoid falling into complacency. While an abrupt and unexpected confluence of globally significant events has bridled the rise in long-term treasuries, an environment of rising interest rates may quickly reassert itself once macro conditions normalize.

Before the Latest Shocks, a Mutable Market

In late 2008, the global financial crisis was fueling enormous demand for treasuries. During the harrowing final months of that year, the yield on 10-year notes plummeted to just 2.1 percent. Rates then increased over the course of 2009, as policy interventions restored a modest degree of confidence in the financial system and the economic recovery commenced.

By early 2010, the consensus forecast showed that rates would soon surpass 4 percent. In its January 2010 forecast, for example, Fannie Mae projected that rates would rise to 4.2 percent by June, and to 4.4 percent by the end of the year. In the White House budget proposal for fiscal year 2011, released in early February 2010, the Office of Management and Budget projected that 10-year rates would average 3.9 percent in 2010 before rising to 4.5 percent in 2011.

The ensuing sovereign debt crisis in Europe, first taking hold in Greece and leading to the creation of the European Financial Stability Fund in May 2010, contributed significantly to the upending of confidence in the nascent global recovery. Even after large-scale interventions by the European Union and the International Monetary Fund, concerns about stability on the continent and the global implications of a sovereign default persisted. Risk-averse investors were drawn back to the relative safe haven of U.S. government securities, and treasury rates began to slide back. By late October of last year, deteriorating fiscal conditions in Ireland were threatening Europe's unified position on the management of its debt crisis, pushing treasuries toward the historic lows from two years before.

In the months that have followed, as the immediate threat of sovereign defaults has abated, the improving outlook for the American economy and investors' returning appetite for risk have pressed treasuries higher once again. Between last October and early February, yields rose by more than 130 basis points, peaking at 3.7 percent. All things equal, and under normal circumstances, such an abrupt increase in the risk-free rate would be observable in upward pressure on cap rates and commercial mortgage rates.

But far removed from normal circumstances, and with cap-rate and mortgage-rate spreads over treasuries significantly higher than their long-term averages, commercial property pricing metrics and financing costs have generally held steady even as residential mortgage rates have trended higher. The weight of investor demand for commercial properties has dominated headwinds from rising risk-free rates.

The Price of Stability

Rates have fallen in February and March because of new uncertainties presented by the disaster in Japan and events in the Middle East and North Africa. As those uncertainties are clarified, and barring a broadening of armed conflict, the appeal of treasuries will diminish significantly. Prices will fall and rates will resume their upward path, even if policy makers seek to maintain an accommodative environment.

In its official policy statement following its March meeting last week, the Federal Open Market Committee indicated that it will hold the line on short-term rates. Discounting the potential for sustained inflationary pressures, the FOMC offered that "... economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations, are likely to warrant exceptionally low levels for the federal funds rate for an extended period."

But unlike the short-term target rate, long-term rates are subject to the vagaries of a market over which the Fed exerts more limited and less direct influence. Apart from an easing of threats to global stability, yields on long-dated government bonds will rise in correspondence with the economic outlook, responding to favorable policy developments such as the extension of tax cuts and data consistent with hiring gains. Job growth is the most desirable circumstance under which rates will rise, because it also implies that property fundamentals are generally improving.

Apart from an improving economic outlook, an increase in expected inflation will positively impact treasury rates. This is a concern now because of volatile energy prices that threaten to unanchor inflation expectations. Rates will also rise on an increase in treasury issuance or an increase in investor risk tolerance that saps demand for low-risk, low-return assets. Specific to our current circumstances, the end of quantitative easing and the disposition of assets from the Fed's balance sheet could dramatically alter the interest rate outlook, requiring that rates climb well above the levels captured in lender and bond investor stress tests.

