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COMMERCIAL REAL ESTATE MARKET UPDATE

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STC LISTINGS
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- Monterey Park Luxury Residence
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- Crenshaw Retail Center
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- Monterey Park Retail Shopping Center
  蒙特利公園購物商場
- Rosemead Development/Mixed-Use Land
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- Profitable Downtown Los Angeles Business [Coming Soon]
  高盈利洛杉磯市中心商業【即將上市】
- Major Rowland Heights Shopping Center [Coming Soon]
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Rising Sales Volume and Deal Value Show Continued Investor Faith in CRE
新數據顯示過去一年裡商業地產市場得到大幅度改善，但 **2011** 年下半年尚未看到預計的加速復蘇

By: Mark Heschmeyer (CoStar)

If anything has been predictable about the 2011 commercial real estate market recovery, it's that it has been unpredictable. For a year that began with much promise following the increased leasing activity, thawing capital flow and widening investor interest that characterized the second half of last year, the momentum in the market seems to have flattened out.

This has been more baffling than discouraging to real estate professionals across the country. Key indicators across a wide number of local markets still hold promise for more vigorous activity. However, according to a survey of readers conducted by CoStar News, landlords, lenders, investors and tenants just aren't making the connections in the marketplace needed to jump start a sustained recovery.

Bryan Cook, a broker with KW Commercial in Knoxville, TN, said commercial bankers, still shell-shocked from the precipitous decline in property values in the recession, are anxious to lend but still very cautious.

Greg Eisenman, an associate in the Retail Service Group at Colliers International in Atlanta, said landlords are seeing lots of activity as tenants fish for deals. The brokers spend a lot of time working through them, only to have the prospective tenant pull the plug once it comes time to make a commitment.

Ronald Fraser, principal/broker of Fraser Real Estate Group in Dallas, said he is seeing continued demand for commercial real estate by investors at the right combination of cap rate and price. But the majority are looking for "deals" and are for the most part unwilling to look at the reality of local market values because of the news they hear and read on the economy.

Stuart Scott, vice president at Daum Commercial Real Estate Services in Camarillo, CA, said that the European debt crisis, stock market correction and continued high unemployment levels have pushed people into a frozen state of indecisiveness, and that the up-again, down-again volatility that occurred in the first half of the year will likely continue in the second half.

These views provide a summary of the comments CoStar Group received from industry professionals that it asked to assess first half CRE market conditions. What follows are the extended comments of others. Their observations, analysis and insights provide depth and color to current market conditions, and are indicative of other comments we received as well.

Where's The Volume? Pricing Is at Pre-Inflation Peaks

John W. Stone, Principal and Managing Director Multifamily, Colliers International, Tampa Bay

I specialize in multifamily, which has been the leading indicator in the industry for the past 18 months. Sales volume has steadily picked up in the Tampa Bay market with a reported $600 million closed so far this year. This is more than double of what it was this time last year ($277 million).

Also cap rates have dropped from a weighted average of 7% to 6.44% even though the overall quality of what has sold has dropped (price per unit has fallen from $74,800 to $62,600).

The thing that is surprising is that the sales volume isn't considerably more!

What is driving my surprise is that most economists and banks are predicting that interest rates must rise and most expect a 100 basis point increase by end of 2012. If market fundamentals hold true, this would suggest that cap rates also must rise thereby resulting in a reduction in market value.

If one believes what the economists and banks are saying, then why aren't more properties being sold now while the pricing is at what appears to be a peak?

While there are as many reasons as there are investors, the most common reason for delaying a sale is to give management time to increase the bottom line. Over the past 18 months average market occupancies have increased from 82% to 92%, concessions have dropped by almost half and rents have nudged up for the first time in several years. This has had a very positive impact on the NOI, but can that type of growth continue?

The question looking forward is -- can management increase NOI by 14.8% in the next 18 months? Why 14.8%? The reason is that 14.8% is the minimum amount you must increase NOI in order to maintain the same sale price if cap rates rise in step with interest rates.

Most managers I have spoken with do not believe they can affect such a large increase in NOI in the forward-looking 18 months. Assuming this observation has any merit, then banks and owners interested in maximizing their sale price should be selling now rather than waiting.

What's Up with Value Add? Fundamentals Can't Support the Risk

John B. Collins, Senior Vice President/Principal, Lee & Associates, Newport Beach, CA

The most surprising trend is the investment community's appetite for "value added" office investments in Orange County since there has been no evidence of rental rate growth and virtually no positive absorption. The lowering of rental rate prices hasn't increased demand.

Moreover, the large supply of underperforming buildings will make it very difficult for these "value added" investors to see rental rate growth because so many buildings are treading water and, for the foreseeable future, they will undercut what value-added investors need to shore up their underperforming assets.

On the industrial front, the most surprising trend has been the staying power of the Orange County industrial ownerships and reluctance to sell. Lease rates have dropped much more than the corresponding sale prices. However, the "old line" individual ownerships are reluctant to re-invest and improve their buildings. While cash-strapped small-cap and mid-cap industrial businesses/tenants who are having a hard time getting loans from lenders are not able, or don't want, to dip into their cash reserves to improve buildings.

I do not anticipate sale prices to drop much, but I also do not expect tremendous appreciation in the near term for building sales. Lease rates will stay depressed for quite some time.

There will be periodic "distress" sales that illustrate that an owner ran out of staying power and sold quickly. There will also be periodic "high" prices illustrating that: a good manufacturing or engineering business really wanted to buy; the building price was relatively small in the businesses overall proforma; the lack of supply provided few options, but that owner wanted to buy and the price was still good relative to peak pricing; and interest rates are great.

I expect "value added" investors to be surprised and disappointed that their investments will not hit the targets that they have proforma'd.

Office and industrial tenants will be able to find tremendous opportunities in well-located and functional buildings. Unfortunately many won't take advantage of this -- causing the good leasing opportunities to last for 18-plus months. The great/good sales deals will still be available, but the supply of quality buildings in good locations is limited.

Buyers should realize that inflation is coming and if you buy a building and secure a great loan, when inflation hits you will be well-positioned for asset appreciation. Buying a bad building at a lower price will most likely not produce a better investment than buying a good building at a slightly higher price.

Fundamentals Somewhat Fragile

Jonathan Larsen, Executive Managing Director, Transwestern, Los Angeles, CA

With regards to the Los Angeles office market, the fundamentals are still somewhat fragile. We are lagging behind other comparable-sized metros in the recovery. I think only Washington DC and San Francisco have shown real sustained progress.

Los Angeles has not exhibited a significant decrease in its office vacancy rate, a significant pattern of increased absorption, rising rental rates or pattern of an increase in leasing activity that New York, San Francisco, Washington D.C. or for that matter Chicago has witnessed in the last few quarters.

With that being said, recent acquisitions in the Los Angeles office market have not been justified by market fundamentals, but are the result of a mixture of overcrowding and attractive relative pricing, relative to other major metros in the limited core-plus and value-add pool we have here.

The speed at which our local investment market has so comfortably gotten back to normal levels (surpassing pre-recessionary highs) in spite of still fragile fundamentals is surprising.

The most relevant trend, though, has been the continuing downsizing and renewal activity as firms look at efficiency and cost savings as well as the ability to move up in quality and location. As this space comes back to the market, it will be interesting to see how this balances out with the demand.

Los Angeles has become a great commercial property investment market for international investors, as far as being a safe place to invest with long term growth versus other alternatives of international grade. I think this trend will continue into the near future six months as excess capital looks for returns and looks to Los Angeles as a bargain alternative to more costly markets or to other second tier overpriced markets that are not global gateways.

This shift in demand, which is already occurring, will continue to flush out assets from all avenues: off market deals, banks, special servicers to a hopefully more normal distribution.

Difficult To Achieve Momentum

Jason Wolf, Senior Vice President - Office, Colliers International, Mount Laurel, NJ

The most surprising trend during the first half was how difficult it has been to achieve any kind of momentum. The first quarter of this year was encouraging, and then activity decelerated sharply during the second quarter.

This was similar to the trends during the second quarter of last year when the stock market volatility impacted business decisions and activity slowed due economic jitters.

South Jersey has been one of the more active investment submarkets. The major REITs -- Liberty Property Trust and Brandywine Realty Trust -- have been selling non-core assets.

In Southern New Jersey and also in the Pennsylvania suburbs, there are a numerous properties in special servicing or that have been taken back by the lenders. As these assets are stabilized, we could see a wave of properties on the market. This may be the actual real estate or the debt on the properties.

There are some large requirements in the market, so we are hoping that activity will be picking up during the third and fourth quarters. We don't anticipate any increase in rents, but if activity increases, some of the landlords may start pulling back incentives on some of the upper-tier buildings.

An Uptick that Flattened Out

Bill Gladstone, Principal, Bill Gladstone Group, Camp Hill, PA

There was an uptick in activity, although prior to the end of the second quarter it did start to flatten out for the larger deals. There still seems to be that surge in smaller deals- sales and leases (aggregate value) under $400,000.

Most surprising is that land development looked like it was going to take off in the first quarter, but it fizzled by the end of the second quarter. In the first half of last year, we had one, maybe two land development plans submitted to municipalities for their approval. This year at the same time we have five. But there is an end in sight - it has started to level off.

Office leasing is still making its comeback - slowly but with stability. Office is the precursor of jobs; more office space leased, more jobs are being created. This was also true in the flex market and to some degree in the big box warehouse market as proposals actually started turning into deals by the end of the first quarter and beginning of the second quarter.

I don't know that we will see a noticeable difference in anything related to real estate in the second half of 2011. The second half of 2012 is probably more likely to show more than just a small uptick in the market.

Corporations Refocusing On Longer Term RE Needs

Peter D. Reed, Principal, Commercial Florida Realty Services, Boca Raton, FL

Corporations are finally making decisions on their mid- and longer-term real estate needs. We have seen more companies looking out 60+ months rather than the 12 to 24 months that was more the norm the last couple of years. One would hope that these longer-term lease commitments will help satisfy the new loan underwriting conditions.

The fact that decisions are being made on corporate real estate side should help with a more steady flow of business the remaining part of the year and into 2012. Hopefully some of this optimism will spill over to the lending side, but that has yet to be seen in South Florida.

I would hope that we see some properties coming to the market for sale from the loan servicers. There is a tremendous amount of properties in some form of foreclosure and those properties being brought to market and eventually sold, and or recapitalized will help in the overall real estate recovery. However, we will need the help of lending sources to assist in this process and that has yet to seen.

A Banking Policy that Lacks Sense

Michael Buls, Principal, Buls Hodge Consulting, Austin, TX

The national application of a policy (for making) no significant commercial loans is stifling the growth in the areas of the country, like Austin, where good performing loans can be made. This is coupled with the bizarre policy of not refinancing balloon notes on performing real estate, or demanding an unrealistic reduction in principle. It is devastating to the recovery and expansion in cities on the verge of a boom like Austin.

With the Austin market starting at around 20% vacancy at the first of the year, the first two quarters were dominated by large blocks of space being taken down by companies relocating to Texas or expanding their Texas operations.

But the contradiction was that the small leasing market of 5,000 to 20,000 square feet was almost non-existent. As we approached the end of the second quarter, the small market picked up. It appeared to be a trickledown effect as the increased economic activity allowed smaller professionals to increase space, or open new offices.

In some form or fashion, development of significant flex space or existing site plans will take place to fill the gap of dwindling space for large users of 20,000 to 100,000 square feet. Also, with citywide occupancy of Class A apartments at 95% there will be big push to get some apartments built.

Financing Gap Between Institutional vs. Non-Institutional

David B. Duckworth, Vice President, Flagler Real Estate Services LLC / ONCOR International, Boca Raton, FL

The volume of transactions here in South Florida in the first quarter was mostly attributed to institutional grade property sales. But that did not translate into more sales of the smaller non-institutional grade investment properties.

Financing is non-existent right now for non-institutional investment properties and that is causing the gap between institutional and non-institutional properties to widen significantly. The private investor that has significant cash at their disposal is looking for bank-owned distressed properties.

We are starting to see banks take back more significant assets this year. In the past 18 months, most of the bank-owned inventory comprised of smaller, owner-occupied product or land. I expect to see more foreclosures of Class B and C office buildings or note sales, and as a result values will continue to decline. That trend will continue until the rental market stabilizes and we start to see strong positive absorption.

Debt Markets Still Very Skittish

Juan Vega, Jr., Senior Vice President, Carter, Tampa, FL

For me, the most surprising trend is how little capital is making it to the streets. Private equity has been a challenge as private investors are looking at an investment from every angle before they risk their money.

The debt markets are still very skittish as banks are still deleveraging as well. If someone wants to buy land, the best they can do currently is 50% LTV, on a 2-year term. Banks just do not want land or speculative real estate at this time, as they are still paying back the TARP moneys and increased required reserved figures due to recent changes in the laws.

Ceteris paribus, I expect this market is going to be in a state of 'Groundhog Day' for the next few years. As jobs increase in the Florida market, that is when you will see housing start to turn around, affecting the industries that build the houses.

Cash is Out There, But Sellers Expect Higher Prices

Brian Duncan, Partner/Sales & Marketing, Tyler - Donegan Real Estate, Ijamsville, MD

We recently did one small deal in which both the bank and SBA were quick to lend, fund and close. Granted it was a small deal, 13,200 square feet, and a cold lit shell that needed TI funding as well.

We see a lot of small deals and investment deals, less of the 30,000- to 50,000-square-foot deals. I also know of a $10 million deal where the bank gave a very aggressive rate on a nearly 50% occupied building that allowed it to cash flow. Which is awesome.

There is a definite appetite to purchase among traditional investors with cash. I seldom see strong end-users on the purchase side. The investors will drive sales.

It appears that large institutional buyers have the capital to buy appropriately priced office, retail and industrial facilities. Not really shocking, but until we see the return of the mid-size investor and mid-size buyer the region will have higher than desired vacancies, which will in turn create more opportunities for investors to pick up deals.

Sellers are still having issue with market values and at times are still expecting pre-bust prices.

Signs of Some Recovery, but Not Enough To Drive Occupancy

Ron Murfin, Executive Vice President / Director of Sales, Penn-Florida Cos., Boca Raton, FL

There are signs of some turnaround. But while activity has picked up, net vacancy decrease has not been significant. This is partially due to continued failures by companies weakened by market conditions but that should level off during the second half of the year.

There have been an increasing number of companies entering the market that require some or all of the following: downsized space, reduced occupancy expense, more convenient location, more amenities, concessions in the way of free rent and/or additional tenant improvements.

The most relevant aspect of the increase in activity is shorter lease terms with lower rental rates. Landlords are generally agreeing to the lower rates, but requiring shorter lease terms so that the lower rates will not have an adverse effect on the long term valuation of the building. We expect to see more of these lower rates on smaller spaces however, by year end, the trend will be reversing.

The market will not see new product in the near future and vacancy rates in general are leveling off. The first quarter of 2012 should see a decrease in vacancy rates with stabilized lease rates.

Nothing Beats a Recession Like Shopping in New York

Steve Rappaport, Senior Managing Director, Sinvin Real Estate, New York, NY

My practice area is store leasing and my niche is downtown Manhattan. Within that frame work, my response is simple. Business has been great, trending toward incredible.

That began not just in the first half of this year, but early on in 2010. Why? A weak dollar bolstered tourism, Wall Street recovered, and the famous resiliency of this city. Manhattan's attraction is its vibrancy and creativity, which could not be dampened by any economic slowdown.

New York is a city of immigrants -- a magnetic draw for people from all over the country and the world. This fueled a quick recovery in the neighborhoods where I work. I represent relatively small spaces, on average 1,000 to 2000 square feet.

Leasing rates lowered in the depths of the recession. That attracted, rather than frightened entrepreneurs. First-timer retailers and seasoned small store owners sensed opportunity and began taking space long before the corporate world felt safe to expand.

Now that both are again in the picture, the result is a distinct lack of available space in the primary stretches. For example, on Bleecker, Spring, and Prince streets, there are hardly any vacancies. And even on secondary blocks, is it becoming hard to find a good store.

This problem is especially acute in the food business. There is much less useable space available for this requirement than what is sought. I have literally 20 customers for any decent store. Good for landlord's. Not so good for tenants.

Owner-User Industrial Picking Up

Neil Sawicki, President/Broker, Global Real Estate Advisors Inc., Cleveland, OH

I see the banks getting very aggressive on owner-user industrial facilities and they have loosened up their belts a little on the credit. I have completed four deals within the past week and the banks were very cooperative and worked well with my clients.

We are seeing a lot of small CNC machine operators growing, expanding and merging with others. I also see a lot more companies starting to rebuild inventory on the industrial side. On the retail side we are seeing more new retailers getting into the market on a small scale.

Investment real estate seems to have hit a block with the banks. Banks still have not opened up to financing any type of investment property. We have buyers but no source of funding for investment properties.

I expect to see a slow and gradual increase in the manufacturing - industrial sector. I see the effects of transportation costs, natural disasters in Japan, China and overseas bringing back the manufacturing in the U.S. I also feel the labor costs will rise in the foreign markets making us more competitive in the global market.

One Good Deal Can Make a Difference

Donald N. Noland, Jr., Director New England Research, Cushman & Wakefield of Massachusetts Inc., Boston, MA

During second quarter, Vertex announced plans to build new 1.1 million-square-foot headquarters and laboratory space in the Seaport district, which is just adjacent to the Financial District, the core area of the CBD. This transaction will change the landscape in the Financial District for years to come relative to diversification of tenant base and expected transaction activity to follow. This was one of the largest transactions on record in the Boston CBD and is a relocation to the CBD from Cambridge market. Demand in the Financial District market will improve with this announcement.

I expect to see a continued tightening of available space in the upper floors (greater than floor 16) in the Financial District's class A office towers. In addition, the already recovered Back Bay submarket (6.3% current vacancy) will drive tenant requirements to the Financial District.

Led by a near doubling in the average dollar size of transactions, year-over-year commercial real estate sales volume rose more than 150% in May, according to the latest release of the CoStar Commercial Repeat Sale Indices (CCRSI).

The average price of an investment-grade transaction was $33.2 million in May -- nearly double the average of $16.9 million in April -- while the average dollar size for general commercial property deals was $1.7 million, up slightly from $1.65 million the previous month.

The dollar volume of investment-grade sales also continued to rise significantly in May, jumping more than 191% on a year-over-year basis. Consequently, investment-grade sales comprised nearly four-fifths of the total CRE sales volume pie, jumping to 79.2% in May from 61.9% the previous month. General-grade property sales volume rose 62% in May from a year ago.

"The May pricing increase reported this week, combined with the robust increase in monthly sales volume, shows that investors continue to seek out commercial real estate during uncertain times," said Chris Macke, senior real estate strategist for CoStar Group, Inc.

Macke said a number of large recapitalizations in New York City helped drive up the average dollar size of May sales transactions.

"This is good because it signals a matching up of the money on the sidelines with those who need it, but for whatever reason haven't been attracting that capital to date," Macke said.

Investment-grade property sales volume in the 10 largest U.S. markets decreased to 38.7% of total commercial sales in May, falling below the two-year average of 45.8%, CCRSI data showed. Yield-hungry institutional investors have extended their searches for deal beyond the major metro areas as bidding for top-tier properties has driven up pricing in the most coveted U.S. markets.

"Investors are being forced to look elsewhere to get the returns they are seeking, but maybe most importantly, they're feeling confident enough to chase those higher yields," Macke observed.

For the composite index, the percentage of total property trades that are distressed declined slightly from 29.4% in April to 28.3% in May, the lowest level since December 2009. The percentage of distressed sales in the investment-grade index declined to 32.8% in May from 41% the previous month.

By property type, the highest proportion of distress in May was in the hospitality sector at 37.8%, followed by multifamily at 30.9%, office at 27.1%, retail at 26.7% and industrial at 23%.

The CCRSI tracked more than 829 repeat sale transactions in May, down slightly from 854 in April. However, 2011 overall has seen significant upward movement in sale pair volume since

2009. January of that year appears to have been the cyclical low point of the downturn in terms of pair volume, when 385 transactions were recorded. Since its inception, the CCRSI has recorded more than 100,000 repeat sale transactions.

Sales of properties that previously traded hands between the boom year of 2005 and the early part of the down cycle in 2008 experienced an average annual loss of 6% in May. That's the lowest since December 2009, but still 15 times greater than the average loss of just 0.4% for transactions with a prior sale date during between 2009 and 2010, the depths of the real estate down cycle.

"Clearly, we are seeing, as we do in every cycle, that location can be trumped by poor timing decisions such as buying at the top of the market," Macke said.

The CoStar Composite Commercial Repeat Sale Index increased by 1.6% in May and is now 6.8% below the same period last year, and 34.4% below its August 2007 peak. The Investment Grade Commercial Repeat Sale Index increased 4.4% in May and is now 5% above the same period last year, and 35% below its peak nearly four years ago.

CoStar's General Grade Commercial Repeat Sale Index increased by 0.9% in May, now sitting at 8.6% below its year-ago level, and down 34.5% from the August 2007 peak.

CoStar will present the mid-year and quarterly updates of the national and regional indices in the June data release scheduled in early August.

Apartment Market Outlook – Interest Rate Window Enticing Private Buyers
随著年輕白領搬到離工作更近的公寓里，加上最近的低貸款利率，洛杉磯地區的公寓市場前景被看好

Source: Marcus & Millichap Research

INTEREST RATE WINDOW ENTICING PRIVATE BUYERS

Recovery of the Los Angeles County apartment market will spread beyond infill communities in 2011 as stronger hiring efforts bolster rental household formation. The rise in occupied stock last year stemmed from the release of pent-up demand and strong absorption in desirable pockets of the metro, including the Westside Cities, where renters took advantage of opportunities to lease units at discounts.

In 2011, beach communities and close-in areas of the San Fernando Valley will attract a large share of returning and relocating renters, but a broadening employment recovery and eroding concessions in premier areas will help strengthen other parts of the metro.

Rising international trade and port activity, for instance, will generate transportation and warehousing-related jobs in the hard-hit Long Beach market, enabling more residents to lease lower-tier rentals.

Elsewhere, Greater Downtown property owners will get a reprieve from supply-side pressure this year, after extended development timelines resulted in a significant number of new units during the recession. As re-employed young professionals migrate to rentals closer to work, demand for downtown apartments will strengthen, fueling the area’s first annual vacancy decline since before the downturn.

Apartment sales velocity will rise through 2011 as recovering rent rolls and low interest rates pull private equity into the marketplace. Individual investors prepared to deploy stockpiled capital will target properties with fewer than 50 units to avoid committing large sums to any one asset.

Value-add buyers seeking properties with some component of distress will consider communities overlooked during the recession, including outer areas of the San Fernando andSan Gabriel valleys. Deal flow in these areas has already strengthened, and current listings boast cap rates in the mid-6 percent to low-7 percent range.

Wealth-preservation transactions will still center on premier areas of the county, such as the Westside Cities and South Bay. Last year, demand from high-net-worth buyers and institutions pushed down cap rates for the most sought-after coastal assets into the low-5 percent range .

Employment: Following the addition of 11,700 jobs in 2010, payrolls will expand by 56,000 positions this year, a 1.5 percent gain. Blue-collar employment sectors, including manufacturing and trade, transportation and utilities, will generate 11,500 positions.

Construction: Developers will bring online 1,260 units in 2011, down signifi cantly from the 3,750 units completed last year. The greater San Fernando Valley and Downtown areas will register the sharpest drops in new construction. Combined, these regions will receive just over 400 units this year, compared with 3,150 rental units in 2010. Marketwide, stock growth averaged 3,550 units annually over the past five years.

Vacancy: After improving 40 basis points last year, the average vacancy rate will fall 100 basis points to 3.9 percent in 2011 as renter demand builds momentum and filters into more submarkets.

Rents: Asking rents will reach $1,401 per month by year end, up 2.3 percent annually, while effective rents will advance 3 percent to $1,356 per month. Last year, asking rents dipped 0.3 percent as effective rents edged up 0.5 percent.

EMPLOYMENT

Based on early data, employment levels in Los Angeles County expanded by 0.3 percent, or 12,800 jobs, year over year in the fi rst quarter, a sharp turnaround from the loss of 132,100 positions in the preceding 12 months.

The education and health services sector leads the region in job creation. The estimated addition of 9,400 employees during the past six months brought the sector's the year-over-year total gain to 13,000 workers, a 2.5 percent increase. The information sector also posted considerable growth, expanding by 11,900 positions, or 6.3 percent, over the last year.

Outlook: Total employment in the county will increase by 56,000 jobs this year, or 1.5 percent. In 2010, employers hired 11,700 workers.

CONSTRUCTION

Developers completed more than 3,200 apartment units during the past year, expanding the metro's rental inventory by 0.4 percent; no projects came online in the first quarter. In the previous 12-month stretch, apartment deliveries totaled 1,680 units.

As of the first quarter, approximately 1,260 apartment units and 630 for-sale units were under construction. The apartment planning pipeline contains 14,200 units, though fewer than 1,400 units have set groundbreaking dates.

Outlook: Developers will bring online 1,260 units in 2011, down signifi - cantly from the 3,750 units completed last year.

VACANCY AND RENTS

In the last 12 months, resumed job creation in several sectors, combined with former homeowners returning to rentals, drove a 100 basis point vacancy improvement to 4.5 percent. Owners raised asking rents 0.1 percent in that time to $1,373 per month and increased effective rents 0.8 percent to $1,319 per month.

Class A vacancy fell 180 basis points over the past year to 5.1 percent, fueled by renters re-entering the apartment market and leasing discounted units. Vacancy among Class B/C complexes dipped 60 basis points to 4.2 percent. In the coming year, lower-tier units will likely record a stronger improvement as the job market recovery fi lters into blue-collar sectors .

Outlook: Vacancy will retreat 100 basis points during 2011 to 3.9 percent. Asking rents will rise 2.3 percent to $1,401 per month while effective rents advance 3 percent to $1,356 per month.

SALES TRENDS

Sales velocity increased nearly 10 percent during the most recent 12 months, as low interest rates encouraged more investors to restructure portfolios. One year earlier, transaction volume decelerated 22 percent.

The median price for an apartment asset sold in Los Angeles County over the last year was $130,100 per unit, up 2 percent from 12 months earlier.

Outlook: Well-capitalized buyers are increasingly pursuing high-quality properties in coastal areas, while smaller investors have opted to target value-add plays. As these groups bid up prices this year, investors' attention will turn more toward relatively stable mid-tier properties.

It's Still an Office Tenant's Market in the Southland
2011 年第二季度辦公樓租戶依然占上風，面臨高空屋率的業主感覺到必須減租的壓力

By: Roger Vincent (Los Angeles Times)

Tenants kept control of the office rental market in the second quarter as Southern California landlords confronted acres of empty space and felt pressure to reduce rents.

The number of signed leases continued to grow as business owners took advantage of the situation, brokers said, but most tenants who renewed their rental agreements decreased the amount of space they occupied. The average reduction was 15%.

"Rents are still weak," spurring tenants to lock in deals, said Joe Vargas, an executive vice president at brokerage Cushman & Wakefield. "Tenants see a value proposition that can be accretive to their bottom lines for the next three to 10 years."

More than 11 million square feet worth of leases were signed in Southern California in the first half of the year, a 43% increase from the same period in 2010, according to a report by the brokerage.

Office buildings have to get closer to full, though, before landlords can start pushing rents up. Owners in Orange County and the Inland Empire saw small gains in occupancy compared with the second quarter of last year, but in Los Angeles County vacancy was on the rise, ticking up 1 percentage point to 19.1%.

The office rental market is flattening out, Vargas said, though he has grown more pessimistic about the possibility of its getting stronger this year.

"We are all waiting for job growth," he said. "We are all waiting for consumer confidence and the economy to continue to improve."

Some encouraging signs for office landlords came in neighborhoods that traditionally are strong, such as the Westside, where occupancy held steady. Santa Monica even reported slight rent gains.

"West L.A. is the bright spot," said Lewis C. Horne, an executive managing director at brokerage CB Richard Ellis. Growing businesses there include accounting firms, financial firms, media companies and technology businesses.

"Tech was the big story," Horne said. "Any marketplace where there is tech, there is a lot of activity. Silicon Valley and Seattle are on fire."

Southern California's office buildings are much emptier than they were in the economic peak of 2007, but Horne sees rising optimism among landlords, some of whom have purchased buildings at prices that rival those of headier days.

"There is a sense in the market right now that business is getting back to some form of normal," he said.

Landlord David Binswanger of Lincoln Property Co. had a metaphor: "I actually see what I would call kindling, a pre-burner of a recovery," he said.

Vacancy is falling fast in so-called creative offices, a small niche product of nontraditional office space intended to appeal to people in creative fields such as entertainment or advertising. Binswanger also reported a rush of tenants interested in an older building Lincoln owns that is across the street from Playa Vista and rents for less than its properties there.

"The market," he said, "is still incredibly price sensitive."

Hotel Demand Continues to Outpace Room Rates
酒店入住率急驟上升，專家預計酒店近期將會大幅度提高房價

By: Randyl Drummer (CoStar)

Average daily room rates (ADR), an important metric for lodging company profitability, continue to lag even as the hotel sector recovers and occupancies rise amid little new supply, according to PKF Hospitality Research (PKF-HR).

PKF-HR forecasts that the demand for U.S. hotel rooms will increase a solid 4.9% in 2011, while average rates paid by guests will rise a more modest 2.4%.

The ability to raise room prices directly benefits a hotel operator's earnings. However, improved occupancy, rather than increasing room pricing, has driven the rise in hotel revenues since the lodging recovery began in first-quarter 2010.

"Given the headwinds created by stagnant employment and continued weakness in the housing sector of the economy, it is somewhat surprising that hotel demand continues to bounce back as quickly as it has," said R. Mark Woodworth, president of PKF-HR. "Offsetting the surge in demand, however, has been relatively sluggish increases in room rates. And as hotel owners and operators know, it is ADR growth that powers profits."

Robust increases in demand and limited new development suggest that hoteliers should be able to aggressively start raising rates, Woodworth noted. However, competition is intense for the dollars of a rising number of business and vacation travelers, and with a few exceptions, consumers have found an ample supply of available hotel rooms this summer.

"ADR, much like lease rates for commercial properties, are far harder to increase than occupancy rates," said Chris Macke, senior real estate strategist for CoStar Group, Inc. "While constrained supply has provided the floor for hotel performance, only increased demand will raise the current ceiling on ADR."

Demand hasn't yet risen enough to push strong rent growth. PKF is forecasting that only 12 of the 50 largest U.S. lodging markets will achieve occupancies in 2011 greater than their long-term averages. Not until 2013 will the majority of those 50 markets exceed their broader occupancy average.

However, at worst, the projections amount to a slight slowdown or lengthening of the U.S. lodging recovery. Analysts expect stronger room rate growth in the second half, and PKF-HR forecasts that ADR will accelerate to 5.5% next year and 5.8% in 2013.

Prompted by a souring outlook for the broader U.S. economy this year by Moody's, PKF-HR last month revised its March forecast for 2011 revenue per available room (RevPAR) growth downward slightly from 7.1% to 6.9%, and from 8.9% to 8.7% for 2012.

"Our June [revised] forecasts show that the length of the recovery for the U.S. lodging industry has been extended a bit, but we are definitely on an upward trajectory," said Dr. Jack Corgel, professor of real estate at the Cornell University School of Hotel Administration and senior advisor to PKF-HR. "Travelers are returning to the road despite the slowing economy, new supply is not an obstacle and hotel managers are effectively controlling their costs."

Recent weekly numbers from Smith Travel Research (STR) showed year-over-year increases in all three key performance indicators. Occupancy rose 5.8% to 67.1%, ADR rose 3.9% to $100.77 and RevPAR finished the week of July 2 up 9.9% to $67.66. For the July 4 weekend, revenue growth rose by double digits, underscoring the increase in leisure travel over 2009 and 2010.

Hotel companies heartened by rising occupancy may have pushed room rates too hard earlier in the year, hurting overall RevPAR growth, said Joshua Attie, lodging REIT analyst for Citi in a note to investors. But a combination of better yield management and strengthening business travel now positions the hospitality industry for improved pricing and margins in second-half 2011 and through 2012, Attie said.

All indications show that the recovery, which began with per-room revenue increases in upper-tier properties in 2010, is spreading across the rest of the lodging spectrum this year. Luxury properties will continue to enjoy the strongest RevPAR gains in 2011 at 10%, followed closely by properties in the upscale segment at 9.4%.

RevPAR for upper mid-scale, mid-scale and economy hotel chain categories will grow more slowly, ranging from 4.3% to 5.7% this year, as developers ramp up the supply of select-service, boutique, and extended-stay hotels popular among travelers, Woodworth said.

In 2012, PKF-HR forecasts per-unit revenue growth will exceed 10% in luxury, upper-upscale and upscale properties. The upper-midscale will increase by 8.7% next year, while midscale and economy properties should both see a 6.6% RevPAR boost.

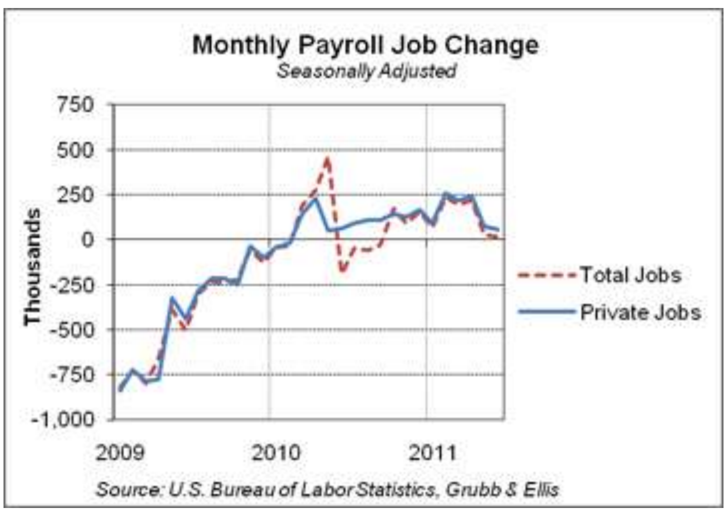
Despite the smaller-than-expected room rent gains, PKF-HR projects that hotel unit-level net operating income (NOI) will rise 11.7% this year. in 2011. As room rates begin to drive RevPAR, the consulting firm estimates profit growth will jump to nearly 18% in 2012.

Painful June Jobs Report Throws Industry a Curveball
美國勞工部 **6** 月的就業報告沒有達到預期數字，就業人數只增加了 **18,000** 人而不是預期的 **125,000** 人

By: Matt Valley (Retail Traffic)

To say that the June jobs report released by the U.S. Department of Labor last Friday fell short of expectations would be a gross understatement. After all, the consensus among economists heading into late last week was that the economy had added 125,000 nonfarm payroll jobs in June. The actual number, however, came in at 18,000.

Meanwhile, the national unemployment rate ticked up from 9.1% in May to 9.2% in June. Perhaps even more troubling is that the change in total nonfarm payroll employment for April was revised downward from a gain of 232,000 to 217,000. Likewise, the figure for May was lowered from a gain of 54,000 to 25,000.



“Watching CNBC, as I usually do on ‘Jobs Friday,’ was painful,” wrote Bob Bach, chief economist for brokerage firm Grubb & Ellis, in his Good News Friday report, the title of which sounded out of tune with the dismal data. “There were audible gasps from the assembled panel of economic luminaries when the 8:30 a.m. announcement from the Bureau of Labor Statistics revealed a shockingly low 18,000 net new payroll jobs created last month.”
Among the report’s highlights and lowlights:

• The gain of 57,000 jobs in the private sector was partially offset by a loss of 39,000 public sector jobs. Employment in both state and local government continued to trend down over the month and has been falling since the second half of 2008.

• Some of the sectors posting increases last month were leisure and hospitality (+34,000), professional and business services (+12,000) and retail trade (+5,200).

CMBS Market Sees Meaningful Drop in Delinquencies
新增加的貸款拖欠放緩、問題貸款的解決速度加快，導致商業抵押擔保證券整體拖欠率減少 **0.17%**至 **8.64**％

By: Mark Heschmeyer (CoStar)

An increase in loan resolutions coupled with a slowdown in new defaults led to the first meaningful drop-off in delinquencies in eight months, according to June CMBS data.

For the first time since the credit crisis began in 2008, the CMBS delinquency rate has fallen for two consecutive months, according to commercial mortgage data provider Trepp LLC. After a modest reduction in May, the delinquency rate fell sharply in June.

Unfortunately, the rate reduction was driven primarily by a sharp spike in loans being resolved with losses, rather than delinquent loans actually curing, Trepp reported.

According to Trepp, more than $1.8 billion in CMBS conduit loans were resolved with losses in June, indicating that special servicers continue to accelerate the pace at which they are dealing with troubled loans.

Fitch Ratings noted that June marked only the third time that delinquency rate fell by 15 basis points (bps) or more.

"CMBS delinquencies are likely to remain somewhat volatile with fairly large month-over-month fluctuations," said Mary MacNeill, Fitch Ratings' managing director. Many loans in special servicing range from $100 million to over $1 billion so the ultimate outcome of these loans could notably swing the delinquency index."

Approximately $2.5 billion of previously delinquent Fitch-rated loans were resolved or liquidated in June, representing the second-highest one-month total on record. These resolutions outweighed $1.8 billion of new defaults, bringing down the overall delinquency rate by 17 basis points (bps) to 8.64%.

Of the $1.8 billion of new delinquencies counted by Fitch Ratings in June, $962 million (54%) corresponded to office-backed loans. The office-specific delinquency rate is 6.14%, a record for the sector, but still below the weighted-average rate for all loans. The office sector is the only property type for which Fitch Ratings maintains a more negative outlook.

Current delinquency rates by property type are as follows:

Multifamily: 15.69% (from 16.37%),
Hotel: 13.85% (from 13.89%),
Industrial: 9.89% (from 10.10%),
Retail: 6.84% (from 7.03%) and
Office: 6.14% (from 5.81%).

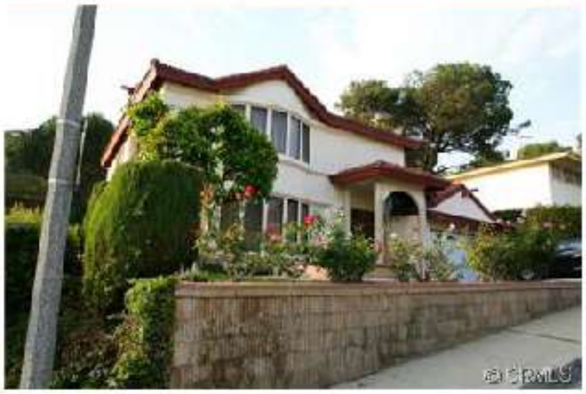
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

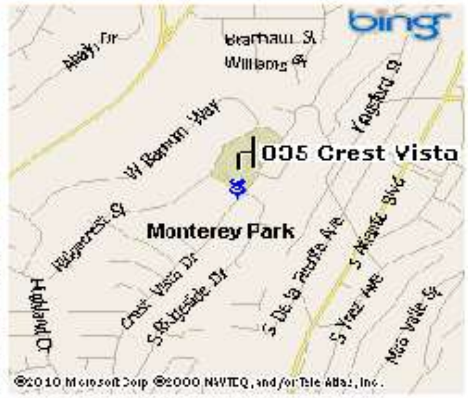
(Reprinted with Permission of the Wall Street Journal)

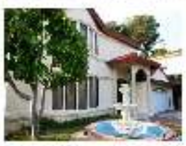
	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0.00	0.00	-	-2.00
Prime rate*	3.25	3.25	3.25	3.25	-	-1.75
Libor, 3-month	0.25	0.25	0.52	0.25	-0.27	-2.54
Money market, annual yield	0.58	0.63	0.77	0.58	-0.17	-1.84
Five-year CD, annual yield	1.89	1.92	2.53	1.86	-0.59	-2.23
30-year mortgage, fixed	4.62	4.67	5.21	4.32	-0.11	-1.82
15-year mortgage, fixed	3.80	3.84	4.57	3.71	-0.40	-2.18
Jumbo mortgages, $417,000-plus	5.21	5.20	5.89	5.09	-0.42	-2.21
Five-year adj mortgage (ARM)	3.22	3.27	5.79	3.14	-0.75	-2.26
New-car loan, 48-month	4.08	3.79	6.39	3.75	-2.18	-2.77
Home-equity loan, $30,000	4.79	4.75	5.17	4.75	-0.36	-0.09

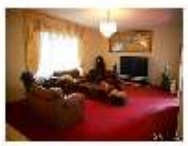
Monterey Park Luxury Residence
蒙特利公園豪宅

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: