COMMERCIAL REAL ESTATE MARKET UPDATES

GENERAL
市場概括

- Could CRE Follow Housing Into Another Trough?
  雖然住宅地產依然低迷甚或進入另一個低谷，專家認為商業地產不會被住宅拖垮
- Office Investors Buy Vacancy in a Risky Bet on Higher Yields
  隨著就業率逐漸升高，空屋率高但地點好的辦公樓成為下一波投資者的目標

INVESTMENT OPPORTUNITIES
投資機會

- Recent Notable Distressed Property Deals
  近期高回報的不良資產交易

RETAIL
購物商場

- Retail Center Owners Take a More Active Approach to Energy Management
  購物商場業主集中精力節省能源（尤其照明方面）以提高利潤
- Commercial Real Estate Surges, Needs Corporate Hiring to Continue
  2011 年經濟好轉，連帶商業地產也走出低谷，但其可持續性的關鍵在於大公司的招聘走勢

FINANCING
貸款與資金

- U.S. Bank Failures Slow, but Distressed CRE Still Taking its Toll
  美國銀行倒閉的速度減緩，但倒閉的主要原因仍與商業地產相關
- Commercial Mortgages: Industry Improving but Still Not Back
  商業地產貸款景況好轉，但要達到經濟衰退前的狀況，仍需很長一段路
- Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
  消費者市場利率：房貸、基本利率、等等

STC LISTINGS
STC 獨家代理物業出售

- San Gabriel Office/Retail
  聖蓋博獨棟商用物業
- Santa Ana Preschool/Redevelopment Opportunity [In-Escrow]
  橙縣幼稚園/重新開發機會
- Main St. Alhambra Retail/Office Mixed Use [In-Escrow]
  阿罕布拉零售/辦公樓
- Monterey Park Luxury Residence
  蒙特利公園豪宅

Could CRE Follow Housing Into Another Trough?
雖然住宅地產依然低迷甚或進入另一個低谷，專家認為商業地產不會被住宅拖垮

By: Mark Heschmeyer (CoStar)

Housing and commercial real estate are seemingly going in opposite directions nationally with housing prices and sales totals continuing to fall and CRE markets taking steps toward recovery. However, the fear of a double-dip housing recession is tangible - if not real - and continues to tug naggingly on the CRE industry.

When the recession began in 2007, the commercial real estate markets declines lagged but eventually paralleled the declines of the hardest-hit residential markets. If housing goes into a double-dip recession, the question many are wondering if commercial real estate is likely to follow? That was the question we put to a variety of CRE professionals and analysts.

"We are firm believers that the growing (residential) shadow inventory is causing normal buyers and sellers to pull back. This is reinforcing downward pressure in the residential market," said Gerald A. Klassen, research analyst for the Real Estate Center at Texas A&M University in College Station, TX. "With an estimated 2 million more homes headed for default in the next two years, I think the expectation of falling prices may become self-fulfilling. The only way out is to clear the market - and fast."

"If the banks are permitted to sit on inventory, then it could take years to clear just like after the Depression. This will leave real estate in a zombie state that will continue to be a drag on the economy," Klassen said.

"I am questioning the recovery in commercial real estate. The recovery has been very bifurcated," Klassen said. "Trophy properties in prime markets are fetching bubblicious prices because large institutional investors have cash burning a hole in their pockets. But from the folks we speak to, the secondary markets are still very dead."

"The risks we face in 2011 are greater than 2010," Klassen added. "The most significant risk is the end of fiscal and monetary stimulus in the first half of this year. It will take a lot of steam out of the economy. To me, prudence would dictate waiting until the end of summer to see how things pan out. By then, we will also know the extent of state and local government job losses, which may be significant according to what we are hearing in Texas. I wouldn't want to be signing pricey contracts before then."

How real the recovery feels also seems tied to where respondents were located. Not every market across the country is experiencing diverging conditions. Tom Watson, managing broker of RE/MAX of Spokane-Commercial in Spokane, WA, said he doesn't see Eastern Washington's commercial market improving significantly over the near term.

"Closed sales from both sectors are lagging behind either of the last two year's numbers," Watson said. "It looks like our double dip has begun. Until the residential market smoothes out, little money will be available via traditional commercial sources."

And Paula Greer, an appraiser with Black & Associates in Portland, OR, said the concept of a double dip real estate market implies that values went back up.

"As far as I can tell from statistics here in the Portland market, there may have been a slight hiccup in residential home prices about a year ago. But it was more like a leveling out before they started trending downward again," she said.

"After hunkering down for the last couple of years, the investor segment is cautiously reappearing. From an appraiser perspective, it appears that they are being more selective about properties that they will invest in," Greer said. "This is a function of two factors: banks just aren't as aggressive with their underwriting as they were in the pre-2008 days; and there is a more limited inventory of good quality investment properties available for sale."

"From my work perspective, the biggest impact on the acceleration of the commercial real estate market here in Portland is the re-emergence of banks that are willing to actually part with some of their stockpile of funds and actually start lending again," Greer said. "I think that investors are starting to believe that the tsunami is not going to hit here and that it is time to get back to business as usual."

But the consensus is certainly not unanimous. While some question whether CRE is in recovery, others are seeing a turnaround in the fortunes of housing.

One of those seeing a silver lining to the current housing market is Frank Nothaft, Freddie Mac's chief economist, who said he expects "to see a bit of spring in homes sales activity during the second quarter. Sales contract signings for existing homes were up in February, positioning the market for a bounce up going into the traditional homebuying season."

Nothaft is projecting a 5% increase in 2011 home sales over 2010, on a calendar year basis.

For now, however, the majority of CoStar News readers appear to be taking a less-sanguine view on the housing market. Kevin White, a real estate strategist with the CoStar Group, concurred with the general sentiment that there are significant differences that have "unhitched" housing and commercial real estate at this stage of the economic recovery that will allow them to continue in diverging directions.

"Although the ties between housing and CRE are compelling, there remain important differences," White said. "Households may suffer more psychological scars from the (housing) bust, have more limited access to fresh capital, and be less inclined to appreciate real estate's value relative to other investment alternatives (whose prices have rocketed), all factors that would hinder housing's recovery compared with that of CRE."

"Most important," White added, "although the CRE market has had its share of government intervention (TARP, TALF, PPIP, etc.), these measures were far-less distortive than the homebuyer tax credits, which stabilized the market by pulling demand forward. While the housing correction, having been temporarily suspended, has further to go, the less-inhibited CRE correction has largely run its course."

Gary Tasman, executive director of Commercial Property Southwest Florida LLC in Fort Myers, FL, also noted that housing and CRE went into the recession with far different fundamentals.

"Traditionally there exists a lag in the commercial real estate market as it relates to the housing market. Commercial real estate typically lags between six and 18 months behind residential," Tasman said. "So it is a natural assumption that if the housing market double-dips, so too will the commercial real estate market."

"However," Tasman added, "given the significant difference in overbuilding between housing and commercial (specifically in the Southwest Florida area) - it is significantly more likely that housing would be a slower market to recover than commercial."

That slower recovery will weigh down CRE's recovery but not drag it down.

"Most commercial brokers in our area, despite positive data from first quarter, are currently feeling a small lag in prospective lessees and buyers," Tasman said. But "because the overbuilding in commercial real estate was not as extensive as the overbuilding that occurred in residential, I am optimistic that population growth coupled with lack of construction volume will inevitably absorb excess space and drive rental growth."

What follows are excerpts from additional comments that CoStar received from readers addressing this question.

There's Money for Businesses, While People Wait for Money for Housing

Commercial is doing better as people are out there starting businesses or expanding businesses; the stronger survived and now grow to provide services to the market with less competition - people are going back to work - even though unemployment stays high. This will lead to additional consumer confidence I would hope as people have money to spend...seems like this will lead us out of this

Housing won't come back until people stay in their homes - instead of moving out and into apartments and are able to get back on their feet with work. If the above commercial trend continues and people can stay in their homes with new jobs, new home sales (and permits for new construction) will increase again instead of people buying the multitude of cheap foreclosed, short sale and underwater homes.

Stuart Thomajan, a venture capitalist with The Chameleon Group in Austin, TX.

Decisions of the Head not the Heart

One quick simple answer is commercial investors could be motivated by inflation concerns and wanting to get cash into real estate before it takes off and residential decisions are driven by individuals, the avoidance of debt, and the fear prices will dip further.

Commercial is a business decision verses an emotional decision for homeowners. An apartment provides shelter just like a single-family home without the risk or capital requirement and personal debt. Quality, well located properties are still occupied with quality tenants paying rent. The poor quality properties are deeply discounted and not selling, as is always the case in a down market, quality sells and the rest wait/hope for a recovery.

Robert L. Muller II, CCIM, director of real estate services at MMA Real Estate Advisors LLC in Atlanta, GA

Waiting for Unemployment To Improve

In my practice, we do residential in Santa Clara County (CA) and we have a commercial project in San Benito County (CA). What we're seeing both in residential and commercial is that everything seems neighborhood and product specific.

In Santa Clara, nice homes in nice areas get multiple offers while average homes in average areas will sit unless priced aggressively.

In San Benito, commercial is at a standstill, and we've lowered prices numerous times without any increase in activity. We keep waiting for unemployment to improve hoping that's what's needed to stimulate this county.

Lee Schmidt, principal of County Property Exchange Inc. in Morgan Hill, CA

Pent Up Business Demand

I think commercial real estate is recovering in selected areas only. There are more investment sales, as the credit markets are opening up again. There are bank-owned properties that are being sold to get them off the balance sheets and plenty of opportunities for investors in distressed properties that are slowly working through the system.

Select office markets, such as New York City are seeing significant increases in leasing activity, but I would not consider it a balanced recovery. If anything is bolstering the commercial real estate markets on the leasing side, I believe it is a combination of pent-up demand from tenants who have been sitting on the sidelines during the recession, and a realization that the dearth of development is causing some availability shortages in spaces of certain sizes and quality, particularly for large tenants.

What worries me most is that this really seems to be a jobless recovery, with many positions gone, never to be replaced. If there is no growth in headcount, there will be no growth in office space needs.

Howard E. Greenbert, principal of Howard Properties Ltd. in White Plains, NY

Necessity is the Mother of Timing

Commercial real estate is driven by business; the needs of companies utilizing leased and purchased facilities to run their companies be it office, industrial, warehouse or retail space.

The housing market satisfies personal needs for individuals and families and those needs can be met with homes for sale or lease; and apartments. Families can upsize and downsize both their physical space and quality and by reducing the costs for owning/leasing and operating the household budget. Companies don't always have that flexibility.

A top shelf law firm cannot operate from a "C" quality office building; a hair salon running their business from 1,200 square feet cannot downsize to 500 square feet and still expect to exist.

So the differences between the two sectors are based mainly out of necessity for businesses to continue to operate; and homeowners and tenants ability to downsize in quality, location and size.

Daniel Wm. Hayes, principal of NAI DESCO in St, Louis, MO

CRE Hurts, Which Is Why It Is a Good Investment

Commercial real estate is not in recovery but simply showing signs of life because capital does not have positive alternatives and needs a place to park while riding-out the current anti-capitalist trends. [Note the price of gold is high and rising and other basic value-holding commodities]. As one forward-looking analyst noted a year ago - people should invest in things that would hurt if you dropped them on your foot [gold, industrial metals, steal, minerals, and real estate].

Large amounts of cash which have poor alternative options and are thus chasing the cream of location and quality to induce a cap rate decline (and corollary rise in prices) but only for the best markets and product.

Todd Zirkle, real estate consultant with The Metis Group LLC in Washington, DC

How Soon We Forget

What worries me is I specialize in land acquisitions in urban areas of Los Angeles (mainly A locations) to develop mixed-use projects (i.e. residential apartments over retail). What I am finding from not only owners of real estate but from lenders is how soon they forgot what got us in to trouble in the first place - lack of fundamentals. The asking price for land is pretty much back to where it was before the recession.

Marty Shelton, vice president of NAI Capital - Urban Development Group in Los Angeles

CRE Will Pull Housing Out

Businesses are re-tooling and the market is anticipating that. The expectation is that new jobs will be created as corporate profits rise and companies will need to hire more people in order to keep up with revenue growth. As employment grows it could prop up consumer confidence and demand for housing as employees move to take new jobs.

Kostas Stoilas, associate - industrial property sales and leasing, The Davis Team of Cushman & Wakefield Inc. in Tampa, FL

It Takes Longer for the Housing Buyer To Come Back into the Market

I agree that a double-dip housing recession is currently a tangible risk. Should this risk materializes, I feel the commercial real estate (CRE) will be saved from facing the same fate. Several factors worked (and still work) in favor of the CRE market; the threshold investment required to enter the CRE is much greater than the residential one.

This factor kept a lot of small investors at bay, and allowed entrance only to more sophisticated investors with greater funds or accessibility to funds, and greater accessibility to professional advices. So, higher sophistication level, better capitalization, and easier access to professional advices will save the CRE.

Smaller supply of new CRE also had serious positive impact on the situation, as well as reluctance on the part of banks and financial institutions to foreclose on defaulted properties, opting instead to work out other solutions with the defaulted owners, meant a smaller number of distressed sales.

As soon as the economy starts to improve and gains enough momentum, companies start to hire again, which of course results in a higher demand on CRE. While it will take the recently hired John Doe sometime to restore his savings to a point that would allow him to enter the residential real estate market.

Maurice Salama, principal real property agent of the County of Los Angeles Chief Executive Office in Los Angeles, CA

CRE Much More Disciplined

I was a residential broker in Texas in the late '80s when the market tanked there. The commercial market seems much more disciplined and less emotional. When the overall real estate market first started to teeter this time, the commercial sector didn't go into denial, it accepted the fact fairly early on that hard times were ahead. The commercial market did not get overbuilt this time around. There were enough folks around that remembered the '80's and didn't make that big mistake again.

Office Investors Buy Vacancy in a Risky Bet on Higher Yields
隨著就業率逐漸升高，空屋率高但地點好的辦公樓成為下一波投資者的目標

By: Joe Gose (NREI)

Buying office vacancy has become the next frontier in a rejuvenated investment sales market, an almost incomprehensible notion among most real estate investors a year ago.

Driven off by the exorbitant prices that trophy properties in Manhattan, Washington, D.C. and Boston are fetching, buyers are zeroing in on Class-A assets that are distressed or have high vacancies in markets such as Philadelphia, Dallas, Denver and elsewhere.

While opportunistic private investors have been employing the strategy for several months, real estate investment trusts (REITs) also have recently begun to pursue such deals.

Investors are confident that they can attract tenants looking to upgrade their space without paying appreciably higher rents. But buyers also are betting that job creation, the lifeblood of office properties, will eventually improve despite a feckless recovery to date.

The U.S. economy shed 8.6 million jobs in 2008 and 2009, according to the U.S. Department of Labor. Brokerage services firm Grubb & Ellis estimates that 2.5 million office jobs vanished during the downturn.

The economy generated 1.2 million jobs over the 14-month period ending Feb. 28. But most new private jobs have been concentrated in the health care, education, retail, and leisure and hospitality sectors, says Sam Chandan, global chief economist at New York-based Real Capital Analytics.

Job creation in the information, legal and financial services industries that drive rent growth has been virtually non-existent over the last several months, says Chandan. Tenants moving into higher-quality space have propelled leasing activity in many markets.

Still, investors are chasing yield in a broader range of properties and wider selection of cities despite the fragile recovery, while core buyers bid up prices in major markets, says Chandan. “It raises very credible questions about whether investment inflows are outpacing the trends in the underlying economy and labor market for an improvement in fundamentals.”

Buying low

Nonetheless, buyers of vacancy say they’re purchasing buildings at a low enough basis to withstand slow growth while positioning themselves for handsome profits when better times return. If need be, they’re in a financial position to absorb lower rents as existing leases roll over in order to maintain occupancy. Karlin Real Estate, a Los Angeles-based investment management firm, in February acquired an 8-year-old, 80,000 sq. ft. office building in downtown Golden, Colo., for $7.25 million from receiver Cordes & Co.

The building, Clear Creek Square, is 30% vacant in a Denver submarket that has 17.7% vacancy, reports New York-based Reis. Local employment trends didn't weigh too heavily in the firm's analysis on whether to buy the building, however.

While asking gross rents are at market, which Reis pegs at $18.40 per sq. ft. in Denver, Karlin has room to negotiate, says Matthew Schwab, a co-founder of Karlin, which has $1 billion in assets under management and owns 17 hotel, apartment and commercial properties.