The Outlook

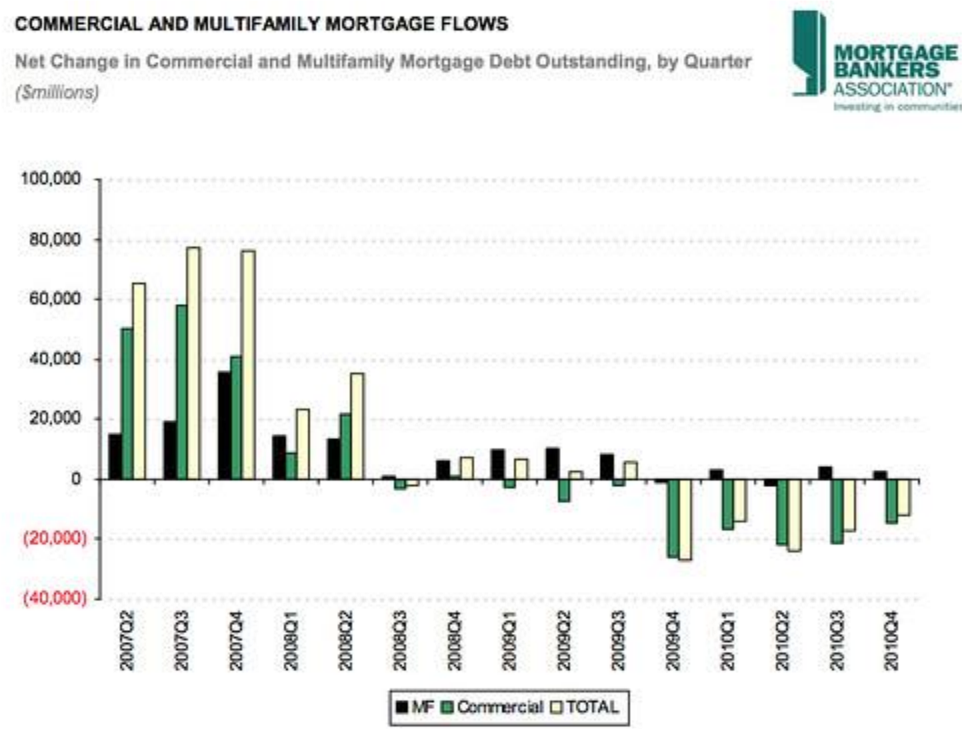
The baseline outlook for long-term interest rates remains manageable. In the March *Wall Street Journal* Economic Forecasting Survey, participants projected that rates would reach only 4 percent at the end of 2011. Only one participant anticipates that rates will rise to 5 percent.

In markets where cap rates and mortgage financing costs are elevated, modest increases in treasury rates are unlikely to be unsettling to commercial property investment trends. But in the region above each forecaster's baseline outlook for treasuries, pressures on cap rates and comparable-term lending rates will be more apparent. In markets where spreads have already narrowed-and where investors are already most enthusiastic—the challenge from rising interest rates will be particularly acute if fundamentals gains remain lackluster.

Commercial Real Estate Debt Levels Fall – Again
商業地產總貸款額下降，唯公寓貸款額上漲

By: Eliot Brown (The Wall Street Journal)

商業地產貸款未嘗債務額淨變動（按季度）



公寓　商業地產　　總額

The level of commercial mortgage debt fell by $12.1 billion during the last three months of 2010, marking the fifth straight quarter that the amount of debt backing commercial real estate has fallen, according to data released Thursday by the Mortgage Bankers Association.

In all, there was $2.4 trillion in commercial mortgage debt outstanding — sitting on the books of everything from banks to insurance companies to holders of commercial mortgage backed securities — at the end of the year, the MBA said.

While the level declined, it fell by the lowest amount since the end of the third quarter in 2009 as banks began to wade back into the lending world. Still, it's hard to think that overall debt will grow any time soon, with countless properties holding outsized billions upon billions of loans made in 2006 and 2007. As those loans come due or are worked out, their debt loads tend to shrink.

Commercial real estate debt is a broad category that includes mortgages tied to office space, hotels, apartments, retail and industrial property. Broken down, the amount of multifamily lending actually increased by $3 billion — the second straight quarter that it grew — as U.S.-backed Fannie Mae and Freddie Mac enlarged their portfolios.

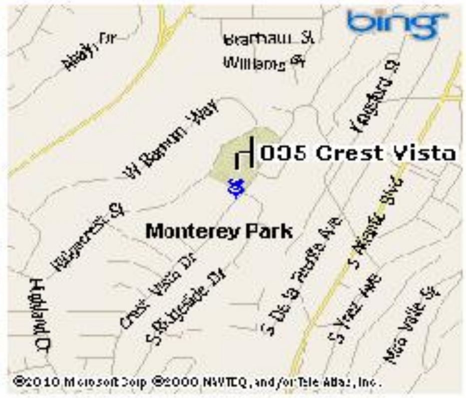
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	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	-	-2.25
Prime rate*	3.25	3.25	3.25	3.25	-	-2.00
Libor, 3-month	0.31	0.31	0.54	0.28	0.02	-2.39
Money market, annual yield	0.63	0.59	0.79	0.59	-0.16	-1.82
Five-year CD, annual yield	1.94	1.99	2.64	1.94	-0.66	-1.31
30-year mortgage, fixed	4.92	4.86	5.43	4.32	-0.32	-0.96
15-year mortgage, fixed	4.15	4.10	4.58	3.71	-0.32	-1.25
Jumbo mortgages, $417,000-plus	5.55	5.85	6.19	5.32	-0.53	-1.72
Five-year adj mortgage (ARM)	3.59	3.54	5.79	3.31	-0.69	-2.17
New-car loan, 48-month	4.89	4.93	6.59	4.89	-1.61	-1.91
Home-equity loan, $30,000	5.14	5.13	5.19	5.06	-0.04	-0.12

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: