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New Projects Fuel Downtown L.A.'s Transformation
洛杉磯市中心有望迎來專業足球場、全新大型購物中心以及翻新的辦公樓和酒店

By: Jennifer Popovec (Retail Traffic)

For decades, Los Angeles has been derided as a city without a downtown.

Notorious for its smog, lack of a distinctive skyline, and traffic-snarled interstates, Los Angeles has been described as a place with no sense of place. And rather than having one massive memorable focal point, it was seen as a sprawling city with lots of little pockets of activity.

But after years of work—and with only a little hiccup during the Great Recession—that distinctive downtown is now beginning to emerge in the area bounded by the 110 freeway, the Los Angeles River, the 101 freeway and Interstate 10.

"In the old days, it wasn't cool to be downtown," says Chris Cooper, CEO of Los Angeles-based full-service real estate firm Charles Dunn Co. "It was old and stodgy. .. And most people thought it was a pain to get there. Today, more and more people are saying downtown is a very cool place."

The potential coup de grace in Los Angeles' transformation that has much of the city buzzing is a proposal from AEG to develop a new professional football stadium in conjunction with the redevelopment of a portion of the Los Angeles Convention Center. That's all happening in the same district of the city that has also seen the rise of two other AEG works: the Staples Center and L.A. Live!

Metropolis, the multi-phase project is tentatively slated to consist of up to 300,000 square feet of retail, 836 residential units and 480 hotel rooms.

There's been talk of bringing pro football back to the city ever since its two former franchises—the Rams and Raiders—both bolted town following the 1994 season. What's different this time around is the fact that AEG, a Los Angeles-based company, a wholly-owned subsidiary of the Anschutz Co., already has inked a $600 million naming rights agreement with Farmers Insurance to call the project Farmers Field (See sidebar below).

While the project still has several hurdles to overcome to become reality (the least of which is getting an actual NFL team), it has thrown fuel on the already-burning fire for the future of downtown Los Angeles. “There are all these things that are coming together at once—residential residential, retail, culture and entertainment—that are truly transformational,” says Ed Hogan, national director of leasing for Brookfield Properties, a New York-based commercial real estate firm that is one of the largest landlords in Los Angeles.

Bringing people back

Today, downtown Los Angeles houses nearly 50,000 residents, boasts a weekday population of about 500,000 people and attracts 10 million annual visitors. Those numbers are impressive considering where the city was 15 years ago, says Hal Bastian, senior vice president and director of economic development for the Downtown Center Business Improvement District (DCBID).

“I always joke that downtown is an overnight wonder that I’ve been working on for 17 years,” Bastian quips. He is responsible for generating investment interest in downtown and recruiting businesses to the area.

Much of downtown L.A.’s revitalization can be attributed to the Staples Center, which opened in 1999. Developed by AEG, the arena is home to four professional sports franchises: the NBA’s Los Angeles Lakers and Los Angeles Clippers; the NHL’s Los Angeles Kings; and the WNBA’s Los Angeles Sparks.

Adjacent to Staples Center and the Los Angeles Convention Center, AEG also developed L.A. Live, a $2.5 billion, 4-million-square-foot entertainment complex anchored by the 7,100-seat NOKIA Theater.

“When Staples Center opened, people who had not been downtown in 20 years started coming back to catch a Lakers game,” Bastian says. “It wasn’t an easy thing to get Staples Center, but it was a catalyst.”

The city also passed an adaptive reuse ordinance in 1999, which allowed for the conversion of commercially-zoned buildings into residential structures. The ordinance encouraged developers to build both rental and for-sale multifamily in downtown.

The shift from a nine-to-five CBD to a 24-7 environment gained momentum throughout the 2000s. For example, in 1998, downtown L.A. was home to just 18,000 people and offered only 2,426 market-rate residential units (including condos) and 8,371 affordable housing units. A decade later the area features 26,011 residential units including 15,524 market-rate units and 10,487 affordable units, according to DCBID’s 2008 study.

