STC 資產管理 MANAGEMENT

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COMMERCIAL REAL ESTATE MARKET UPDATE

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Spike in Distressed Property Sales is a Healthy Sign
不良地產占三月商業地產總銷售量的 **30%**；不良地產交易上漲是市場復蘇的必要步驟

By: Matt Hudgins (NREI)

An index of U.S. commercial real estate prices fell to a cyclical low in March that was down 47% from the peak in October 2007. So why should investors be happy?

The Moody's/REAL National All Property Price Index measures price changes on completed sales of apartment, office, industrial and retail properties. A 4.2% decline in the index since February stems in part from a surge in transaction volume among distressed properties, which accounted for more than 30% of March sales.

Mushrooming trading of distressed assets means that investors and lenders are realizing losses on their distressed assets on a massive scale. Experts say that process is painful, but those price corrections must occur in order for the nation's commercial real estate market to regain its footing and for overstretched property owners to de-lever and bring cash flows into positive territory.

"Importantly, we've now set a post-peak low in the all-property index simultaneously with a post-peak high in distress transactions," observes Tad Philipp, director of commercial real estate research at Moody's Investors Service, which publishes the index.

In other words, the decline in the all-property index doesn't necessarily mean commercial real estate values are dropping. The recent dip is more a reflection of the larger proportion of transactions involving distressed assets, which bring down the average. Indeed, in primary markets where distress represents only a small fraction of transaction volume, asset values are well into a recovery cycle.

Primary price leaders

"The commercial real estate world in the five or six primary markets is as active as it has ever been in terms of desire for the properties and pricing, the backdrop being that interest rates are low," says Bill Collins, an executive managing director who oversees the capital markets group at Cassidy Turley in Washington, D.C.

With risk-averse investors focused on a handful of gateway markets that include places like New York City, San Francisco and the nation's capital, competitive bidding has been pushing up transaction prices in those metros for some time, Collins says.

"You've got a lot of capital looking to be placed," says Collins. "The fact that there's only 60% leverage available and 40% equity required to close a deal really doesn't matter; people don't need to stretch their dollars because they have this accruing pool of dollars they need to place."

Indeed, Moody's researchers found that average prices in the primary markets already show marked improvement. An index of non-distressed, trophy properties — those valued at $10 million or more and located in one of six major U.S. markets — in March showed property prices have risen 26.7% from a trough in December 2009.

(The six cities covered in the index are Boston, Chicago, Los Angeles, New York, San Francisco and Washington.)

In fact, pricing gains are evident among trophy assets even when distressed transactions are included in the calculation. A separate Moody's index measuring trophy property sales including distressed deals indicates that prices have risen 22.9% since that index bottomed in July 2009. "This is consistent with liquidity in the commercial real estate sector first returning to prime assets in capital-attracting cities," says Philipp.

Crank up the volume

A recent pick-up in transaction volume is a sign that the U.S. commercial real estate market is on the mend, because moving distressed properties through the system sets the stage for recovery, according to Moody's.

In March, there were 182 repeat-sales transactions totaling nearly $2.5 billion, a significant increase over February's $1.26 billion volume and 115 repeat sales. March had the second-highest number of repeat-sale transactions since 2008, the total only exceeded by that of December 2010, which benefitted from being the end of the year.

Moody's uses repeat sales, or multiple sales of the same property over time, to calculate price changes in its indices. Looking at the larger transaction spectrum, sales of U.S. commercial real estate valued at $5 million or more totaled more than $28 billion in the first quarter of 2011, up 77% from $15.9 billion one year earlier, according to Real Capital Analytics.

Moody's national indices showed declining prices across property types in the first quarter. Industrial recorded the largest decline, falling 7.7% from the previous quarter to a post-peak low. Office was down 7.1% from the previous quarter but was up 1.9% from its low in the third quarter of 2009.

Apartments were down 4.7% from the fourth quarter of 2010, but were up 14.1% from that sector's low in the third quarter of 2009. Retail was down 4.5% from the previous quarter but up 9.4% from a bottom in the second quarter of 2010.

Investors can expect the all-property price index to "bounce along the bottom" until more distressed assets move through the market, Philipp predicts.

On a positive note, the special servicers that handle distressed conduit loans in commercial mortgage-backed securities (CMBS) are resolving those debts at a rate about equal to the pace of CMBS debts falling into delinquency. That is resulting in a fairly stable delinquency rate, which stands at 9.22%.

Taken together with swelling transaction volume, the commercial real estate industry appears to be making progress in dealing with distress, says Philipp. "The resolution process for this transaction cycle appears to be well under way."

Tenants Retain Upper Hand in Lease Negotiations, Even as Fundamentals Improve
房客在租賃談判中繼續占上風

By: Elaine Misonzhnik (Retail Traffic)

In spite of projections **that retail space availability nationwide will start to decline by mid-year, retailers continue to call the shots in lease negotiations.**

The days of every tenant asking for rent concessions have passed. However, national, credit-rated tenants willing to take sizeable chunks of space know they are rare enough to demand generous TI packages, shorter than average leases and caps on common area maintenance (CAM) charges from landlords.

Moreover, with retailers carefully evaluating store portfolios and rethinking occupation strategies, the balance of power will continue to favor tenants in lease negotiations for the foreseeable future, even as property fundamentals improve.

“I don’t think the pendulum has swung back to where tenants are not in the driver’s seat, especially when it comes to credit tenants,” says Branson Edwards, Chicago-based executive vice president and managing director of retail occupier services with commercial brokerage firm Grubb & Ellis. “There is still a lot of uncertainty with existing tenants and still a lot of changes in vacancy happening in the marketplace. Generally, across the country, it seems to us that we are still some time away from there being parity between tenants and landlords.”

Last week, CBRE Econometric Advisors, a Boston-based research firm, forecast that space availability at neighborhood, community and strip centers will decline to 12.7 percent by the end of 2011, from 13.1 percent today. Meanwhile, the CoStar Group, a Washington, D.C.-based research firm, estimates the retail vacancy rate to be around 7.1 percent—in line with the fourth quarter of 2010. Whether the retail real estate sector will see positive net absorption in the coming months will depend in large part on the rate of employment growth, the firm’s researchers say.

In addition, quoted rents in the first quarter fell to $14.86 per square foot, from $14.91 at the end of 2010, CoStar reports. CBRE Econometric Advisors projects that rents at neighborhood, community and strip centers will continue to decline through the rest of the year, bottoming at $18.92 per square foot in the fourth quarter, down from $19.09 per square foot today. Next year the industry will begin to see rent growth.

“[We] believe that rents coming back to pre-recession levels is still two to three years away,” says Naveen Jaggi, senior managing director of retail services with CB Richard Ellis. “Until then, creditworthiness of the tenants will drive most deals.”

Extra perks

In addition to favorable rents, tenants looking to take new space can often still get a myriad of concessions—ranging from help with build-outs to termination and kick-out clauses.

Owners of shopping centers, power centers and class-B and class-C malls dealing with vacant boxes left over from the spate of tenant bankruptcies that occurred in recent years are not in strong bargaining positions. Creditworthy national tenants continue to have a lot of spaces to choose from when contemplating new deals and they expect to see landlords share some of their real estate costs. In such cases, offering tenant improvement (TI) allowances is key to getting tenants to commit, notes Jaggi.

For example, a national credit-rated retailer signing a lease for a 25,000-square-foot former Circuit City space at a power center will ask for $40 per square foot to $60 per square foot in TI to convert the space into a plain vanilla box, a base rent that can be as low as $10 per square foot in certain markets and a termination clause if sales don't reach desired levels within a three-year period, according to Gene Spiegelman, executive vice president with brokerage firm Cushman & Wakefield.

"Basically, if I were the retailer, I'd be looking to come in, turn on the lights, and if the situation warranted, leave in two or three years," he notes.

What's more, in order to sign new tenants, landlords have been agreeing to caps on CAM charges, in spite of extremely volatile utility prices, says Edwards.

"I'd be surprised if landlords are taking their gas costs as being a given, as we see all kinds of uncertainty in the economy," he notes. "But that's a concession that landlords are making, which makes me think that the power is still [on the side] of the tenant.

There are exceptions, however. Owners of class-A malls in primary markets are in a strong enough position that they no longer have to meet every demand from tenants, since vacancy at those centers is back in line with historical levels, according to Spiegelman. As of the end of the first quarter, the vacancy rate at regional malls nationwide stood at 5.8 percent, according to CoStar—a better figure than most other retail property types.

In addition, landlords in a stronger position are pushing back against requests for shorter lease terms. If a retailer gets TI allowances, landlords often push for 10-year terms with five-year options, according to Jaggi. In 2009 and 2010, landlords often accepted three-year and five-year leases. Still, when dealing with weaker properties, tenants accepting the longer terms are asking for kick-out and termination clauses to offset risk, says Spiegelman.

New business practices

Existing tenants have been taking advantage of early renewals to renegotiate leases, says Michael Weiner, president and CEO of Excess Space Retail Services Inc., a national disposition and lease restructuring firm. Prior to the downturn, most retailers would simply renew leases without renegotiations, he notes. Now it's become commonplace for tenants to evaluate whether their rents are in line with market rates and ask for discounts if they feel they are over-paying.

In addition, with the FASB accounting rule changes on the horizon, retailers have been trying to do away with percentage rents altogether.

“We’ve been eradicating percentage rent for our clients for the last couple of years, and we’ve been highly successful at it,” Weiner says. “There are ways [to do that] that are acceptable to both parties.”

Overall, Weiner, Spiegelman and the others say they don’t expect conditions in the retail sector to ever come back to what they were pre-recession. After the downturn, national retailers have focused on portfolio optimization and are also blending online and brick-and-mortar sales channels. As a result, the pace of physical store growth will likely be slower than in previous decades.

Meanwhile, many areas of the country continue to have an overabundance of retail space, which means that supply and demand will be out of balance for several more years.

“I think that we would all agree that retailing is changing dramatically and that the nature of storefront retail is changing dramatically, regardless of the type of real estate that retailers are occupying,” says Edwards. “A sizeable portion of retailers are really re-tooling their business model and all of that uncertainty makes a credit tenant still a very dear commodity for a landlord.”

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Ways Retailers Can Reduce Occupancy Costs
通過租賃管理，房客可以控制并減低租賃成本

By: Paul Kinney (Retail Traffic)

The size of a retail chain has nothing to do with how much attention lease administration should get. It doesn't matter if your company has a full fledged lease administration department or a single person managing lease details. If your company leases any real estate, it is worth exploring how much could be returned to the bottom line.
Every lease is different, but the key principle remains: You may be getting billed for costs that might not be valid based on your lease. Here are tips that can help you catch the unwarranted costs.

Controlling costs

Operating expenses, or common area maintenance (CAM), is the catch-all of occupancy expenses. There is the potential of incremental costs trickling down to the CAM pool.

A good lease administrator needs to pay close attention to the definition of the denominator in pro rata share calculations. Is it "leased," "leasable," "occupied" or "existing" floor area / building space? These subtle differences can result in significant changes in what you should be paying.

Paul Kinney

Service levels impact CAM costs as well. If a now vacant tenant had been maintaining its own lot for snow plowing, sweeping and cleaning or lawn maintenance, you may see an increase in costs incurred by the landlord now that the tenant is gone. You have to make sure that the landlord is not penalizing you for their deal with other tenants.

Moreover, the true impact of the expense might only be discovered after a detailed review of CAM billing. Search for items that appear out of place. Some things to monitor include utilities, snow removal, lot sweeping and cleaning, lawn care, waste management, repairs and maintenance, janitorial expenses, insurance, security and administrative costs.

Not only is every lease different, but also the tenant mix, services required, and services provided will vary from site to site. In the cases where your lease does not provide a clear definition of your pro rata share for billings, look for consistency from year to year and in how every tenant is billed.

For example, if you are paying for a shared electric service, you do not want to see other tenants pulled out of the denominator and billed a fixed fee if there is no valid reason to do so.

You also want to look at what is equitable. A pro rata share calculation based on square footage may not be warranted. For example, a restaurant is likely to use more water than the average retailer. And a supermarket is likely to use more electricity and generate more waste.

Another area to explore is your real estate tax bill. If your stores sit on their own parcels, you need to ensure that the assessments are consistent with current market values. And whether you pay for your own parcel or pay a pro rata share, there are some simple questions to ask:

- What items outside of real property taxes are included and excluded?
- How are special assessments handled?
- Has the assessed value changed and, if so, why? Can you appeal?
- Is the landlord passing through additional costs for a review and, if so, are they permitted to do so?

Exercising your rights

Are you doing everything you can to control costs by asserting your co-tenancy rights? Depending upon your lease provisions you may be in a position to negotiate terms that may help you cut costs in troubled times.

Gather the facts to determine whether you are entitled to reduced rent or other remedies based on co-tenancy provisions.

If you are entitled to relief, make a demand to the landlord. Be persistent. Demonstrate that not only is your claim solid, but you will pursue it if the landlord does not provide the requested relief.

RECON Exhibitors Stir Up Excitement With New Value-Adding Retail Concepts
增值購物商場的新概念：代客泊車機器“人”、兒童娛樂新天地、高檔標牌與傢具、售貨亭新設計等

By: Beth Mattson (Retail Traffic)

It may not be Cirque du Soleil, but RECon will serve as center stage for companies unveiling the latest innovations to hit the shopping center industry. ICSC's annual spring convention in Las Vegas is expected to draw a line-up of more than 1,000 exhibitors across the now integrated Leasing Mall, Trade Expo and Green Zone exhibition space.

Although attendance is still off the peak levels of nearly 50,000 that the event attracted in 2007, RECon remains the retail real estate industry's largest gathering. The association expects up to 33,000 attendees this year—up about 10 percent from the 30,000 that came to the show in 2010. "We have seen a good uptick from the last few years, which we are very excited about," says Timothy McGuinness, ICSC's vice president of global trade expositions.

A new addition to the show floor this year will be eight "Meeting Point Pavilions." Each themed pavilion highlights a specific sector of the industry, such as Products & Services, Social Media and Technology, among others. The pavilions will promote both networking and education, and some will offer mini-sessions with scheduled speakers or short presentations.

The Trade Expo and Green Zone portion alone is expected to draw between 175 and 225 companies this year. Exhibitors span a broad section of industries with more than 400 individual exhibits. Firms will be showcasing products and services ranging from innovations in rooftop mounted wind turbines to the latest in large screen video displays.

Robotic parking valets

Remember when replacing a cashier with a credit card payment system meant you had an "automated" parking garage? Los Angeles-based Auto Parkit LLC is taking that concept to an entirely new level. The company builds, manufactures and designs automated parking systems that can be incorporated into any type of project. Think valet parking meets vending machine. Drivers enter what looks like a two-car garage bay. They park and exit their cars. The fully robotic parking system then whisks the cars away and "parks" them in open slots in the multi-level structure.

Some mall owners are asking Playtime to deliver themed areas.

"From a cost standpoint we are now at a point where we are competitive with a traditional parking garage, and in a lot of instances we are significantly less expensive," says Michael O'Bryan, Auto Parkit's vice president of design and development. "So this is really going to change the way you look at parking in the retail and mixed-use environment."

One big advantage of these automated parking systems is that they are environmentally friendly because they can fit more cars in a tighter area than a traditional parking garage. "We are using 50 percent of the land that a traditional parking garage would use," says O'Bryan. That could benefit shopping center owners because it has the potential to free up land previously set aside for parking as developable retail space.

Another environmental benefit is that the facilities generate fewer carbon monoxide emissions because cars are not running when being parked. Rather than having a driver circling a structure and hunting for a spot—and burning fuel—the car is turned off during the entire parking process.
Lastly, owners also do not have to spend as much on lighting, because people are not in the structure walking to and from their cars.

Playing to a crowd

Shopping center owners are hoping to boost customer traffic with new themed play areas. The interactive playgrounds can be a big draw for families with young children. One of the leading trends today is to not just add a play area, but to create an iconic location or brand for a particular property, says David O'Niones, vice president, retail at Englewood, Colo.-based Playtime. The company custom designs interactive play areas and playground equipment for indoor, outdoor and water play.

Playtime created a nature-themed indoor play area for Westfield Southlake in Merrillville, Ind.

For example, Playtime has manufactured and constructed eight Looney Tunes playscapes for Bloomfield Hills, Mich.-based Taubman Centers Inc. in recent years. Each of those soft structure play parks is custom designed to capture the passions of the local community. For example, the newly opened Rocky Mountain Play Park at Denver's Cherry Creek Shopping Center combines the Looney Tunes characters with adventures one might find in the Rocky Mountains. Kids can ride in a river raft with Sylvester and Tweety or camp out with Elmer Fudd.

Playtime also has created a new nature-themed indoor play area for Westfield Southlake in Merrillville, Ind. The interactive "Living Lake" play area reflects the eco-system, animal and plant life found on the shores of Lake Michigan. Playtime even designed the Living Lake with special effect nature sounds, such as frogs chirping.

"We also are seeing a lot of redesign where property owners are revitalizing interior public spaces with family centers and amenities that include adding new or updating older play areas to bring more families into their centers," adds O'Niones.

Delving into consumer trends

As retail expansion shows signs of life, demand is on the rise to better understand customers and what factors are driving traffic to brick and mortar locations. That is why many companies are turning to firms such as The Nielsen Co.

STAK Design strives to keep sight liens as clean and open as possible for inline tenants.

"We help retailers and restaurants use consumer demand to view who their customers are, how they shop, why they buy, and where they purchase in order to create actionable plans to capture untapped opportunity," says Jeff Milgroom, senior vice president of retail solutions at New York-based Nielsen.

The global company is able to leverage its reach into consumer purchasing and media information to provide insight into current buying patterns. "Today's consumers are shopping and making purchase decision in very fluid and complex ways, mixing brick and mortar purchases with shopping intelligence gathered via television, radio, e-commerce, internet and social media," says Milgroom.

Nielsen combines its own proprietary data bases with client data, as well as tapping additional information supplied by its strategic partnerships to compile a comprehensive analysis of consumer buying patterns.

Ultimately, Nielsen helps clients build bridges to better understand demand and to take action by integrating these insights into their real estate site selection, advertising, marketing and merchandising strategies.

Companies are using that information to not only choose new locations, but they also are applying it to their decision-making in day-to-day operations. "Expansion seems to be heating up again, and the net effect of that is that the market is ripe for being smarter and really understanding that consumer preferences are changing," says Milgroom.

Signage: high visibility, added value

Ad Vice prides itself on doing a lot more than just creating pretty signs. Yes, the firm has earned a reputation for its award-winning creations. But it also focuses on delivering smart design strategies and offers clients a comprehensive consulting package when it comes to signage, lighting, and the overall aesthetics of a property.

Ad Vice recommends that owners update a center's main pylon sign in order to generate added revenue for a property.

In addition to its core function of designing, manufacturing and installing signage products, Ad Vice offers a comprehensive "visual audit" of a center. The inspection takes into account approximately 50 different aspects of a shopping center's look and feel, with analysis of everything from color schemes to placement of dumpsters and the states of parking lots. "We point out things that the customer might not see, because they go there every day," says David Goodwin, CEO of Ad Vice Inc. in Richmond, Va.

Ad Vice also is working with shopping center owners and developers to recognize the value potential among its existing freestanding signage. For example, one Ad Vice initiative recommends that owners update and revamp a shopping center's main pylon sign in order to generate added revenue for that prime space.

Often, shopping center owners will charge tenants a one-time fee for having their name listed on the sign, or perhaps even give away that signage space when a lease is negotiated. Ad Vice proposes that shopping centers get more from tenants for that high-profile brand positioning. "We suggest that you rent that space just like you would all the rest of the space in your center, because it is a very valuable advertising medium," says Goodwin.

Streamlining kiosk designs

Convention attendees won't have to look hard to find examples of the latest work from STAK Design. The Dallas-based firm creates more than 40 exhibits at RECon for clients such as Taubman, Macerich and, yes, even *Retail Traffic*.

STAK Design has created an open cell, 360 degree kiosk, which allows for more creative displays.

As one of North America's largest suppliers of retail merchandising units (RMUs) and service kiosks, STAK Design has its finger on the pulse of the latest design trends to hit the industry.

"One of the things that we are seeing is that there is a tremendous amount of pressure on shopping center developers and owners to keep sight lines as clean and open as possible for the inline tenants," says Rob McCoy, a STAK Design principal. That pressure is driving more creativity to improve the visual displays that exist in common areas.

For example, STAK Design has created an open cell, 360 degree shopping experience kiosk. "There are a lot of new trendy things that we are working on with our European clients that are starting to resonate with retailers and developers here in the U.S. So that is very exciting," says McCoy. The new RMUs also are taking advantage of new LED technology, which helps to deliver energy efficiency, as well as allowing for more create design elements.

Falling values prompt appeals

The downturn in the economy has created a boom in property tax appeals as commercial real estate values have dipped, and Thomson Reuters is helping landlords and retailers find some much needed relief in their tax bills.

"The landlord certainly has a vested interested in keeping their property taxes as low as possible, because it might give them a competitive advantage in the market," says Steve Buck, a director in the Glendale, Calif. office of Thomson Reuters.

Thomson Reuters has one of the strongest appraisal practices in the U.S., with 28 offices across the country. The firm generated more than $45 million in tax savings for the retail industry in 2009, and the company expects to reach a similar volume for 2010 tax savings.

One key for successful property tax appeals is to do the homework to gather supporting data relating to tenants' sales histories. It also is important to use data on a landlord's recoverable expenses as a lever to reduce the property value, and ultimately lower a tax bill.

Many landlords are having to absorb more costs—either voluntarily or involuntarily—to retain tenants or help struggling tenants. For example, owners are taking losses related to concessions, offers of free rent or waived common area maintenance (CAM) charges.

"That is something that the county assessors are not always aware of," says Buck. To the extent that you can provide that information to the county, it can help to lower the property value. In this type of environment, it is up to the landlord to show that they are not recovering all of their expenses and that needs to be reflected in the assessed property value, he adds.

Furniture: Take a seat

Convention attendees can take a break on one of the four new bench designs that DuMor will be showcasing at RECon. The leading furniture manufacturer will introduce some of its latest designs in indoor/outdoor furniture.

All of the products are made of steel and feature new contemporary design twists. For example, DuMor's bench model 194 features a laser cut design on the back rest. "The advantage of the laser cut details is that they are very easy to customize if a client wants to put a brand logo or other design on those products," says Steve Shapard, sales manager at Mifflintown, Pa.-based DuMor.

DuMor's 190 and 192 bench models both feature new end supports this year. "What we were trying to come up with is a little more modernized version to create a nice, flowing garden style bench," says Shapard.

DuMor also is in the process of developing some more companion pieces to that design, including a backless version and new matching trash receptacles.

The 194 and 195 bench models feature a contemporary design that was first introduced in recycled plastic and wood, and now is being introduced with a steel seating surface. The 195 is a backless model, while the 194 features a more decorative arched seat back.

The firm's standard product line currently includes over 65 bench designs in a full range of colors and materials such as wood, steel, and recycled plastic. In addition to benches, the company manufactures over 25 receptacle designs and more than 10 table designs. DuMor also produces ash urns, bike racks, grills and planters.

Global design trends

Development Design Group (DDG) will be showcasing its latest designs for several retail projects in the pipeline in the U.S. and around the globe, from Wisconsin to South Africa. One of the big development and design trends among international retail projects is to incorporate a variety of uses ranging from high-end residential to hotels. For example, DDG was recently named as the lead planning and design architect for China Grand, a seven-level, 4 million-square-foot retail center outside of Beijing. The mall will represent the retail centerpiece for an enormous mixed-use project totaling 9 million square feet that will also include a theater and opera house, library and museums.

DDG's Viva City in Mumbai, India, incorporates town and community center elements into a traditional Indian retail concept.

"The biggest trend that we are seeing in China is to bring in cultural venues in the same complex along with the retail environment," says Ahsin Rasheed, chairman and CEO of Baltimore, Md.-based DDG. The goal is to use those cultural facilities to bring in more traffic to the overall complex. Traditionally, mixed-use projects brought in some hotel or an office building with the retail component. "There is a cultural mixture we are seeing that is enhancing that standard mixed-use definition," says Rasheed.

International projects also are embracing the use of open space planning, similar to the town centers that have been developed in the U.S. Another DDG project, Viva City near Mumbai, India, is a groundbreaking mixed-use project that incorporates town and community center design into the traditional Indian retail concept. The 538,196-square foot phase one features retail, entertainment, dining and hospitality components, as well as a large central plaza that will serve as a public gathering place. The Viva City project is set to open later this year.

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INVESTMENT OPPORTUNITIES 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

Money for CRE Deals Starting to Flow
貸款限制有放寬的跡象：壽險公司更加積極貸款、商業抵押擔保證券復甦、新的抵押債券產品上市

By: Mark Heschmeyer (CoStar)

Numerous indications over the past few weeks point to an easing of investment capital for real estate deals. Life insurers have become more active lenders; new CMBS offerings are hitting the street; syndicators are starting to assemble new CDO offerings; and bank loan officers are reporting the first easing of lending standards in years.

The ongoing recovery of the capital markets is being aided by an improving U.S. economic recovery. Employment appears to have entered a period of consistently stronger growth, manufacturing output is expanding robustly, and business confidence is up. Corporate profits continue to be a core source of strength for the U.S. economy and corporations are spending more on new technology and new hires, which should reinforce employment growth and bolster consumer confidence, according to Jones Lang LaSalle.

"From nearly every capital segment there are more active participants and the competitiveness among lenders has intensified markedly over the last few quarters," said Tom Fish, executive managing director and co-head of Jones Lang LaSalle's Real Estate Investment Banking team. "The CMBS market has re-emerged and is once again considered a viable component of the market."

Though commercial real estate lending is still down 75% from peak levels, it has rebounded in the past 12 months. It was up 88% in the first quarter of 2011 from the first quarter of 2010, according to CoStar Group.

Leading the charge have been life insurers. Their balance sheets are much further along the recovery path than their counterparts in the banking sector, and issuance since the third quarter of 2010 is running at about 90% of average 2005-2007 issuance in this sector, according to Mark Fitzgerald, a debt strategist for CoStar Group.

However, its composition has changed dramatically over the past two years, Fitzgerald said. Refinance activity averaged 12.8% of total lending volume from 2000 to 2008, but jumped to a little less than 30% in 2010. In addition, risk tolerance remains very low, particularly for new business.

Life insurers are focusing the vast majority of their new lending on large deals. While this has been a longer-term development since the early 1990s (as expected with increases in asset values over this period), this trend has ramped up significantly since 2008, despite sharp declines in CRE values. In 2010, just less than 75% of all new lending volume was on loans greater than $25 million.

The focus on larger assets in core markets has helped to fuel the divergence between pricing on large loans and that of the rest of the market, Fitzgerald said.

Meanwhile, many lenders are still dealing directly with the aftermath of the downturn. Legacy assets

continue to restrict new lending availability, he said. For many of those with capital to deploy, the pain of the credit crisis remains front and center. However, history has shown that the most attractive lender returns are earned on the bottom-of-the-cycle vintage loans, Fitzgerald added, which is contributing to the greater availability of funding.

Brian Staffers, president of CBRE Capital Markets reported this week that loans that were virtually impossible to fund at the beginning of 2011, now command multiple lender bids. Loan-to-values are higher, debt yields are lower, interest only is coming back and even some special purpose assets and non-credit single tenant properties are receiving substantive lender attention.

"These are all the logical results of a more-competitive environment," Staffers said, adding however, "this does not represent exuberance. We see lenders making rational decisions based on valid inputs and thoughtful consideration."

Banks Easing CRE Lending Standards

Banks are slowly ramping up their commercial real estate lending, according to the Federal Reserve's quarterly *Senior Loan Officer Opinion Survey on Bank Lending Practices*. In the recently released April survey, 5.5% of respondents said their banks eased standards for CRE loans in the prior three months, the first such loosening of bank credit since the fourth quarter of 2005.

Nearly 35% reported stronger demand for CRE loans from creditworthy borrowers, the largest quarterly jump in 13 years.

BB&T Corp., a major regional bank based in Winston-Salem, NC, is just one example. It has doubled the portfolio lending capacity of its BB&T Real Estate Funding group from $400 million to $800 million.

"We expect 2011 will be a very strong year for us," said Kirk Booher, manager of BB&T Real Estate, which sources all loans through Grandbridge Real Estate Capital. "We are seeing increased transaction activity and improved fundamentals in the marketplace, particularly for multifamily, our preferred property type."

That isn't to imply that all banks are out of the woods yet. For starters, the banks that indicated an increase in demand were almost all large domestic banks, noted Robert Bach, senior vice president, chief economist for Grubb & Ellis. Other domestic and foreign banks reported little change in demand for CRE loans on net, he said in a report this week.

The outstanding volume of bank CRE loans, at levels last seen in late 2006, continues to fall as the increase in REO properties outpaced the issuance of new loans, Bach noted in analyzing the Federal Reserve loan officer survey.

Overall, capital availability is increasing for commercial real estate across most sources of debt and equity, Bach noted. Although prices have moved higher for core assets in primary, supply-constrained markets, pricing for slightly riskier assets (older, more vacant space, secondary location, etc.) remains low, tempting investors and lenders with visions of buying low now and selling high down the road when the market fully recovers, Bach said.

Two Banks Going to Market Again This Year with New CMBS Deals

With liquidity building, the return of the CMBS market is continuing its comeback, too. Through April 2011, $9 billion in CMBS was issued, far exceeding the nominal amount issued in the same period a year earlier, and already more than three-quarters of the total issuance recorded for the whole of 2010. Current estimates for 2011 issuance range between $40 billion and $60 billion.

JP Morgan Chase and Wells Fargo Bank are both going to market this week with $2.9 billion of new commercial mortgage backed securities offerings (CMBS) - the second such offerings from both banks this year.

Wells Fargo Bank's WFRBS Commercial Mortgage Trust 2011-C3 commercial mortgage pass-through certificates are backed by 73 loans secured by 144 commercial properties having an aggregate principal balance of $1.45 billion. The loans were originated by Wells Fargo Bank, The Royal Bank of Scotland, C-III Commercial Mortgage, Basis Real Estate Capital II, RCG LV Debt IV Non-REIT Assets Holdings and RBS Financial Products Inc.

The master and special servicers will be Wells Fargo and Midland Loan Services Inc. respectively.

Retail properties represent the highest concentration of the pool at 49.5%, including nine of the largest 15 loans. The retail concentration is composed of regional malls, local shopping centers and a few single-tenanted retail portfolios. Three of the four regional malls in the top 15 loans are backed by malls in secondary markets. Office properties represent 20.2%.

The largest loan in the pool at $184.5 million is for the Village of Merrick Park, a 741,229-square-foot regional mall, as well as 116,312 square feet of office space in Coral Gables, FL. The mall anchors, Nordstrom and Neiman Marcus, own their stores and land thus are not part of the collateral. The sponsor is a joint venture between General Growth Properties, JP Morgan Strategic Property Fund and Cigna.

The second largest loan at $99.9 million is for the Hilton Minneapolis, an 821-room full-service hotel in downtown Minneapolis, MN.

The third largest loan at $99.1 million is for the Park Plaza Mall, a 532,149-square-foot regional mall in Little Rock, AR. The mall is anchored by two Dillard's stores, Men's & Children and Women's & Home, which own their stores and thus are not part of the collateral. The sponsor is CBL & Associates Properties.

The JP Morgan Chase Commercial Mortgage Securities Corp. 2011-C4 certificates are backed by 42 loans secured by 84 commercial properties also having an aggregate principal balance of $1.45 billion. The loans were originated by JPMorgan Chase Bank.

Midland Loan Services will be the master servicer and Torchlight Loan Services will be the special servicer.

Retail properties also represent the highest concentration of this pool at 41.6%; with office properties making up 35.6%.

The largest loan in the pool at $199.8 million is for the Newport Centre, a 1.15 million-square-foot (972,484 square feet owned), three-level regional mall in Jersey City, NJ. The property was built in 1987 and is anchored by Macy's, JC Penney, Sears and Kohl's. The loan, which refinances existing debt of $146 million, is sponsored by a joint venture between Melvin Simon & Associates and members of the LeFrak Organization.

The second largest loan at $174.9 million is for the Two Allen Center, a 36-story, 993,356-square-foot office building in downtown Houston, TX. The largest tenant is Devon Energy Production Co., which occupies 64.6% of the net rentable on a lease that expires in January 2020. The property was 97.1% occupied as of January 2011.

The third largest loan at $114.7 million is for a Sun Communities portfolio secured by nine manufactured housing communities and two recreational vehicle resorts across six states. The loan is sponsored by Sun Communities Inc., a self-administered and self-managed real estate investment trust (REIT) that owns, operates and develops MHCs across the Midwest, South and Southeast. The loan is a refinance $105 million of maturing debt.

Freddie Mac Marketing Second CMBS This Month

Just two weeks after completing a new multifamily mortgage backed securities offering, Freddie Mac has the streets with another in its series of structured pass-through certificates (K Certificates). This is its sixth such offering this year.

The company expects to offer $538 million in K Certificates (K-AIV Certificates) that are backed by 19

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multifamily properties owned by Apartment Investment & Management Co. affiliates. This is only Freddie Mac's second single-borrower K Certificate; the previous was the March 2010 K-SCT transaction backed by the Starrett City property in Brooklyn, NY.

The K Certificates were expected to price this week.

The largest property backing the offering is for the Fox Chase Apartments, a 2,113-unit complex in Alexandria, VA, with a $217.8 million loan issued by Wells Fargo Bank.

As CRE CDO Delinquencies Pile Up, New Offerings Beginning to Re-Emerge

The 3-year plus absence of new U.S. commercial real estate collateralized debt obligations (CRE CDOs) may be coming to an end soon as well, Fitch Ratings reported.

On the heels of the CMBS market revival, Fitch has begun to receive inquiries regarding new CRE CDOs. The collateral contemplated is ranging from seasoned commercial mortgage backed securities (CMBS), newly originated CRE loans to a hodgepodge of CRE debt.

The difference in collateral is also likely to lead to equally different ratings, according to Huxley Somerville, Fitch group managing director.

"New issue CRE CDOs backed by whole loans may look very similar to traditional multi-borrower CMBS and therefore may be able to achieve high investment grade ratings," Somerville said. On the other hand, "CRE CDOs backed by a mix of lower quality loans or bonds may only be able to achieve ratings a notch or two above the level of their average asset rating, if they are even ratable at all."

Commercial Real Estate's Race to Loan Maturity
由於無法重新貸款而被延期的貸款將可能限制銀行能夠放款的金額

By: Chris Macke (CoStar)

As a native of Indiana, every Memorial Day my attention turns to the "Greatest Spectacle in Racing," the Indianapolis 500.

However, as senior commercial real estate strategist with CoStar Group, I have my eyes set on another race -- the one between maturing commercial real estate loans and the prices of the underlying properties securing those loans. And in that race, commercial real estate has recently been issued a yellow flag.

In CoStar's Commercial Repeat-Sale Index, which tracks pricing among commercial real estate properties, almost three out of every four properties that had been acquired between 2005 and 2007 and then resold in the first quarter of 2011 sold at a lower price. This is an ominous percentage considering that many of the "extend-and-pretend" loans are related to acquisitions made during the 2005-2007 period.

The idea behind extend-and-pretend was the following: Properties facing loan maturities and that have current values that are lower than the current loan balance would have their loan maturity dates extended, as long as the property owners are current on their payments. This was intended to extend the time for the properties to recover their values, enabling successful refinancing of those loans.

However, one result of these loan extensions is a concentration of these loans maturing over the next few years, rather than being dispersed over a longer period of time had they kept their original due dates.

The result is a steepening of what has been called the "loan maturity cliff." In 2008, it was estimated that the United States would see $450 billion in 2011 loan maturities related to commercial real estate. Today that number is estimated at $900 billion. Each year that lenders continue this practice, this concentration risk increases.

So, what will the values of those properties be when there are no more extensions and they must be dealt with? The answer depends a great deal on how fast the property values catch up to the maturity dates of those loans. And the values of the underlying properties depend on another key race between interest rates and net operating incomes, which is a subject for another time.

The thinking was that delaying the refinancing of the loans on properties bought at the height of the most recent commercial real estate cycle, net operating income levels would have time to rise to a point where the properties could be successfully refinanced. As demonstrated by CoStar's first-quarter pricing

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index results, this largely hasn't occurred for the 2005-2007 era acquisitions.

What are the implications of values not catching up to loan maturity dates? In one scenario, loan capacity at commercial banks will remain constrained by the underwater loans currently weighing down their balance sheets.

There is also the chance that commercial banks will take losses on those loans, reducing their earnings, but also moving them closer to being able to increase their commercial real estate lending capacity. The level of severity of both of these scenarios depends on how close property values can recover by the time these loans come due.

Fortunately, we are seeing positive signs in the market as we consider what the future holds for these loans:

- Property buyers are increasingly moving beyond New York and Washington, DC to also focus on Denver, Dallas and Minneapolis among other markets in search of better yields, providing some nascent price support in those markets.

- Vacancy rates have started to decline in a majority of office markets, albeit slowly. Declining vacancies will eventually lead to a recovery in rental rates, and thus net operating incomes.

- The commercial mortgage-backed securities market is returning to life, and could provide additional liquidty for property sales transactions.

- Institutional buyers significantly reduced their disposition levels in the first quarter of 2011, which will provide further price support if maintained.

The Grand Marshall is holding the checkered flag. It'll be interesting to see who crosses the finish line first.

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

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	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	-	-2.00
Prime rate*	3.25	3.25	3.25	3.25	-	-1.75
Libor, 3-month	0.25	0.26	0.54	0.25	-0.28	-2.43
Money market, annual yield	0.63	0.63	0.78	0.59	-0.16	-1.75
Five-year CD, annual yield	1.98	1.98	2.59	1.92	-0.61	-1.68
30-year mortgage, fixed	4.65	4.66	5.21	4.32	-0.37	-1.45
15-year mortgage, fixed	3.90	3.91	4.57	3.71	-0.56	-1.81
Jumbo mortgages, $417,000-plus	5.21	5.23	5.89	5.19	-0.63	-2.18
Five-year adj mortgage (ARM)	3.25	3.21	5.79	3.21	-0.73	-2.33
New-car loan, 48-month	3.92	3.93	6.42	3.91	-2.44	-3.00
Home-equity loan, $30,000	4.78	4.80	5.17	4.78	-0.34	-0.04

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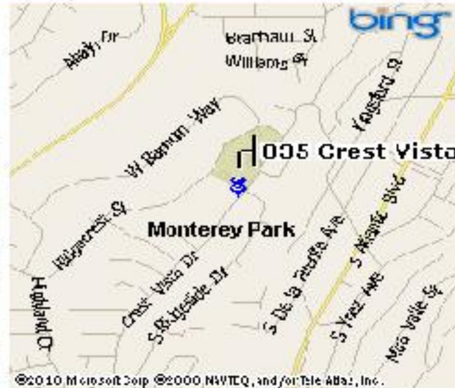
Monterey Park Luxury Residence
蒙特利公園豪宅

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



Basic Information

Status: **Active**
Property Type: **Single Family Residence**
Map Book:
Year Built: **1986/SLR**
Sqft/Source: **4,931/Assessor's Data**
Lot Sqft/Source: **16,013/Assessor's Data**
View: **City Lights**
Assoc Dues:

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.

Presented By

Contact: **John Hsu** Home Ph: **626-913-3881**
Contact DRE: **01093005** Fax:
Office: **STC Management**

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:

Exterior Features

Pool: **No**
Spa:
Patio:
Sprinklers:
Structure:
Outdoors:
Fence:
Roofing:
Lot/Community: **Patio Home**
Legal:

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.