"We don't necessarily project any great-guns growth in areas where we're buying," he contends. "We look at a building across the street as having a basis of X, while we have a basis of Y, so we can go in and make deals with lease rates that are very competitive."

John McDermott, a managing director who oversees the national office and industrial team for brokerage Sperry Van Ness, says the firm's investor clients want to buy vacancy with more frequency.

In particular, investors often are willing to accept a current return of 5% to 6% on a building's occupied space at rents that are below market, he says.

Buyers can then fill the 25% to 50% of vacant space at higher lease rates, which could provide an overall return of approximately 9% once the building is stabilized. "The upside is obviously significant," emphasizes McDermott, who is located in the Irvine, Calif. headquarters of Sperry Van Ness.

In another case, Brandywine Realty Trust acquired the 1 million sq. ft. Three Logan Square in downtown Philadelphia in August for $129 million, or about $125 per sq. ft. The building was 35% vacant at the time of the sale.

The price was $55 per sq. ft. less than what Brandywine values two similar buildings nearby that it also owns, according to comments made by executives during the company's 2010 fourth-quarter earnings call.

Brandywine, which owns 40 million sq. ft. of office and mixed-use space in the mid-Atlantic, West and South, anticipates pouring some $45 million into the building and eventually reaping a yield of 9% to 10%.

Gerard Sweeney, CEO of Radnor, Pa.-based Brandywine, says the purchase fits the REIT's opportunistic investment strategy of acquiring office properties in existing markets at prices well below replacement cost.

"This building complements our existing One and Two Logan Square properties and affords us control over some of the best product in the Philadelphia office market," he says.

As of mid-March, the REIT's shares were trading around $11.85, down 3.7% from a year earlier.

Sales turnaround

The willingness to buy risk in select assets and markets follows a robust rebound in office sales last year. Roughly $41.6 billion in office assets in the U.S. traded hands in 2010, a 140% increase over the dollar volume in 2009, according to Real Capital Analytics.

Transactions in Manhattan and Washington, D.C. accounted for 24% of all activity last year. The high demand caused cap rates in the nation's capital to plunge from 7.7% in 2009 to 6.3% in 2010. In Manhattan, the rates dropped about 80 basis points to 5.5% over the same period.

Yet Real Capital Analytics also noted that activity has started to spread out across several other areas of the country as investors seek better yields. Nationwide, cap rates declined to 7.1% in 2010 from nearly 9% in 2009.

The national office vacancy rate stood at 17.7% at the end of 2010, according to Grubb & Ellis. While that unhealthy figure was actually an improvement from the peak vacancy rate of 17.9% notched earlier in the year, it was still 30 basis points higher than the vacancy rate at the end of 2009.

Class-A office rents nationally in the fourth quarter of 2010 averaged $30.90 per sq. ft., down from $31.40 from the same period a year earlier, according to Grubb & Ellis.

To some degree, capital flooding back into the real estate arena has created a climate eerily familiar to that which permeated the market before credit dried up in 2008, says Dan Fasulo, managing director with Real Capital Analytics.

"If we're not there already, we're rapidly approaching a situation in which there's just too much money again and not enough assets to go around," he says. "It's remarkable that it has happened so quickly."

Waiting for a breakout trend

Whether the resurgence in office valuations holds or buyers of vacancy earn the profits they envision depends on the how fast occupancy and rents grow. Those measures depend on hiring. Employers added 192,000 jobs in February, according to the U.S. Department of Labor, buoying hopes that accelerating economic growth is on the way.

Robert Bach, senior vice president and chief economist at Grubb & Ellis, estimates that about 20% of all jobs created in any month are for office workers. If employers maintain hiring of 200,000 workers a month in 2011, the vacancy rate nationally could drop to 16.5% by the end of the year, he says.

"I would like to see several months of 200,000 net new jobs created, or thereabouts, before I would be ready to say that we're out of the woods," Bach says. "It's going to take a while to get out of the woods anyway because so many people are unemployed."

Indeed, the Labor Department also reported that February's labor force participation rate, which is a measure of how many unemployed people are looking for jobs, was 64.2%, the lowest level since the mid-1980s.

Unemployed workers not actively seeking jobs aren't figured into the official unemployment rate. If they were, the February jobless rate would have been 11.5% instead of 8.9%.

Government efforts to prop up asset valuations have likely fueled office building investments even in the face of a weak job recovery, suggests Chris Macke, senior real estate strategist for Washington, D.C.-based CoStar Group, a commercial real estate data firm.

Relaxed regulations on how banks account for troubled commercial property loans have limited the supply of office properties for sale. The Federal Reserve's policy of maintaining low interest rates has in effect enabled investors to pay more for office buildings, thereby putting a floor under prices.

Both factors have led to a rapid recovery in the value of certain office properties. In Washington, D.C., for example, valuations of trophy office properties are within 10% of where they were at the peak of the market in early 2008, says Macke.

But the government's policies supporting asset values will eventually go away, Macke adds. At that point, the strength of the economic recovery will fuel the office sector's rebound, he notes. Accelerating office values could come to an abrupt halt if occupancy and rental rates fail to increase appreciably, however, particularly if interest rates spike, Macke believes.

"Right now you have a race between an increase in interest rates and an increase in rental rates," Macke says. "It all comes down to job creation and the rate of corporate hiring."

Joe Gose is a Kansas City-based writer.

Strategy to buy vacancy appeals to lenders

Office investors chasing vacancy with the hope of cashing in on rising occupancies and rents are finding that some lenders have also warmed to the idea.

Last fall, Los Angeles-based Mesa West Capital provided Brookfield Real Estate Opportunity Fund with a three-year $17.5 million mortgage for the acquisition and lease-up costs of Two Addison Circle, a newly constructed 200,000 sq. ft. office structure in the Addison submarket north of Dallas.

Toronto-based Brookfield, an affiliate of Brookfield Asset Management, acquired the vacant building from construction lender Wachovia Bank for $81 per sq. ft., or about 50% of replacement value.

Ryan Krauch, a principal with Mesa West, declined to provide specifics about the loan on Two Addison. But the lender typically provides senior financing and charges an interest rate that ranges from 6.5% to 7.5%.

While employment prospects play a role when underwriting such deals, emphasizes Krauch, Mesa West mitigates risk by focusing on the asset and submarket.

“The key is to be in first-to-lease buildings in first-to-lease submarkets,” says Krauch. “That way you don’t have to pin your analysis exactly correct as to how many jobs come back or when.”

The bet has already paid dividends. In January, San Antonio-based financial services company USAA announced that it signed a lease for 73,000 sq. ft. in Brookfield’s building.

USAA is establishing a financial service center in the building, which will bring 200 new jobs to Addison over the next two years.

The expansion is part of a broader effort by the firm to serve its growing roster of members who are seeking investment and retirement advice, say company officials.

The Addison submarket, which also includes Carrolton and Farmer’s Branch, posted a vacancy rate of 23% at the end of 2010, up 50 basis points from end of 2009, according to Reis.

Still, Johnny Johnson, an executive managing director at Cassidy Turley Commercial Real Estate Services in Dallas who represents Brookfield at Two Addison, says rents have already increased at the building. Brookfield is generally asking for $24 to $25 per sq. ft. on a gross basis, he says. Asking rents in the submarket averaged around $18 per sq. ft. at the end of 2010, reports New York-based real estate research firm Reis.

“The market has given us a little bit of a break. Dallas is starting to see a little bit better activity and demand has increased,” adds Johnson of Cassidy Turley. “So landlords of certain properties in certain submarkets are starting to look for opportunities to raise rents.”

I N V E S T M E N T   O P P O R T U N I T I E S 投資機會

RECENT DISTRESSED PROPERTY DEALS

WEST COVINA MARKETPLACE AT THE LAKES

95,000 SF   *Built in 1995*

Recently sold for: $10,000,000 ($105/SF)

Previously sold in 2007 for: $24,000,000 ($252/SF)

PLAZA VERMONT APARTMENTS/RETAIL

70,000 SF   *Built in 1995*

Recently sold for: $6,400,000 ($80,500/unit)

2010 Assessed value: $8,500,000

GLENDALE RETAIL/OFFICE

14,290 SF   *Built in 1989*

Recently sold for: $1,200,000 ($85/SF)

2010 Assessed Value: $3,500,000 ($244/SF)

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

Retail Center Owners Take a More Active Approach to Energy Management
購物商場業主集中精力節省能源（尤其照明方面）以提高利潤

By: Jennifer Popovec (Retail Traffic)

Ever since the outbreak of the financial crisis in 2008, cost control has been on the agenda for retail real estate firms. In the face of declining incomes and property values, companies have reduced head count, slashed budgets, and tried anything else they could come up with to cut down on how much money they spend. In many cases, they've deferred maintenance and cut back on cleaning schedules at properties.

In many areas, firms have cut to the bone. But there's one place where there is still room for continued savings: energy. And given that energy costs are rising, the pressure to make properties more efficient is even higher. Indeed, although going Green is a goal for many firms, the incentive of cutting costs has proven to be a greater driver of improvements in energy management at shopping centers.

"There's been a push to reduce expenses and to become as efficient as possible so we can protect assets and protect NOI," says Alicia Busconi, vice president of property and asset management for Burlington, Mass.-based KeyPoint Partners LLC, which manages 230 retail properties across 13 states. "That forced us to look at properties with fresh eyes."

The major areas of energy consumption for the 657,000 retail properties in the country are climate control and lighting. Overall, these buildings consume approximately $21 billion in energy. Properties typically employ electricity and natural gas.

And the U.S. Energy Information Association (EIA) forecasts that commercial property consumption of electricity will increase moderately from 2010 to 2011, while energy prices will be flat. The big change comes next year, when consumption is predicted to jump from 10.69 billion kilowatts per day to 10.99 billion kilowatts and prices are forecast to increase from 10.26 cents per kilowatt hour to 10.33 cents.

Natural gas consumption and prices are expected to decrease this year compared to 2009. While consumption is forecast to increase moderately in 2012, pricing is predicted to jump sharply to $9.74 per thousand cubic feet compared to $9.09 per thousand cubic feet.

In the past, owners and managers of enclosed properties have focused a lot of their energy management efforts on HVAC systems. They've invested in energy management software systems to increase energy efficiency. In contrast, strip center owners and managers are less concerned about heating and cooling since their tenants are responsible for those expenses.

Today, however, owners of both property types are focusing more on lighting, which can be much more of energy hog than climate control. For Jacksonville, Fla.-based Regency Centers Corp., which operates nearly 400 grocery-anchored and community shopping centers, lighting accounts for 90 percent of its energy load, according to Mark Peternell, vice president of sustainability for the firm.

New technologies are quickly evolving and steadily increasing the amount of savings firms can recognize. In addition, for enclosed properties, adopting energy efficient lighting not only can reduce costs by reducing electricity consumption directly, but can also reduce HVAC costs since new technologies give off much less heat than traditional systems. As a result, the Department of Energy estimates that lighting retrofits reduce electricity consumption by 30 percent to 50 percent of lighting energy and result in 10 percent to 20 percent savings in cooling costs.

Regency's Safeway-anchored center in Falls Church, Va., is part of a Department of Energy program that showcases LED products.

Advances today include increased adoption of light emitting diode (LED) lights and compact fluorescent lights (CFLs) as both technologies mature. In addition, sophisticated lighting control systems are now available that enable owners and managers to optimize when lights in centers and parking lots are turned on or off down to individual fixtures.

"Lighting technology is changing so fast, and the changes are so dramatic compared to former types of lighting," says Larry Jensen, executive vice president and director of client management for Atlanta-based Jones Lang LaSalle. In fact, experts advise that firms should evaluate lighting at their centers as part of an energy management plan every three years.

In the LED

Fans of LED lighting, also known as solid state lighting, point to its energy efficiency, lifecycle and ability to tolerate temperature variances. The LED lighting market is forecasted to grow to $8.3 billion by 2014, according to Strategies Unlimited, which has been tracking the LED lighting market for more than a decade.

LED lighting first became available in 1999, and recent advances in LED technology have made possible high-efficiency, high-brightness LEDs that are available in a full range of warm and neutral white colors instead of the cool or "blue" lights of previous years.

Current LEDs deliver approximately five times the efficiency of many incandescent bulbs and last up to 20 times longer than incandescent bulbs.

XenCom is working with Cree, a publicly-traded company that manufactures LED lighting, to create several LED-based replacements for lighting commonly found in malls. The two firms have developed a LED retrofit for 10-inch can lights, are working to develop LED lights to replace T-12 fluorescent cove lighting and hope to design LED strip lighting that would be appropriate for larger installations.

Yet because LED lighting costs three times as much as other lights, many owners and managers have been unable to justify the up-front investment to do total retrofits, according to Robert Cross, CEO of XenCom Inc., a Dallas-based firm that provides facilities management and energy management services for shopping centers.

As a result, the pressure to reduce short-term costs today is preventing firms from potentially reducing long-term costs. “Given the number of can lights in a mall—a mall we are working on has 650 of them, for example—the cost savings from a LED retrofit would be enormous,” Cross says. “They payback would take two to three years.”

Regency Centers installed LED lights at the parking lot of the firm’s Willston Centre II.

Instead, owners and managers more typically are using LED lighting for accent and décor, particularly for enclosed shopping centers, Cross says.

LEDs also are appropriate for exterior use, Peternell says. In fact, the Department of Energy predicts that LED parking lot lights will reduce parking lot energy needs by more than 50 percent, and maintenance costs by more than 80 percent compared to traditional parking lot lights since LED lights are projected for replacement every 10 years on average compared to CFLs, which last only five years and incandescent lights, which need to be replaced annually.

Regency Centers is participating in the Department of Energy’s Solid State Lighting Technology Demonstration GATEWAY program, which showcases high-performance LED products. The REIT installed LED lighting in the parking lot as part of the extensive redevelopment of Willston Centre II, a 127,449-square-foot Safeway-anchored center in Falls Church, Va.

Controlling mentality

Because of the expense involved in LED retrofits, Peternell believes the biggest energy savings can be found by installing technology that controls when and how lighting is used. This technology, called networked lighting control systems, is web-enabled and accessible from any location.

For example, Regency Centers has installed netLiNK Controls at a number of its centers. Co-developed by Fort Worth, Texas-based WLS Lighting Systems and netLiNK, the technology controls site lighting and other site electrical devices through a base station and wireless node switches.

Using netLiNK, property owners can reduce the electrical consumption by precisely controlling on/off times. In a parking lot, for example, property managers can not only choose which individual poles to turn on or off, but can even fine-tune the decisions down to different fixture on the same pole.

This allows managers to reduce the amount of lighting within a specific area without making an entire section of the parking lot dark, says Dean Pritchard, president of WLS Lighting Systems. Moreover, the system is programmed to the longitude and latitude of a center, so it automatically knows when the sun sets and rises.

Property managers who have installed other energy management systems have also found success. For example, John Sebring, director of property management at Atlanta-based The Shopping Center Group, recently installed Commtiva's energy management software at two shopping centers in Georgia. Sebring says the system resulted in 30 percent and 37 percent savings at the properties. "When we can drive down energy usage, we can reduce our operating costs," he says. "We feel that gives us a competitive advantage ... because our rents are less than other centers that don't practice energy management."

Commercial Real Estate Surges, Needs Corporate Hiring to Continue
2011 年經濟好轉，連帶商業地產也走出低谷，但其可持續性的關鍵在於大公司的招聘走勢

By: Chris Macke (CoStar)

First quarter commercial real estate market fundamentals in 2011 continued their improvement over 2010. This will come as no surprise to anyone who understands that commercial real estate demand is derived from activity in the overall economy. As the economy goes, so go commercial real estate fundamentals.

When looking at the change in economic indicators outlined below, the continued improvement makes sense. Consider the following:

- This time last year unemployment was at 10.2% versus 8.8% currently
- Since the February 2010 employment trough, 1.7 million jobs have now been added
- Manufacturing capacity utilization now stands at 74.3%, up from 69.7% in February of 2010
- The S&P 500 has doubled from its March 2009 low

Maybe the most important indicator is investor confidence. According to PriceWaterhouseCoopers' First Quarter 2011 Real Estate survey, it's on the rise.

Clearly there has been an improvement in the national economy, which has translated into improved commercial real estate fundamentals. Now let's look at the specific first quarter results:

Office Market

According to CoStar's first quarter reports, the office market saw a positive net absorption of 8.8 million square feet of office space. This marks the fourth consecutive quarter of positive net absorption with almost 48 million square feet added over the last 12 months. For comparison, the previous twelve months saw the market lose 28.8 million square feet.

Office vacancy rates held steady at 12.6 percent, even in the face of a slight rise in new deliveries.

CoStar's quarterly reports also show that office rental rates turned slightly downward after a fourth quarter rise, which was the first in 10 quarters. With office construction at a record 10-year low, there is no denying that an increase in corporate hiring would accelerate the strengthening of office market fundamentals.

Retail Market

CoStar is also showing a positive net absorption of 10.1 million square feet of retail space in the first quarter of this year. A total of 65 million square feet was added during the last 12 months, which is more than four times the amount added in the previous twelve months. Even with major retailers like Borders and K-Mart closing up big box stores around the country, the retail vacancy rates continued their decline, dropping to 7.1 percent, down from the market high of 7.4% in 2009.

Thankfully, retail space deliveries resumed their decline after increasing in the fourth quarter, falling 50 percent from their first quarter 2010 level and rental rates continued their decline albeit at a slower pace.

Industrial Market

CoStar's first quarter 2011 Industrial Market Report shows strong positive net absorption of 32.3 million square feet of industrial space in the first quarter of this year. This is the fourth-straight quarter of positive net absorption, with more than 89 million square feet of industrial space being absorbed over the last 12 months. Considering industrial space absorption shrank by 182 million square feet the previous twelve months, this news is a welcome sign that things are picking up in the industrial sector.

CoStar's report also shows that vacancy rates for industrial property continued a slow but steady decline, falling to 9.9 percent, down from their market high of 10.2 percent in 2009. Also industrial deliveries are down 56 percent from their first quarter 2010 level.

The amount of new industrial space delivered has declined in each of the last nine quarters. This is not surprising considering the nature of industrial real estate and its ability to quickly shut off new supply. Rental rates continued their decline albeit at a much slower pace than for the same period last year.

As with office and retail, projects under construction are at a record 10-year low. An increase in corporate spending would accelerate the strengthening of industrial market fundamentals.

Will Momentum Continue?

All of this analysis through CoStar's quarterly reports begs the next logical question: Will this improvement continue, and if so, at what pace?

Both the sustainability of the current recovery, which has been occurring for more than a year in all property types based on net absorption, and future strength of the recovery, depend on the levels of corporate hiring and investment.

If corporations increase their rate of hiring and investment, then the commercial real estate recovery will not only be sustainable but will strengthen. If corporations hold hiring levels steady and do the same with their spending levels, then the sustainability of the recovery will be more dependent on other factors such as the impact of rising oil prices on consumer spending.

Corporations hold the key to the future of commercial real estate's market fundamentals.

Commercial Mortgages: Industry Improving but Still Not Back
商業地產貸款景況好轉，但要達到經濟衰退前的狀況，仍需很長一段路

By: Times-Dispatch Staff

Like the Black Knight in the classic "Monty Python and the Holy Grail" film after both of his arms are cut off, the commercial real estate market endured multiple economic blows in March, but it shrugged them off as if they were "just a flesh wound."

Even though values continue to bump along the bottom, the market's tenor was tested and came through remarkably calm, given all the reasons to be volatile.

Perhaps the best indication of this trend is found in the commercial mortgage-backed securities market, which ended the first quarter with about $8.7 billion of new offerings.

At that level, commercial mortgage-backed securities volume so far this year is on par with 2000 and 2002. In those years, annual volume in the U.S. amounted to $46.9 billion and $52.1 billion, respectively.

The strong start has many market participants believing that commercial mortgage-backed securities can reach $40 billion in volume this year, which would be almost four times what was offered in 2010.

Yet even at that huge increase, it is important to keep in mind that $40 billion would represent only a fraction of what was offered in 2007, when commercial mortgage-backed securities volume peaked at $228.5 billion, according to data from Commercial Mortgage Alert.

While volume was quite encouraging in the first quarter, what about rates?

Despite a pullback during the month while events unfolded across the globe, rates actually ended the month about where they started, and they ended the first quarter lower than where they stood on Jan. 1.

The five-year and 10-year commercial mortgage rates now are about 0.25 percentage point lower than at the beginning of the year, according to the John B. Levy & Co. Commercial Mortgage Survey.

The rates are in the 4.75 percent to 5.65 percent range for stabilized properties at a leverage level of about 65 percent to 75 percent, the survey found. While lower leverage transactions price more aggressively, loans that represent 80 percent of a property's value are available again, but at higher rates.

Other good news can be found in another major part of commercial real estate lending.

The default rate for commercial real estate mortgages held by U.S. banks fell to 4.28 percent in 2010's fourth quarter from 4.36 percent in the third quarter, according to Real Capital Analytics, a New York-based commercial real estate research firm.

This is the first quarter-over-quarter default-rate drop in the past 17 quarters dating to the second quarter of 2006, when the default rate was a paltry 0.58 percent.

Interestingly, the highest default rates are on the books of the country's largest banks — those with more than $10 billion in assets — probably because they can afford the write-downs.

Default rates as reported by the smallest banks — those with less than $1 billion in assets — generally are lower. Since smaller banks are much more highly concentrated in commercial real estate, it appears they are putting off inevitable write-downs.

The strategy of putting off a write-down would actually be a good one if values were rising. However, according to Moody's CPPI index, which measures value trends by tracking multiple sales of the same property, we are clearly bouncing along the bottom.

Recently released data for January indicates that values are down about 4.3 percent compared with the prior 12 months and down 42.8 percent since the peak in October 2007.

The trouble for lenders in the Richmond area and other secondary and tertiary markets is that real estate values in smaller markets are not increasing as much as they are in primary markets.

Real Capital Analytics' study indicates that recovery rates on liquidated loans in secondary and tertiary markets are much lower than on loans in primary markets.

But like Monty Python's Black Knight, many community banks are muddling through this mess, now with no arms or legs but continuing to fight.

U.S. Bank Failures Slow, but Distressed CRE Still Taking its Toll
美國銀行倒閉的速度減緩，但倒閉的主要原因仍與商業地產相關

Source: TreppWire

Only 3 banks failed in March 2011, making for the slowest monthly pace since December 2008, when 3 banks also failed. While the reasons for failure were varied, CRE loans represented the largest source of nonperforming loans.

Observations for March include:

- For the group of 3 failed banks in March, commercial real estate (CRE) loans comprised $44 million (or 55%) of the total $80 million in nonperforming loans. Commercial mortgages made up $27 million or 34% of the total, while construction and land loans comprised $16 million (21%) of the total nonperforming pool.

- The residential real estate loan category was second, with $29 million in nonperforming loans, or 36% of the total nonperforming balance.

- The remainder was comprised of C&I loans ($3.3 million, 4% of the total) and consumer and other loans ($4.1million, 5% of the total).

- The 3 failures occurred in Illinois, Wisconsin and Oklahoma – all areas that have experienced other bank failures during 2011. With 40 closures since the start of the current cycle in late 2007, Illinois ranks 3rd among states with the highest counts of failed banks.

The Pace of Closures; Outlook

For the quarter, the total failed bank count was 26, the lowest quarterly count since 2Q 2009. The quarterly count has slowed noticeably since 3Q 2010 *(see chart on next page).*

- The number of banks on the Watch List remains large, and banks are spending more time on the List. While the pace of closures has slowed, distress at many banks remains high, and these banks will still be in a position of heightened risk until they either boost capital, improve performance, or both. Failure also remains a possibility for these banks.

- This trend is underscored by the greater length on the Watch List for several banks that failed in 1Q 2011. For Watch List banks, the ideal situation would be to get performance and balance sheet issues under control quickly, so they can come off the List under their own power. The fact that time on the Watch List has stretched out for many banks is not

- The median time on the Watch List lengthened to 5 quarters during 1Q 2011.

- Of the 26 failures during the quarter, 20 banks (77%) were on the Watch List for 4 or more quarters prior to failure.

A little under half (12 of 26) had been on the Watch List for 6 or more quarters.

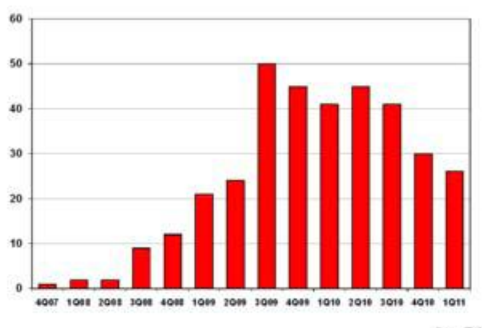
- The slower pace of closures does give these banks more time to grapple with their issues, but for the most-distressed banks, the likelihood of an ultimate failure remains high.

- After accounting for the 1Q failures, there are 173 banks that have been on the Watch List for 6 or more quarters, including 68 that have been on the Watch List for 8 or more quarters *(see chart below).*

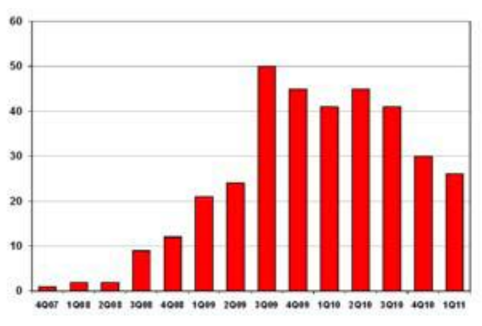
- Many of these banks are in search of capital to shore up their balance sheets and help absorb losses. Although liquidity has improved markedly from 2009 and 2010, it remains to be seen which banks will be successful in their efforts to raise capital and improve performance.

- We expect more failures during 2011. While the slower pace of closures gives banks more time to raise capital, it could also mean that the process will last longer than previously anticipated.

Bank Failures Quarterly Volume Since 4Q 2007



Slow Movers – Banks on 4Q 2010 Watch List for 6 or More Quarters, Not Closed



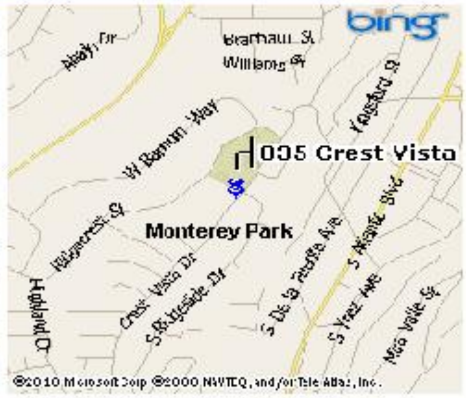
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(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	0.27	0.28	0.54	0.27	-0.03	-2.63
Money market, annual yield	0.63	0.60	0.79	0.59	-0.16	-1.71
Five-year CD, annual yield	2.00	2.00	2.64	1.92	-0.61	-1.30
30-year mortgage, fixed	4.92	5.02	5.25	4.32	-0.33	-1.06
15-year mortgage, fixed	4.15	4.24	4.57	3.71	-0.32	-1.39
Jumbo mortgages, $417,000-plus	5.51	5.57	6.05	5.32	-0.52	-1.84
Five-year adj mortgage (ARM)	3.57	3.67	5.79	3.31	-0.60	-2.16
New-car loan, 48-month	4.30	4.36	6.59	4.30	-2.27	-2.47
Home-equity loan, $30,000	5.09	5.09	5.17	5.04	-0.05	-0.13

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: