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Foreign Real Estate Investors Coming Ashore in U.S.
外商 2010 年在美國房地產的投資超過 2009 一倍多，2011 年至今的投資已超 2010 年總和

By: Arleen Jacobius (Pension & Investments Online)

Tie-ups between real estate investment managers and foreign investors are expected to grow rapidly this year, as investors around the world seek to get in on an anticipated U.S. commercial real estate market recovery.

Foreign investment in U.S. real estate more than doubled last year, to $13.37 billion (from $5.6 billion in 2009), according to a real estate investment firm Jones Lang LaSalle. And this trend is expected to continue through 2011 at least.

Foreign investors — including a larger number of sovereign wealth funds than have been seen in a couple of years — are not only committing capital to commingled funds and separate accounts, but also are increasing joint ventures with U.S.-based real estate investment managers and investing in U.S. real estate investment trusts, industry insiders say.

For example, roughly half the new investors in U.S. real estate investment firm Shorenstein Properties LLC's recently closed Shorenstein Realty Investors Ten were foreign, a greater percentage than in prior funds, sources familiar with the matter said.

And within the past month, TIAA-CREF and AREA Property Partners, formerly Apollo Real Estate Advisors, linked up with foreign institutions to invest in U.S. real estate.

The number of planned U.S. real estate deals by foreign investors so far this year already surpassed the number of completed deals in 2010. According to a February survey by the Association of Foreign Investors in Real Estate, more than 70% of foreign investor respondents plan to invest more capital in U.S. real estate than they did in 2010. What's more, respondents ranked the U.S. as the country where they expect the most increase in the value of their property investments in 2011.

The U.S. accounted for 36.3% of the global commercial real estate market — significantly larger than the next nearest country, Japan, which accounted for 12.5% at year-end 2009, said Alex Peace, spokesman for the Investment Property Databank, London, in an e-mail.

TIAA-CREF executives see interest in U.S. investments coming from sovereign wealth funds mostly from Hong Kong and other parts of Asia, as well as Scandinavia and other parts of Europe, plus the Middle East, said Phil McAndrews, New York-based TIAA-CREF managing director and head of real estate portfolio management.

In March, TIAA-CREF and the A$71 billion ($71.7 billion) Future Fund, Melbourne, Australia, formed a joint venture to co-invest in real estate in the U.S., said John Panagakis, managing director and head of asset management business development at TIAA-CREF. As part of the deal, Future Fund is buying a 50%

interest in 685 Third Ave., New York, a building TIAA-CREF bought last year for $190 million. TIAA-CREF would not reveal the size of Future Fund's commitment to the joint venture.
“The driver (for foreign investors) is U.S. real estate marketplace fundamentals. Supply and rental levels are improving,” Mr. McAndrews said. “As foreign investors examine the U.S. real estate market as an investment opportunity, they see a marketplace that has an upside. ... Most sectors are poised for strong recovery.”

Most people think the U.S. real estate market is coming off the bottom and values are rising, said Max Swango, managing director in the Dallas office of Invesco Real Estate. Foreign institutions believe the U.S. is in the early stage of a recovery, and they want to get in on it, he said.
There is no question that interest from Europe and Asia in U.S. real estate has increased, Mr. Swango said. “We've seen allocations into our funds and we are talking to (foreign investors) for potential separate accounts.”

Invesco Real Estate executives have also been in talks with foreign investors about co-investing with U.S. investors and joint ventures with real estate operating companies.
In March, AREA Property Partners sold a 35% minority non-controlling stake in its firm to National Australia Bank Ltd., Melbourne, to get access to institutional investors in Australia and New Zealand, said Lee Neibart, AREA's global CEO.

“Demand is way up from three years ago,” Mr. Neibart said. “Certainly, property values have increased dramatically. More institutional investors are seeking stable core properties so values are moving up.”
There is also a greater ability to finance investments, Mr. Neibart added.
REITs also are seeing capital flowing from foreign institutions.

“We like the diversification of clients. It helps capital move around the globe,” said Michael Torres, CEO of Oakland, Calif.-based Adelane Capital Management LLC, a REIT manager with more than $2.5 billion under management. He anticipates a “natural flow” of capital from foreign institutions, including many that already participate in the U.S. REIT market.

“Increases come sporadically,” Mr. Torres said. “We've had (investments from) mineral-rich economies like the sovereign wealth funds of Norway and Australia ... and recently more of the Chinese institutions.”

Prospects aren't good

But the prospects for direct investment by foreign institutions aren't as good. Over the past decade, direct foreign investment in domestic real estate typically only accounted for 10% of total transactions annually, noted Dan Fasulo, managing director of New York-based real estate research firm Real Capital Analytics Inc. Most investments by foreign institutions are made through REITs and commingled funds, which are not tracked, he said.

U.S. regulations are the reason for the low level of direct investment by foreign institutions, Mr. Fasulo said. But Adelante's Mr. Torres said judging from conversations he has had with federal officials, he expects those restrictions will ease.

Still, in the first three months of 2011, foreign investors purchased some $2.5 billion in U.S. real estate, with most buyers coming from Canada and the U.K. By comparison, foreign investors accounted for $9.6 billion in U.S. purchases in all of 2010, with Canadian and European investors investing the most, according to data supplied by Real Capital Analytics.

“The U.S. is a hot market,” said Steve Collins, Washington-based managing director for Jones Lang LaSalle's international capital group. “There are new sources of capital trying to get seats at the table,” which includes sovereign wealth funds and pension funds from the Asia-Pacific region.
Last year, most foreign buyers were investing in core real estate in gateway cities such as New York and Washington, Mr. Collins said.

This year many of the buyers are looking in Boston, Los Angeles, San Francisco and Chicago. By the end of the year, he thinks they will be shopping for real estate in Seattle, San Diego, Atlanta and Houston. The current surge of foreign investors attracted to U.S. real estate is not like other investment waves into real estate, said TIAA-CREF's Mr. McAndrews. In the past, it was investors from individual countries like Japan and Germany that came separately, he said.

Now, “there's more diversified interest. A level of diversity (of investors) brings out the best in any asset class.”

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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

Big-Box Giants Downsize to Drive Productivity with Smaller, Urban Stores
沃爾瑪與 **Target** 等大型零售商縮小店面面積以提高效率

By: Elaine Misonzhnik (Retail Traffic)

As U.S. chain retailers absorb the lessons of the Great Recession, many big-box chains have started to shrink average store footprints to reflect the growing importance of multi-channel shopping, adapt to urban settings and recognize the need to optimize portfolios.

Wal-Mart Stores Inc., Target Corp., Best Buy Co. Inc. and Gap Inc., among others, all have small concepts in the works or are adapting existing ones. These smaller store formats should allow the retailers to maximize profitability and open more stores in closer proximity to each other, say three retail consultants and a retail real estate broker Retail Traffic spoke to.

Wal-Mart Stores and Target have been the most high-profile examples of this trend.

In 2011, Wal-Mart Stores plans to open between 30 and 40 smaller format stores, representing a combination of its Walmart Market and Walmart Express units, according to a company spokesman. Walmart Express stores will measure up to 30,000 square feet and will focus on grocery products and a limited selection of general merchandise. The company is already working on two Walmart Express stores in Chicago and three in Northwest Arkansas.

Walmart Market stores, a rebranded version of Walmart Neighborhood Markets, average 40,000 square feet in size and concentrate on grocery products.

Meanwhile, on Feb. 15, Target Corp. unveiled its CityTarget concept, with stores ranging from 60,000 square feet to 100,000 square feet. Full-line Target stores range from 128,000 square feet to 135,000 square feet.

The CityTarget stores will carry a reduced, optimized product selection and will be located in densely populated urban markets—the company is looking at a minimum of 50,000 people living within two miles of the stores, according to a Target spokesperson. Target plans to open four CityTarget stores in

2012, in Chicago, Los Angeles, Seattle and San Francisco, and is exploring opportunities in additional areas of the country.

"Based on extensive research, we knew that our brand was very appealing to an urban demographic," says Target's spokesperson. "So we had a goal to better reach those urban areas and what's really great is the flexibility of this format."

The turn towards smaller, urban stores also comes at a time when the outlook for power centers remains clouded, providing further impetus for big-box chains to diversify real estate strategies.

On March 24, during its fourth quarter 2010 earnings call with analysts, executives with the electronics chain Best Buy talked about how at the same time that the company is slowing growth in the big-box segment, it will step up expansion of its smaller Best Buy Mobile stores. In 2011, the retailer plans to open 150 mobile stores, giving it a total of 325 by the end of the year. Best Buy Mobile stores range from 1,300 square feet to 3,000 square feet, a fraction of full-line Best Buy stores, which range from 20,000 square feet to 45,000 square feet in size.

Meanwhile, Gap Inc. is shrinking the average size of its Old Navy stores from about 25,000 square feet to approximately 10,000 square feet, according to Ivan L. Friedman, president and CEO of RCS Real Estate Advisors, a New York City-based retail real estate consulting firm. In addition, many supermarket chains, including Giant Eagle, Trader Joe's, Publix and Fresh Market, have been pursuing smaller formats for several years now.

And last year, the Sports Authority launched a smaller, more upscale concept called S.A. Elite. S.A. Elite stores will range from 12,000 square feet to 15,000 square feet and will focus on higher-end products from many of the same brands found at full-line Sports Authority stores. The company plans to pursue locations on urban streets and in high-end malls for this new concept. Full-line Sports Authority stores are about 40,000 square feet.

"Retailers looking for smaller footprints has been a trend since the recession started," says Cynthia Groves, senior managing director of global corporate services with Newmark Knight Frank, a real estate services firm. "From a real estate perspective, what's important to a retailer is they have to make their sales per square foot. The recession made them realize that they can get by with smaller square footage and have strong sales as a result."
Bang for your buck

Many chain store operators have taken a cue from Apple Inc.'s successful retail operation, says Howard Davidowitz, chairman of Davidowitz & Associates Inc., a New York City-based retail consulting and investment banking firm. Even in the midst of the worst retailing year in recent history in 2009, Apple's stores, which average 6,000 square feet and are located primarily in high-end malls and on high traffic urban thoroughfares, reported average sales of several thousand dollars per square foot.

What's more, Apple's strategy of stocking only a limited number of products in its physical stores has helped reduce its real estate costs and created synergy between its brick-and-mortar and online sales channels, Davidowitz notes. Customers come to Apple's physical locations to test-drive new gadgets, but

they then have the option to get items shipped to them directly from Apple's warehouses. This helps drive business both in-store and on the web, a critical goal for many retailers today, according to Groves. In addition, the discounters Wal-Mart and Target face increasing competition from the dollar store chains, many of which already operate smaller stores in urban markets and are able to beat the giants on productivity, he adds.

"What these big retailers realized is that these smaller stores are more convenient and the economics of running them are better," Davidowitz says. "With a scaled-down selection, you can get a huge return on investment, mainly because of lower expenses and lower investment in each store."

Part of the rationale for expanding through smaller units has been logistics—it would be virtually impossible to find 200,000 contiguous square feet of retail space in the middle of Manhattan, so big-box chains have no choice but to downsize to enter certain markets.

But another benefit of operating smaller stores is that the strategy allows a retailer to potentially open more stores within the same trade area, promoting its brand, according to Matt Winn, managing director of retail consulting with Cushman & Wakefield, a commercial real estate services firm. Since the smaller units can carry only a limited selection of merchandise, retailers can cut down on cannibalization by stocking up on different products in stores that are located in close proximity.

"Depending on the concept, that could be a very smart strategy because it allows people, as they think of your brand, to see that you are on the next corner," Winn notes.
Cost vs. return

Smaller stores might not necessarily translate into lower real estate costs, however. In many of the urban markets the retailers are targeting, including New York, Chicago and Los Angeles, the sky-high rents per square foot will likely minimize any savings on overall real estate costs, Friedman says. A smaller specialty retailer might be able to save on common area maintenance (CAM) charges by opening smaller stores, but big box anchor tenants like Target and Wal-Mart normally pay rents based on percentage of sales and would not realize significant savings by pursuing smaller units in large cities. Instead, the name of the game will be sales productivity. Locations in high density urban markets draw tremendous foot traffic, Friedman notes. The combination of smaller footprint and higher traffic should help drive average sales per square foot.

"If you have that much traffic, you can afford those astronomical rents," Friedman says.

The challenge is that many of the big-box operators have limited experience opening stores in urban markets. Their strategy up till now has been cookie-cutter, notes Davidowitz—most are used to operating stores in formats with very clearly defined square footage and layout criteria. In cities like New York, that will no longer be possible. The retailers will have to adjust to working with a multitude of different layouts and size configurations, to devote more time to securing zoning permits and to coexist with non-retail co-tenants. What's more, site selection will have to be much more precise than it has been for multi-tenant suburban shopping centers.

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"Urban real estate requires a whole different mindset," Davidowitz says. "The whole idea of 'I am going to get an exact prototype,' which is the way chain stores have always grown, is out the window. Your position on the block can make or break you in New York and which corner you are on can make a difference of 25 percent in your sales. Urban real estate is a whole new world, which they are going to have to learn."

Real Estate Remains Major Focus for Fading Industries
美國十大衰退中的行業在過去幾年裡爲提高效率關閉了不少店面以及出售回租了不少辦公樓

By: Mark Heschmeyer (CoStar)

Although the U.S. economy is headed further into recovery, not every industry is expected to perform well. Some in fact, may be at the tail-end of their lifecycle and on the verge of extinction in the United States, according to market research firm IBISWorld.com. The company analyzed its database of more than 700 industries and identified 10 that may not be around long.

CoStar Group went a step further and analyzed some of the major firms in those industries to evaluate how conditions are affecting their real estate requirements. While cutting the fat is a predominant trend, some companies within these fading industries are re-utilizing space as they gravitate towards new businesses and adapt to changing industry conditions. In other cases, some firms are growing as part of consolidations within those industries.

"Although these industries are all facing negative numbers, the operators in them aren't necessarily on the brink of death," said IBISWorld senior analyst Toon van Beeck. "Firms that protect their strengths in certain market segments, focus on niche opportunities and capitalize on the dwindling number of competitors can often reap the greatest rewards as sole operators, obtaining market survival and profitability."

The 10 industries IBISWorld listed are in the declining stage of their life cycle. The industries have contracted dramatically in both revenue and establishments from 2000 to 2010. They are also expected to continue to experience revenue and establishment declines through 2016, IBISWorld reported.

Each of the industries also exhibits at least one of the following detrimental factors: damaging external competition, advancements in technology and industry stagnation.

In retail, the industries included:

- Record stores;
- DVD, game and video rental; and
- Formal wear and costume rental.

In the information business, the industries included:

- Wired telecommunication carriers;
- Newspaper publishing; and

- Video postproduction services.

In manufacturing, the industries included:

- Apparel manufacturing, including costume, uniform, infant and other apparel; and
- Mills, including hosiery and sock, textile and apparel knitting and carpets and rugs.

And in the catch-all 'other' category, the industries included:

- Manufactured home dealers; and
- Photofinishing.

Wired Telecommunications Carriers

Heavily displaying the characteristics of an industry in decline, revenue for wired telecom carriers has fallen sharply in recent years. The most detrimental factor has been strong growth in substitute products, including wireless, VoIP and cable products. The intense level of competition will subside over the next five years, as more carriers close their traditional wired services and direct funding to segments with growth potential, IBISWorld reported.

One of the largest players in this industry is AT&T Inc.

As with any large corporation, repositioning and resizing property requirements can only be done incrementally over time as leases expire and as firms attempt to dispose of excess properties in a down market. AT&T is no exception.

At year-end 2010, AT&T reported that 83% of its property, plant and equipment were owned by its wireline subsidiaries with the other 17% was owned by its wireless subsidiaries. The wireless group's number was up 2 percentage points from a year earlier and wireline's down 2 points.

Of course, those numbers may move more dramatically in the future if AT&T is successful in its bid to acquire T-Mobile USA, the wireless subsidiary of Bonn, Germany-based Deutsche Telekom, for $39 billion. Even that transition will likely not occur without cuts to its square footage. AT&T said it is looking at synergetic savings of nearly $3 billion. Included in those costs will be savings from retail stores and distribution centers, call centers, billing and customer care regional headquarters and redundant cell sites.

For starters, the merged companies would have to deal with significant overlap in their retail store square footage. CoStar Group shows the two companies have nearly 6,800 retail locations across the country. Among those locations, the two overlap in almost 230 malls. The two have several hundred more stores in close proximity to each other.

DVD, Game and Video Rental

This industry is facing the prospect of swift declines as technology replaces in-store rentals with online downloads and purchases. Competition from substitutes such as cable TV and internet rentals will continue to adversely affect industry operators, as they struggle to remain relevant in a changing market, according to IBISWorld. However, as some companies diversify and begin to offer different services, industry operators may have an opportunity to grow, according to the report.

For some firms, net zero square footage growth is just a starting point and will go down from there. Gamer retailer GameStop, for example, plans to close 200 stores this year. The company also reported this month that it renews about 20% of the portfolio every year and has great opportunities every year to eliminate leases or move stores to higher traffic locations in the future.

Best Buy Co. Inc. reported this past winter that it 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 electronics retailer also plans to improve efficiencies in its U.S. supply chain operations. 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. Best Buy is also said that as lease renewals come up for its big box locations, it wants to re-sign for less space.

Manufactured Home Dealers

This is one of the industries where consolidation is boosting the fortune of some firms over others. This industry is set to improve as consumers begin to purchase from dealers again. Higher prices of site-built homes will encourage consumers to buy less expensive manufactured homes. Furthermore, the rising population will lend itself to the industry, boosting demand over the next five years. Still, competition will remain stiff, as dealers are forced to compete with manufacturers that sell direct to consumers, IBISWorld reported.

Fleetwood Homes Inc., a subsidiary of Cavco Industries Inc. agreed to purchase substantially all of the assets of Palm Harbor Homes Inc. this month in a bankruptcy court approved auction. Fleetwood will be picking up 1.76 million square feet of owned space and 88,000 square feet of leased space. Of that total square footage, more than 800,000 square feet was idled manufacturing facilities.

What's more, parent company Cavco Industries acquired Fleetwood Homes in 2009 picking up its seven operating plants and two idled plants. Cavco has said it is evaluating its options on the idled facilities, including their potential sales.

Newspaper Publishing

As the internet becomes the go-to news source for many readers, newspapers are expected to experience continued declines in advertisers and audiences. The growing popularity of real-time reporting and customizable ad campaigns means that newspapers must find ways to expand their traditional print offerings onto the internet. Despite these negative trends, developments in printing press technology and news syndication offer opportunities to cut costs, IBISWorld reported.

As examples in this group, Gannett Co Inc. has been consolidating its U.S. publishing facilities to achieve savings and efficiencies over the last three years. In that time frame, the company's number of employees has decreased 30% from 46,100 to 32,600.

And the New York Times consolidated some printing operations in Billerica, MA, into another facility in Boston at the end of 2009. In addition in 2009, The New York Times sold its 21-floor, 750,000-square-foot interest in its headquarters in a sale-leaseback deal. The media giant used the sale proceeds to pay off long-term debt.

Record Stores

Though the economy is set to improve over the next five years, the outlook for the record stores is not looking up. Competition from big-box stores and internet music sales and streaming will continue to dominate the market for music, with consumers placing an emphasis on convenience and price. The overall increase in disposable income and consumer sentiment will help slow the industry's decline, and some record stores will establish online storefronts to supplement their revenue, but these factors will not stop the industry's downward slide, IBISWorld reported.

A big player in this field is Trans World Entertainment Corp., which operates more than 500 f.y.e. stores ranging in size from 3,000 to 25,000 square feet. It also operates about 50 Suncoast stores. Its number of stores has dropped dramatically over the past few years -- from 991 stores as of January 2007.

Video Postproduction Services

The fallout from the recession will continue to hamper revenue growth, as production numbers slow and movie studios undertake in-house postproduction. The industry will rely on increasing advertising budgets to support overall demand, while new technologies will boost efficiency; however, external competition will have an adverse effect on services, hurting profitability, IBISWorld reported.

Technicolor SA, the major player in this industry, is based in France and this month delisted its American depository shares from the New York Stock Exchange.

Technicolor has exited a number of non-strategic money losing businesses over the last few years. It occupies a number of office buildings, manufacturing plants, and distribution and warehousing sites around the world and reported that it is constantly reviewing its real estate needs in order to improve efficiency and minimize costs.

In 2009, it consolidated office facilities in Hollywood and Burbank, CA, and distribution centers in Camarillo, CA; and closed a distribution facility in Memphis, TN.

Photofinishing

The dominance of digital cameras, ubiquity of online photo sharing and rising external competition have combined to gut the photofinishing industry's revenue since 2005. Such technological trends for people to print photos selectively, which reduces the need to print entire rolls of film while decreasing the number of prints consumers demand, IBISWorld reported.

Eastman Kodak Co. is the notable firm in this category. In 2009, Kodak consolidated manufacturing and development facilities in Windsor, CO; Israel; and Canada. It also sold its Hollywood campus, which it had occupied for 23 years.

Formal Wear & Costume Rental

Industry demand for formal wear and costume rentals, revenue and profits are expected to continue their declines as inexpensive imports penetrate the market and increasing disposable incomes lead consumers to purchase formal wear and costumes instead of renting. The tuxedo rental segment, however, is expected to keep the industry afloat, because consumers are still likely to prefer the tuxedo rental services, IBISWorld reported

IBISWorld lists The Men's Wearhouse Inc. as the major player in this category. As of January 2010, Men's Wearhouse operated 1,142 retail apparel and tuxedo rental stores in the U.S., down from 1,177 a year earlier. Until this decline, the retailer had been growing its store presence.

Apparel Manufacturing

This industry is also experiencing major contractions as most major manufacturers move production offshore to countries with lower labor costs. The large increases in imports and the attempts of local firms to maintain market share have caused the market to be saturated with apparel products. Revenue declines have slowed somewhat more recently and are even projected to bounce back by 2015, indicating that there is growth opportunity for manufacturers who focus on higher-priced niche products, IBISWorld reported.

V F Corp. is one of the leaders in this category. V F's owned industrial facilities had dropped by 200,000 square feet from the end of 2009 to 2010 to 8.8 million square. Its leased industrial facilities, however, had increased by 1.2 million square feet to 7.2 million square feet. At the same time, it cut the amount of its leased retail space by 900,000 square feet to 6.2 million.
Mills

U.S. textile mills have taken a sharp hit from overseas production. As manufacturers aim to reduce costs, they will continue to move to low cost countries like China and India in order to remain profitable. In accordance with this move, the domestic industry will suffer, with revenue and the number of establishments falling at a continuous rate. In order to remain competitive, remaining domestic companies will focus on non-woven fabrics and specialized markets, IBISWorld reported.

Two notable firms in this category include Albany International Corp., whose paper machine clothing segment includes fabrics and belts, and Dixie Group Inc., which manufactures carpets and rugs.

Albany International has manufacturing facilities in Brazil, Canada, China, France, Germany, Italy, Mexico, New Zealand, South Korea, Sweden, Turkey, the United Kingdom, and the United States. The total square footage of its operating facilities in the United States and Canada at year-end 2010 was 2.4 million square feet, of which 2.2 million square feet was owned and 200,000 square feet leased. The total was down from 2.62 million at the end of 2009.

In December 2009, Dixie Group reduced its total square footage by vacating a 98,000-square-foot leased facility in Santa Ana, CA, and consolidated that operation into a 200,000-square-foot facility it owns in Santa Ana.

Closings Loom as Sears Holdings Continues to Struggle
Sears Holdings，美國第九大零售集團，近年來業績持續下滑，削減店面指日可待

By: Elaine Misonzhnik (Retail Traffic)

While the retail industry's attention in recent weeks has been focused on Borders' Chapter 11 filing, there is another retail giant with a massive store portfolio that may be raising alarm bells in the near future.

For years now, Sears Holdings Corp. has been reporting declining sales at both its Sears and Kmart stores. Most recently, in the firm's fiscal 2010, same-store sales fell 1.6 percent—dropping 3.6 percent at Sears and rising 0.7 percent Kmart. It was just the latest annual decline for the firm. Same-store sales fell 5.1 percent in 2009, 8 percent in 2008, 4.3 percent in 2007 and 3.7 percent in 2006. During that time span, Sears Holdings' net sales dropped by nearly $10 billion, from $53.0 billion in 2006 to $43.3 billion last year.

Yet the firm survived the recession while many others failed. But the two brands have continually struggled to find a niche in the retail sector and ceded market share for years.
Observers questioned the tie-up of the two firms from the beginning and many still wonder whether the brands can survive long term. To a large extent, that might depend on what Sears Holdings decides to do with its real estate, according to five retail and retail real estate consultants interviewed by Retail Traffic. (Sears Holdings declined to comment.)

In spite of its lackluster performance, the Sears chain has several things going for it, including a well-known name and several well-respected consumer brands, including Craftsman tools and Kenmore appliances. If Sears Holdings puts more emphasis on its hard goods and either cuts down or improves its apparel offerings, it has a good chance of reinventing itself, says Craig Johnson, president of Customer Growth Partners, a New Canaan, Conn.-based retail consulting firm. In order to do so, however, Johnson notes Sears would have to shed about a third of its stores.

There appears to be less hope for the Kmart chain, which has failed to gain any market share in the discount game over the past decade against formidable competitors like Target and Walmart. Overall, Sears Holdings ranks as the ninth largest retailer in the U.S. by annual revenue—a steep drop after occupying the No. 1 slot for many years up to the 1990s.

As of January 2011, Sears Holdings operated about 3,500 stores in the U.S. The most valuable of these include 908 so-called "broadline" Sears stores, which are based in some of the best malls in the country. In addition, the company operates 1,287 specialty Sears stores, which are either freestanding or located in neighborhood shopping centers and 60 Sears Essentials stores, also a freestanding concept.

There are also about 1,306 Kmart stores located across the U.S., Guam, Puerto Rico and the U.S. Virgin Islands. Kmart stores are usually one-level freestanding buildings averaging 93,000 square feet in size. Unlike Sears stores, most of the Kmarts are positioned in weaker locations in secondary markets, notes Jeff Greep, president of Jeff Green Partners, a Phoenix-based real estate consulting firm.

The consensus among the experts Retail Traffic spoke to is that this portfolio is too large to allow Sears Holdings to run a profitable retail operation. The good news is that observers believe a sizable portion of the stores can be subleased. The firm occupies locations at some of the best malls in the country. Sears Holdings owns many of the sites outright and has long-term leases at below-market rents on others.

"They have very desirable real estate, there is no question about that," says George Whalin, founder of Retail Management Consultants, a Carlsbad, Calif.-based consulting firm. "When they started building those stores in the late 1950s and early 1960s, there were spaces available that aren't available today. That real estate will be very desirable for retailers that are looking to expand."

The question going forward will be whether there is enough demand to fill all of the spaces that get put back on the market. There are few expanding retailers and many available boxes at power centers today, which would cut into the potential pool of tenants to backfill excess Sears space, says Green. That might mean that some landlords will be left with empty anchor spaces if Sears Holdings does opt to shut locations.

Clean-up job

For the fiscal year 2010, ended Jan. 29, Sears Holdings reported that revenues declined $717 million, to $43.3 billion.

In his letter to shareholders, dated Feb. 24, Sears Holdings chairman Eddie Lampert acknowledged that the chains' performance remains unacceptable and announced new initiatives to help drive sales in soft goods, including the launch of a Sofia Vergara fashion line at Kmart and UK Style by French Connection and the Kardashion Kollection lines at Sears.

Around the same time, Lampert announced the appointment of Lou D'Ambrosio, a former IMB executive and CEO of telecom equipment company Avaya, as the company's new CEO. D'Ambrosio's lack of experience with retail operations or, in fact, with any direct-to-consumer business, makes it seem like Lampert is looking to revamp the retailer's entire business model, says Johnson.

That model is likely to focus on further cutting down the cost of doing business and whenever possible, subleasing unprofitable stores to other retailers, according to Whalin. Sears has already started doing this in 2010, first signing a deal with apparel seller Forever 21 for a 43,000-square-foot space at South Coast Plaza in Costa Mesa, Calif. and then a deal with Whole Foods for a 34,000-square-foot store in Greensboro, N.C.

In his letter to shareholders, Lampert indicated the company was seeking more third party retailers to lease its underperforming stores. In all, it closed 34 Kmart and full-line Sears stores in fiscal 2010. Though Sears Holdings is behind many other department store chains in trying to trim its portfolio, ultimately the strategy is the right one, says Cynthia Groves, senior managing director of global corporate services with real estate services firm Newmark Knight Frank. She believes both Sears and Kmart have staying power, but need to drastically downsize their fleets.

"They are realizing that they have to look at their store size, the way the stores are configured, the number of their units," she notes. "Lampert will use the real estate to turn the retail around. They go hand-in-hand."

Real estate play

Given that many of Sears' broadline stores are located in markets with high barriers to entry the company shouldn't have too much of a problem finding takers for those units, says James Bieri, CEO and president of the Bieri Co., a Detroit, Mich.-based real estate consulting firm. Some of the same retailers that are expected to backfill Borders' locations—Forever 21, Costco and Target—might jump at the chance to lease Sears locations, especially since it will save them the trouble of paying for a full store build-out.

Likewise, some of the Kmart stores might be picked up by discount concepts like Big Lots and Salvation Army, Bieri notes. In many cases, Kmart pays single-digit rents, so if an alternate retailer wants to be in a given market, it might be possible to sublease those stores.

The problem is that demand for new space is still out of whack with the amount of vacancies available in the market, says Green. Plus, a chain like Forever 21 would only want to sublease the space from Sears if there are a lot of years left on the original lease. In some cases, however, Sears will be facing expiring leases on underperforming stores and it will be forced to exit the property without providing the landlord with a new anchor.

"My professional gut is that they are at least 25 percent too large a company," notes Green. Subleasing their stores, however, "definitely won't take care of their entire portfolio. There are not that many alternate users out there, especially given the fact that so many power centers have abundance of vacancy."

CMBS Delinquencies Trudge Upwards
商業抵押擔保證券拖欠率二月再次上漲，此次上漲源於之前拖欠率較低的工業倉庫

By: David Bodamer (Retail Traffic)

CMBS delinquency rates rose again in February, according to the two firms that track the sector.
As of the end of February, the CMBS delinquency rate stood at 8.28 percent according to Horsham, Pa.-based Realpoint LLC and at 9.34 percent according to New York City-based Trepp LLC. Both firms showed the delinquency rate rising from January. The figure was a new high for Trepp while it stood at a hair below the 8.29 percent high that Realpoint measured in December 2010.

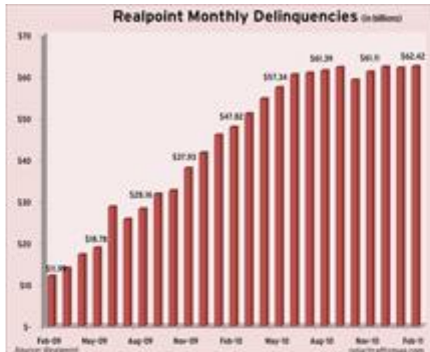
Industrial properties have emerged as a new trouble spot, according to both firms' numbers. As recently as three months ago, industrial properties boasted the lowest delinquency rates of the major property types, but have spiked since. Trepp measured the industrial delinquency rate as 10.44 percent—up from 6.64 percent three months ago and 4.75 percent a year ago. Realpoint measured the rate at 9.67 percent—up from 6.1 percent in November and 4.2 percent in February 2010.

According Realpoint, the delinquent unpaid balance for CMBS rose $330.4 million, up to $62.42 billion from $62.09 billion a month prior. This followed the previous month's slight decrease of $228.8 million—just the second recorded decrease in the past 12 months.

There was a net decline in both the 30-day and 60-day delinquency categories, according to Reapoint. According to the firm, "With the ongoing rapid pace of loan liquidations, modifications and resolutions, the two most distressed categories of Foreclosure and REO increased by $1.89 billion as a whole (8 percent) from the previous month and remain up by $15.18 billion (145 percent) in the past year."
The total unpaid balance for CMBS pools reviewed by Realpoint for the February remittance was $754.27 billion, down from $756.02 billion in January.

Inside the numbers

The delinquency ratio for February of 8.28 percent (up from the 8.21 percent reported for January) is 1.4 times the 5.99 percent reported in February 2011 and more than 29 times the Realpoint recorded low point of 0.28 percent in June 2007.



According to Realpoint, "The movement in both delinquent unpaid balance and percentage is now clearly being impacted by the size and amount of loan liquidations, modifications, extensions and resolutions reported on a monthly basis, leading to a potential slow-down in the reporting of new delinquency for the remainder of 2011."

By property type, in December, multifamily loans topped retail loans as the greatest contributor to overall CMBS delinquency. Retail loans had been the greatest contributor for six straight months prior to June 2010. Delinquent multifamily loans account for 2.21 percent of the CMBS universe and 26.8 percent of total delinquency.

Hotels, meanwhile, had the highest delinquency rate—12.17 percent, although the figure has been improving in recent months. The retail default rate increased slightly to 7.4 percent, up from 7.3 percent in January and up from 5.4 percent one year ago.

In its monthly report, Realpoint wrote, "Despite a leveling off over the past five months, we still consider retail delinquency a legitimate concern for 2011. A prolonged economic recovery could have further impact on consumer spending and cause retailers to continue to struggle. We also cannot rule out additional store consolidation, closings and potential bankruptcies along with growing balloon maturity default risk as retail collateral continues to suffer from the experienced decline"

Trepp's view

Meanwhile, in its analysis, New York City-based Trepp said that the CMBS delinquency rate rose to 9.39 percent in February, topping the previous high of 9.34 percent in January.

According to Trepp, “The faith that investors have shown in the legacy U.S. CMBS market over the last few months was validated on Wednesday when the Trepp Delinquency Report reported that the core delinquency rate for February had one of its smallest increases since the beginning of the credit crisis. In February, the delinquency rate for U.S. commercial real estate loans in CMBS edged up 5 basis points putting the rate at 9.39 percent. That is once again the highest percentage of loans 30+ days delinquent, in foreclosure or REO in the history of the CMBS market. This 5 basis point increase however is arguably the smallest increase since we started publishing our numbers 18 months ago. There was a dip in the delinquency rate in October 2010 when the huge Extended Stay Hotel loan was liquidated at a loss. If one removes the ESH loan from the equation, February’s 5 basis point jump is the smallest in almost two years. The rate of increase has averaged 23.8 basis points per month over the previous twelve months (after backing out the Stuyvesant Town impact in March and the Extended Stay Hotels impact in October).”

The delinquency rate one year ago was 6.72 percent. The 30+ day delinquency rate on retail rose to 7.81 percent from 7.72 percent in January.

Multifamily remained the sector with the highest delinquency rate. The multifamily rate is at 16.61 percent (down from 16.85 percent in January) while the lodging delinquency rate fell to 14.61 percent from 15.08 percent in January. The lodging delinquency rate peaked at 19.33 percent in September. The delinquency rate for industrial properties rose to 10.44 percent from 10.12 percent. It has more than doubled since a year ago when the rate stood at 4.75 percent. The delinquency rate rose for retail properties from 7.72 percent to 7.81 percent and rose for office properties from 6.88 percent to 7.10 percent.

The Return and Rise of CMBS
商業抵押擔保證券的二線及三線市場佔有率大幅度增加

By: Sam Chandan (New York Observer)

Underpinning gains in transaction activity, credit markets have eased significantly over the course of the last year. In Manhattan and other gateway markets, a surfeit of lenders now compete for opportunities to finance acquisitions of prime assets and to refinance maturing debt.

This marked shift in borrowers' access to credit has facilitated a critical mass of trades, supporting a degree of price discovery that was absent just a year ago; it has also allowed mortgage rates to remain near their cyclical lows even as long-dated treasury prices have fallen and yields have risen.

Among the re-emerging sources of credit, year-to-date CMBS issuance is approaching the $10 billion milestone, already within range of last year's $12.3 billion total. Projected issuance in the range of $40 billion during 2011 is just a fraction of the peak levels that preceded the financial crisis. Nonetheless, current CMBS activity represents a significant share of overall lending in today's more deliberate marketplace.

The re-emergence of this key credit source has been welcomed by a range of market participants who remain cognizant of persistent imbalances in borrowers' access to financing. Still, there is a need for sobriety in assessing the implications of a resumption in securitization market activity. While CMBS can play an important role in leveling the credit landscape, its continued growth faces challenges from cautious investors, policy makers and its own structural inertia.

Democratization of Credit

While insurance and foreign bank lenders have generally focused their activities in gateway markets, CMBS lending is observable across a much broader geographic area. In a report released last week by Real Capital, CMBS lending is shown to have captured a significantly larger share of mortgage-origination activity in secondary and tertiary markets.

Across all markets, securitized loans accounted for 15 percent of mortgage originations in the second half of last year. In primary markets, where competition among lenders is most apparent and credit constraints have eased to the greatest extent, CMBS accounted for 8 percent of loans; in secondary and tertiary markets, it accounted for 15 percent and 22 percent, respectively.

Reliant on well-diversified collateral, conduit lenders are necessarily growing more active outside of gateway markets, in locations where the lender landscape is more thinly populated and competition in lending more subdued, and where spreads are higher. The less conservative geographic and property mix has raised questions about the quality of assets being bundled into new issues and concentrations in the largest loans. Stressed measures of loan risk have risen, though the stress-testing calculus warrants additional scrutiny.

In an upcoming Goldman Sachs-sponsored deal, for example, one ratings agency reports that the largest 10 loans account for almost 60 percent of the deal. As with several other recent deals, the newest deal is weighted toward retail properties, with assets in Texas and Pennsylvania accounting for almost of a third of the overall pool.

Absent are the trophy office towers and high-rise apartments that have formed the bedrock of the investment and lending recovery. Instead, the geographic and property mix corresponds with market segments that remain relatively underserved by other lenders.

Reserving Judgment

While the mix of loans and underwriting standards embedded in forthcoming deals may weed out more risk-averse investors, there are other reasons to be cautious in welcoming a resurgence of CMBS activity. Aside from the record-high volume of loans in special servicing, many of the structural issues that were material contributors to the CMBS market's crisis-period collapse remain unaddressed or unresolved.

The Commercial Real Estate Finance Council has made some progress in addressing investors' desire for a more transparent and well-functioning market. The recently released CMBS 2.0 standards are evidence that progress has been made on this front. Among the key provisions, the new guidelines standardize lenders' representations and warranties to investors regarding an issue's loans and the due diligence performed on properties and borrowers.

The guidelines also establish a mediation framework for breach claims, outline underwriting principles intended to minimize the risk of loan non-performance and further standardize issues' Annex A files. The industry's progress in enhancing its capacity for self-regulation is laudable. However, serious questions remain open for investors and regulators. In the near term, policy uncertainty related to methodological standardization across ratings agencies and risk retention requirements have fueled a divergence of expectations about deal flow. Opponents of across-the-board risk-retention requirements for CMBS argue that it will unnecessarily raise costs and inhibit issuance.

But the motivation behind the retention requirement reflects that the CMBS market has performed relatively poorly as compared to other sources of commercial real estate credit. Non-performing rates on legacy CMBS issues are much higher than for other lender groups, even after controlling for observables such as seasoning. The elevated rates of CMBS delinquency and default are consistent with structural weaknesses in the securitization market that are not replicated elsewhere to the same degree.

One of these weaknesses presents a challenge for the nation's banks, where the incentives to scrutinize long-term loan performance are stronger at the time of origination. Rising competition from conduit originators can ultimately undermine loan quality among its competitors, including regulated institutions.

CMBS may be underwritten more carefully now than a few years ago, but this cyclical focus on risk fails as a substitute for measures that will ensure the long-term health and sustainability of CMBS.

The Outlook

Constraints on regional and community banks' capacity to extend credit in support of smaller markets' commercial property sales and refinancing needs are likely to persist for some time.

Particularly in cases where the bank lender has significant exposure to development and in cases where the management of legacy distress has proven unwieldy, regulatory and supervisory pressure may require a drawdown of exposure to the commercial property sector. Given a relative paucity of alternative credit sources in these markets, liquidity should be significantly enhanced as conduit lending ramps up.

Nonetheless, bond investors and policy makers have good reason for circumspection. Differences in the incentives and competitive constraints of bank and conduit lenders can result in a deterioration of loan quality on the balance sheets of the former. At the same time, many of the structural weaknesses of the CMBS market—including conflicts in the incentives of the various parties facilitating each issue—have yet to be fully addressed.

A rare opportunity will be lost if efforts to reform are set aside in the broader market's now rising tide.

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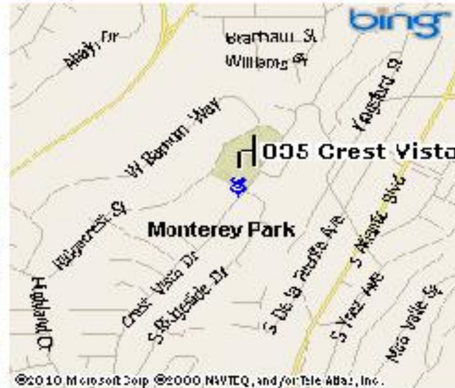
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	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	0.30	0.31	0.54	0.28	0.01	-2.43
Money market, annual yield	0.63	0.63	0.79	0.59	-0.16	-1.74
Five-year CD, annual yield	1.99	1.94	2.64	1.92	-0.60	-1.30
30-year mortgage, fixed	4.96	4.92	5.43	4.32	-0.41	-0.92
15-year mortgage, fixed	4.19	4.15	4.58	3.71	-0.36	-1.28
Jumbo mortgages, $417,000-plus	5.57	5.55	6.19	5.32	-0.60	-1.71
Five-year adj mortgage (ARM)	3.63	3.59	5.79	3.31	-0.68	-1.92
New-car loan, 48-month	4.38	4.89	6.59	4.38	-2.11	-2.40
Home-equity loan, $30,000	5.05	5.14	5.19	5.05	-0.14	-0.00

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.