“When we started adding bodies to downtown, they started demanding retail services, specifically a full-service grocery store,” Bastian notes. He tried to convince Ralph’s, a grocery store chain based in Southern California, to open a store downtown, but the retailer wasn’t interested.

DCBID then conducted a study that showed the overall median household income downtown was nearly $100,000. That not only helped change Ralph's answer from "no" to "yes," but also got the chain to change its sights from bringing in its low-end concept, Food 4 Less, to instead opening a higher-end Fresh Fare.
And it's had nothing but success, Bastian says. "It's one of the top performing stores in the chain," he says. "It was a game changer."

Talk of the town

One hitch in the progress of downtown Los Angeles was the recession. DCBID is currently conducting a new study to determine the regions current demographics, but market experts believe that the housing bust has slowed the momentum.

Target will bring one of its new CityTarget stores to Brookfield's FIGat&7th redevelopment.
"The recession could not have happened at a worse time because there was tremendous momentum," Cooper says. "We had 45,000 downtown residents, and absorption from residential was tremendous. It was like being at a party and suddenly the cops showed up and it was over."

But in recent months, there are signs that things are beginning to heat up again. For example, in April Brookfield unveiled plans to redevelop a 25-year-old shopping complex at the corners of 7th and Figueroa as a 330,000-square-foot project called FIGat7th. The plan includes a $40 million redesign, renovation and re-leasing strategy. Notably, the project will be anchored by one of the nation's first CityTarget stores, a new urban format from the Minneapolis-based chain.

Brookfield gained control of the site as part of the $8.9 billion joint venture acquisition of Trizec Properties the firm completed with Blackstone Group in 2006. "We had been studying California as an office play, and we were … not looking to own retail," Hogan recalls. "My initial thought was that [7+Fig] was going to be a property that we would sell."

But Brookfield did its due diligence before making that decision, and the results were surprising. the company was impressed with the residential growth in the area and the burgeoning demographics. "You can argue that the people who work in the urban core shop there, but retailers are looking at venues that will attract people seven days a week," Hogan says. "They need to know the stores are going to perform every day, and downtown L.A. offers that now."

In addition to the burgeoning residential base, Brookfield was impressed with the amount of public investment occurring in downtown L.A., from infrastructure and transportation improvements to new cultural, sporting and entertainment venues.
For example, the city is expanding its subway system, MetroLink, and its busiest stop is located directly across the street from Brookfield's FIGat7TH. "Given the position of our project, which is the 50-yard line in downtown retail, it just seemed like such a great opportunity," Hogan says.

Target's commitment to the project has also generated some buzz. The CityTarget location is slated to open in fall 2012 and the retailer says it will offer the convenience of one-stop shopping with "affordable fresh food, apartment essentials, on-trend fashions and exclusive designer collections." The Los Angeles store is just one of a handful that the chain has announced nationally.

"It's significant because it's the first anchor retail tenant in recent years that has taken a stake in the downtown market," says Rachel Rosenberg, executive vice president with RKF's Southern California office, who likens the significance of Target's decision to the one Ralph's made a few years ago.

"Some retailers were hesitant to go into downtown because they couldn't find the co-tenancy they desired," Rosenberg says. "But knowing the type of volume and attraction a tenant like Target possesses has caused retailers to reconsider downtown L.A."

And overall, the retail scene is in good shape. As of the second quarter of 2011, the downtown vacancy retail rate was 6.6 percent, according to CBRE.

Show-me mentality

Still, retailers do have nagging questions about downtown. "It's intriguing now, but you've got a stigma that needs to be overcome," Rosenberg says.

Patrick Spillane, senior vice president of IDS Real Estate Group, adds, "There is still a 'show me' mentality from national retailers. They need to be convinced downtown offers a real opportunity."

IDS is confronting skeptical retailers daily. The local firm, working with Fort Lauderdale, Fla.-based Collarmele Partners, is planning a six-acre, mixed-use project near Staples Center and is actively talking to national retail chains, Spillane says.

Dubbed Metropolis, the multi-phase project is tentatively designed to consist of up to 300,000 square feet of retail, 836 residential units and 480 hotel rooms.

IDS has received approvals for the project and is targeting 2012 for ground breaking and an opening in 2014. "The hotel has become critical because of AEG's plan for the convention center, which would have a huge impact on tourism and hospitality demand," Spillane says. In particular, IDS is looking to integrate larger box formats into its project, adding that Metropolis could accommodate six to eight big boxes ranging from 15,000 square feet to 50,000 square feet.

"Sixty years ago, retail was huge in downtown, but as people moved out of downtown, retail was decimated, and it was slow to come back," notes Ayahlushim Getachew, senior vice president of Thomas Properties Group, one of the largest downtown landlords. "Now that residents have returned to downtown, retail options are returning. It's really exciting to see."

Farmers Field Plan Generates Support

Los Angeles may be the second largest city in the nation and one of the world's most popular travel destinations, but it's lacking two very important components: an NFL team and a large, modern convention center. A new, yet-to-be approved plan from AEG looks to tackle those shortcomings with a new event center and football stadium.

AEG, a wholly-owned subsidiary of the Anschutz Co., developed Staples Center and LA Live!—two projects that are credited with sparking downtown LA's renaissance. The company's plan involves tearing down a portion of the existing Los Angeles Convention Center (LACC) to make room for the football stadium, adding a new hall to LACC and renovating the remainder of the space.

The proposed project, which has a price tag of roughly $1 billion, already has an official name: Farmers Field. AEG nailed down an agreement with Farmers Insurance to pay $600 million for naming rights to the stadium for 30 years.

Thompson Properties Group is working on redeveloping the Wilshire Grand Hotel and Centre into a new mixed-use development.

The project, however, must overcome several hurdles, including city approvals and obtaining an NFL team. AEG and Farmers Field are competing with another proposed stadium in the City of Industry. Majestic Realty is driving that project, which is situated on a site located within a one-hour drive of 15.5 million people in a four-county region.

“Everyone is waiting with baited breath on Farmers Field,” says Chris Cooper, CEO of Charles Dunn Co., a local commercial real estate services firm. “This is a situation where the stadium is designed tastefully and the multi-functionality is ingenious to replace West Hall of the convention center.”

Currently, Los Angeles ranks 15th in the nation for convention center size, and many conventions won't even consider the facility because it is too small and has outdated electric and data connections. With the addition of Farmers Field and the new hall, LACC would be in the top five cities in the US for convention center space.

The new event center would have a total of 1.7 million gross square feet, making it one of the five largest in the country. The plan includes remodeling Pico Hall first and then replacing the 210,000 square-foot West Hall. The new hall would provide contiguous convention space to Pico Hall.

The stadium would be modest by today’s standards, with 68,000 seats and the ability to expand to 78,000 for special events like the Super Bowl or NCAA Final Four. Featuring a retractable roof, the stadium will be connected to the LACC and could be used for conventions, as well. AEG says the complex can serve as the home field for four teams simultaneously.

AEG says an expanded convention center could mean at least 80 annual booked event days in downtown LA, representing $378 million in annual revenues for the LA economy. Moreover, the firm forecasts that Farmers Field would spur another $3 billion in downtown development
A number of hotels have already been announced, although many of them were in the works prior to AEG’s Farmers Field plan. For example, Hanjin International Corporation and Korean Air, working with developer Thomas Properties Group, are working on the redevelopment of the Wilshire Grand Hotel and Centre.

The project will transform a full city block at the corner of Wilshire Boulevard and Figueroa Street in downtown LA by replacing the existing, aging Wilshire Grand hotel and office building with a new mixed-use development.

The Wilshire Grand project, located adjacent to the 7th Street/Metro Center station, where the Blue Line meets the Red and Purple Lines, represents $1 billion of direct investment. It will include the first new class-A office building in downtown LA in more than 20 years, with as much as 1.5 million square feet of office space.

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2011 年第二季度辦公樓租賃依然強勁，初步調查顯示許多抄底租戶利用目前較低的辦公樓租金搬入 **A** 級辦公樓

By: Randyl Drummer (CoStar)

Despite slower-than-expected job growth and the uncertain impact of the debt-ceiling issue and overseas economies, office leasing remained very strong in the second quarter of 2011 as office-occupying businesses continued to gradually add workers and absorb space.

Preliminary second-quarter CoStar data shows that bargain-hunting tenants are trading up to larger and better buildings, taking advantage of concessions and asking rents that average 10% lower than their 2008 peaks.

Driving that demand is the expectation that, should more robust job growth resume as expected, office rents could be poised to increase ahead of demand growth as the shutdown in new development has curtailed any meaningful new supply.

Brisk gross leasing activity continued in the second quarter at an expected 120 million square feet -- well above the average of 90 million square feet over the last few years and up a robust 60% from the market bottom in 2009, according to data presented at CoStar Group’s Mid-Year 2011 Office Review & Outlook.

The national office vacancy rate edged down slightly to 13.3% at mid-year from last year's cyclical peak of 13.6%. The percentage of CoStar submarkets with declining vacancy rates, an important leading indicator of office market health that dropped several percentage points in the first quarter, began trending back up in the second quarter.

Class A asking rents across the U.S. stood at an average $27.50 per square foot at the end of the second quarter, down from $30.50 per square foot in mid-2008, with concessions knocking off an additional 10%-20% from the cost of occupancy. As rents decrease and terms become more flexible, tenants are increasing or upgrading their space, said Andrew Florance, CoStar founder and CEO, who led the presentation of the latest quarterly data.

The second quarter saw the fifth consecutive increase in net absorption of office space. However, the gain was very modest due to faltering growth in jobs over the last two months exacerbated by an abundance of 'phantom' space from prior layoffs.

In the previous recovery cycle in commercial real estate from 2003 until the downturn in 2008, each new job added to the office-occupying workforce created an extra 233 square feet of demand for office space. The current recovery has brought demand for just 88 square feet of added space per new employee, Florance said.

"We’re sort of in the doldrums right now. The only thing driving net absorption is bargain hunting," Florance said. "It will be pretty difficult to find super strong absorption numbers the next quarter or two."

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The U.S. economy hit a soft patch last quarter, with the debt ceiling debate and other fiscal issues undermining business confidence and most indicators continuing to disappoint analysts over the last eight weeks.

However, business investment in IT and technology are creating strong real estate demand among tech companies, and the office-dwelling professional and business services segment is seeing the strongest employment growth, generating one-third of all new hires. Other sectors showing gains are education, health services, trade and manufacturing, and leisure and hospitality.

Losses in public sector jobs have partially offset those gains, with the private sector adding 2 million jobs over the past year while total job growth is closer to 1 million due to reductions in government payrolls, mostly at the state and local level, with some at the federal level as well.

Lower Rents Spur Leasing, Absorption
Houston logged the strongest year over year net absorption at 2.5 million square feet, although landlords lowered average rents in that market by 2.4%. Landlords in the technology-centered San Francisco Bay area raised rents by nearly 4% but still achieved an increase of 2 million square feet in absorption.

Other top markets that dropped rents and saw absorption increase include Seattle/Puget Sound, Philadelphia, Boston, South Florida, Orange County, CA, and Dallas -- all of which had modest absorption gains of around 1 million square feet.

Absorption was down about 1 million square feet in New York City, where owners have aggressively raised rents 7.3% year over year and cut discounts.

Class A buildings enjoyed the strongest net absorption, with many Class B and C tenants trading up for better quarters.

If robust job growth projections by Moody's Economy.com come to pass and the nation avoids a fiscal crisis due to government default, the national vacancy rate could fall to a phenomenal 8.5% by 2015 amid diminishing supply, according to CoStar forecasts. Those same factors could push rents up by more than 12% annually within four years.

"Markets continue to regain their footing as a result of the combination of tenants looking to capitalize on favorable lease rates and construction that is at 40 year lows," adds Chris Macke, senior real estate strategist for CoStar. "The rate of recovery going forward in the office sector will depend on how aggressive corporations are in their hiring activities."

In investment sales, the second quarter saw a big uptick in sales volume, roughly back to 2006 levels. While core investment-grade properties are seeing some price appreciation, prices remain soft in general-grade commercial property. However, this year could be the tipping point on overall pricing. Prices per square foot in several large metros in 2011 are exceeding their historical averages in such markets as Washington, D.C., San Francisco, Seattle, Boston, Denver and Orange County, CA.

Got Vacant Space? Think Inside the Box
大型商業空屋可運用靈活的租賃策略來租給臨時租戶、主題景點、甚至需要招牌空間的商家

By: Ellen M. Berkowitz (CCIM Magazine)

The good news about tough economic times is that they breed ingenuity. Leasing specialists in retail and other property sectors need to think “inside the box” –- the vacant big box, the empty warehouse, or the small office building abandoned by the busted start-up firm. By thinking short-term instead of long-term lease, entertainment instead of shopping, farmers market instead of vacant lot, that space –- particularly in well located areas –- may be suited to new opportunities.

Backfilling Space

Landlords faced with grim prospects for finding large, long-term tenants should consider the development of new, creative uses for space including pop-up retail venues, theme parks, entertainment centers, children’s play areas, and other “people-intensive” activities, some of which may require only a short-term lease or permit.

Pop-up retail is a trend catching on across the country because it helps anxious landlords fill spaces that have sat empty for months. It also provides retailers with a way to create a store with little overhead. These transactions usually have simple leases and do not include profit sharing. Halloween stores, which generally lease space from August to November, are the most common type of pop-up retail establishments, often taking over mall spaces left empty by electronics, furniture, and other large retailers.

Last year, Spirit Halloween Stores, one of the largest pop-up retailers in the country, operated more than 900 U.S. locations, according to Acon Investments, which owns the brand as part of Spencer Gifts. Many of them transformed into ToyZam! Stores, another Acon brand, and remained open through the holiday season. Spirit Halloween locates stores “in power centers, strip centers, free-standing stores, major downtown retail locations and in major malls surrounded by a national retailer mix, such as big box discount department stores and electronics stores … in communities with a population of approximately 50,000+ in a 3- to 5-mile radius with a car count of at least 25,000 cars per day. Good visibility from the major traffic road is a must,” according to the company’s Web site.

Traditional retailers also are trying out pop-up retail for a variety of reasons, such as testing new markets without a major commitment or taking advantage of vacant spaces they could not otherwise afford. Toys’R’Us, for example, opened 600 Express pop-up stores and 10 FAO Schwarz pop-ups during the 2010 holiday season, according to RetailingToday.com.

The pop-up trend offers advantages to many types of retailers, as well as landlords, according to RetailingToday.com columnist David Berliner: “For example, an online business that has clearance items or inventory that it does not want could open a physical pop-up store to sell these goods. If landlords adopt and execute such a strategy, it should help them bring a new level of excitement to their properties.”

Family entertainment or themed attractions are another idea for large, vacant retail buildings. Typically, these tenants look for safe, high-quality environments, often in regional malls. Merlin

Entertainments Group operates 63 themed attractions in 14 countries, including SEA Life Centre Aquariums, Legoland Discovery Centers, and Madame Tussaud's. Similarly, family entertainment centers such as X-Scape are backfilling anchor stores in regional and strip malls. X-Scape provides indoor entertainment, a restaurant and sports bar, a ride and game area featuring amusement style rides, go-karts, mini bowling, laser tag, bumper cars, mini golf, and arcade games. Children's museums, gyms, or indoor play spaces are also popular tenants.
Signage Opps

Despite some zoning obstacles, signage remains a viable alternative to make money in real estate, especially in prime advertising locations. While some cities have taken steps to ban off-site advertising, others are increasingly turning to signage development agreements as a way to supplement existing revenue during very difficult financial times.

These agreements give property owners the right to erect and maintain off-site signage for a set period of time in exchange for a share of revenue. Depending on the location of the signage, one development agreement can mean hundreds of thousands of dollars for a city over the life of the agreement, and millions of dollars for the property owner.

In negotiating development agreements, billboard companies and property owners often have more success when they capitalize on creative billboards that enhance the urban streetscape or use "green" signs, especially when there are digital components to the sign.

If outdoor signage isn't possible, property owners can go indoors. Zoning codes rarely, if ever, regulate signage not visible from the public right-of-way. Signage on elevators, parking structures, urinals, and interior walls can produce significant revenue and add a fresh "hip" feel to unused space in a building.

Undeveloped Land

For vacant land, creative land use options vary, including farmers markets, urban gardens, and parking and vehicle storage. A great example is the development of bicycle storage and repair centers popping up near bus and train stops. Mobis Transportation Alternatives, for example, has opened Bikestations, bike storage facilities near public transit facilities in a number of cities. They offer secure bicycle parking, repair services, and showers for cyclists heading to work.

Entitlement Issues

Obtaining the proper permits for creative land uses can be tricky. Even if it is assumed that only a simple tenant improvement permit would be required for the new use, alterations or improvements to buildings may trigger a review of the building's conformance with all current building, fire, plumbing, and electrical codes.

Changing a retail space to a amusement park-like use could also trigger environmental review. The local government may consider these uses more intense, or worry that the project will create additional traffic impacts or demands upon public services, triggering environmental or other discretionary review. If the temporary use is subject to zoning restrictions (for example a farmer's market or a swap meet), a lengthy governmental review and approval process is

typically required. Additionally, creative uses can meet with community resistance, especially if vocal neighbors make their opposition known to the local officials.

If a proposed use will require a substantial investment, it is important to consult with a land use attorney, the appropriate local government office, and the surrounding community to avoid problems.

Banker Optimism Returns for CRE Lending as Problem Credit Issues Begin to Subside
銀行開始重新提供商業地產貸款，不少銀行報告顯示商業地產貸款已開始增長

By: Mark Heschmeyer (CoStar)

The nation's bankers are sounding more optimistic about the commercial real estate markets than at any time since the onslaught of the Great Recession in 2007. In their second quarter earnings conference calls over the past week, several spoke of plans to re-enter the CRE market or actually reported CRE loan growth already.

Bankers also reported increased demand from CRE borrowers and increasing competition for new business - particularly multifamily. The level of interest in CRE lending was similar from both big banks and community banks.

"Proof of the increased debt availability can be seen in the significant increase in second quarter sales volume versus the same period last year," said Chris Macke, senior real estate strategist for CoStar Group.

"$73.7 billion in sales were recorded in the second quarter 2011 alone; that compares to $44.5 billion in second quarter 2010," Macke said. "We haven't see a non-fourth quarter number that high since the third quarter of 2007; and maybe most importantly up from $51.1 billion in first quarter of 2011."

"What we hope to see next is an increase in the debt available for smaller acquisitions in non-gateway cities," Macke said.

Part of the reason for the lenders' optimism is that the asset quality of the banks' commercial real estate books is showing steady improvement. The recovery in delinquency rates that began in mid-2010 appears to have resumed after stalling in the first quarter, according to Matt Anderson, managing director of Trepp.

Anderson is estimating that the total delinquency rate could fall to 5%, down from 5.4% in first quarter. If that proves true, the estimated drop would be the largest since this segment began to recover in mid-2010.

Anderson reported that early results suggest that banks also have stepped up efforts to shed problem Commercial Real Estate (CRE) loans. Larger banks particularly have stepped up their disposals of problem loans.

So as the problems in their existing portfolios begin to go away, bank executives were saying growth can begin as soon as this quarter and be a real driver of growth next year, according to Bruce R. Thompson, CFO of Bank of America Corp.

"As we look at that commercial real estate number, we obviously, don't like to see loans going down," said Thompson of what is still happening at Bank of America. "At the same time, there was some stuff that you would have wanted to come off. We feel very good about where the commercial real estate portfolio is now and quite frankly, are trying to figure out places to do more commercial real estate where it makes sense."

David Zalman, chairman and CEO of Prosperity Bancshares Inc. said his bank is going to focus more in third quarter on trying to come up with some pricing products for commercial real estate so that it can try to increase that area of growth.

James C. Smith, chairman, president and CEO of Webster Financial Corp. said commercial real estate lending represents a special opportunity for judicious growth. Strong originations in the second quarter more than offset a continuing high level of repayments; and the pipeline also has grown significantly, which bodes well for future originations.

Kelly S. King, chairman and CEO of BB&T Corp. in Winston-Salem, NC, said his company has a pretty good appetite for multifamily and expects that it can actually begin to grow its CRE book over the next several quarters.

Philip Flynn, president and CEO of Associated Banc-Corp., said his bank is starting to see a return on our investments for its CRE loan growth. In total, the Associated's CRE and construction portfolio grew by $50 million to $3.9 billion in the second quarter. Commercial real estate will be a driver of the bank's loan growth in 2012, he said.

The following excerpts from earnings conference call are typical of what we heard and generally reflect the overall current state of CRE lending.
Quality Participation

Joseph Ficalora, President and CEO, New York Community Bancorp, New York

We're seeing some very good opportunities at extraordinarily low [loan to values] with high-quality property owners that gives us the ability to participate in some real commercial properties that are, in fact, adding to that overall growth in our commercial loans. So, as we look to the future, we continue to see strength in that particular category. There is, in fact, as always the case, on that line, some properties that are driven by multiuse as we have talked about in the past.

But I think it's important to recognize that some of these properties are very large properties that, in fact, we have discussions with regard to sharing some of those loans with others.
Growing Existing Relationships

Julia Gouw, President and COO, East West Bank, Pasadena, CA

On the commercial real estate front, loan balances increased $69 million, or 2% quarter-to-date. The growth in commercial real estate loans during the second quarter was largely due to expanding relationships with existing customers and new loans to new commercial customers.

Irene Oh, CFO of the bank

Most of them are existing relationships. We are not going to just do a transactional commercial real estate [loan]. If some of our current clients had opportunity to get good assets, commercial real estate, we'll be willing to finance that. In addition, some of them are coming from new commercial loan customers, who, in addition to the business, they have an owner-occupied

warehouse, or sometimes, additional investments, and we will do that. What we are not going to do is somebody just coming in, along with one-off transactions, buying a real estate, or just want to refinance one property.

Real Signs of Improvement

Russell Goldsmith, chairman and CEO, City National Bank, Los Angeles

By and large, economic conditions continued to show modest improvement. Here in California, the technology and entertainment industries are performing well, international trade is growing, tourism, agriculture and commercial real estate are also showing real signs of improvement, and in the geographies where we are located residential real estate continues to show some positive signs. The multifamily space is particularly strong.

We are actually kind of happy of the part that we have really been actively trying to grow, the commercial real estate mortgages or the finished portfolio, was up this quarter.

So finally we have had an increase there, which we are happy about, and we think there is other good things to come there. And you know, there is activity now on construction, I mean it is more on the multifamily front, so I'm really thinking, we're not at the low point we are pretty close to it and that is starting to come back up a little bit.

Lot of Traction in the REIT Business

Jeffrey Weeden, CFO, Senior Executive Vice President, KeyCorp, Cleveland, OH

Average commercial real estate balances for mortgage and construction loans declined by a little more than $1 billion during the quarter, as market liquidity continued to remain good for these assets. We anticipate that the decline in commercial real estate balances will slow considerably during the third quarter and stabilize or potentially grow by the fourth quarter of this year. While our clients remain somewhat cautious compared to prior recoveries, our lending pipelines are solid, and we are actively supporting our clients' borrowing needs.

Christopher Gorman, President of Key Corporate Bank, Cleveland

There's a few things going on there. One is that we have very opportunistically delevered a lot of our clients, gone to the equity markets, gone to the commercial loan mortgage market. So that process has really kind of run through.

The second thing that's happened is we have now successfully transitioned that book. When we started, we had about 60% of that book that was in construction. Today, that rests at 16%. And then at the same time… we really targeted these owners of real estate. And we're getting a lot of traction. We have a lot of traction in the REIT business already. I think we lead 17% of all the publicly traded REITs in a financing perspective. But we're also now getting a lot of traction with these owners of real estate. So not only are the exits diminishing, but we're getting a build in the pipeline.

Trend Not an Aberration

Christopher Oddleifson, President and CEO, Independent Bank Corp., Ionia, MI

The commercial real estate portfolio grew nicely as well, and we continue to see good, well-structured deals. Our overall commercial pipeline is strong and this trend is not an aberration, but one in a series of double-digit growth quarters in our commercial portfolio.

Importantly, I can assure you that our success here is not coming from any relaxation of credit standards on our part; rather it is a direct result of our focused efforts over the last two years to cultivate and grow this business. Our emphasis on serving as a reliable source of credits through thick and thin, maintaining high visibility in the marketplace, and adding experienced lenders to our ranks is really paying off.

Gassing Up

Alvin D. Kang, CEO, Nara Bancorp Inc., Los Angeles

Our commercial real estate portfolio increased $29.1 million or 7% on an annualized basis. The majority of the increase came in our gas station portfolio as we had the opportunity to extend financing to a very large operator of gas stations in metropolitan areas that has strong capital liquidity and cash flow. We had a very strong pipeline entering the second quarter, which contributed, to the loan growth we experienced.

Capacity To Grow Not the Will

Daniel Poston, CFO and Executive Vice President, Fifth Third Bancorp, Cincinnati, OH

We saw continued runoff in the commercial mortgage and commercial construction books, although the rate of decline continued to slow. Average CRE balances were down $403 million or 3% sequentially. We'd expect to see continued runoff in these portfolios in the near to intermediate term, although at a continually slowing pace.

We're not really originating much in the way of new CRE loans, though we do have the capacity to do so. We wouldn't expect to see -- to have much of an appetite for non-owner-occupied CRE until we see a better balance between the supply and demand for space.

CMBS Delinquencies Fall in June by 2.4%
商業抵押貸款證券拖欠率在 **2008** 年以來第一次連續兩個月降低

By: David Bodamer (Retail Traffic)

CMBS delinquency rates dropped for the second straight month, according to two firms that track the sector. The improvement is a result of loans being resolved with losses and being liquidated.

As of the end of June, the CMBS delinquency rate stood at 8.22 percent according to Horsham, Pa.-based Morningstar Credit Ratings LLC (formerly Realpoint LLC) and at 9.37 percent according to New York City-based Trepp LLC. Both firms recorded the drop as sharper than the improvement in May. (Trepp reported its findings in early June while Morningstar published its report late last week.)

According to Morningstar, the delinquent unpaid balance for CMBS fell $1.51 billion, to $60.86 billion from $62.37 billion a month prior. This followed the previous month's decrease of $974.6 million. "As has been the case throughout 2011, a large majority of the decrease / net change in delinquency can be found within liquidations," the firm wrote.

"Another $1.27 billion in liquidations were reported for June 2011 across 142 loans, at an average severity of 48.2 percent - the second highest monthly liquidation amount on record. As a whole, the distressed categories of 90+-day, foreclosure and REO decreased in aggregate by $697 million on a net basis in June 2011, following a $1.19 billion decrease in May 2011."

The total unpaid balance for CMBS pools reviewed by Realpoint for the April remittance was $756.63 billion, down from $759.31 billion in March.

Inside the numbers

The delinquency ratio for June of 8.22 percent (down from the 8.35 percent reported for May) is 1.1 times the 7.70 percent reported in June 2010 and more than 29 times the Realpoint recorded low point of 0.28 percent in June 2007.

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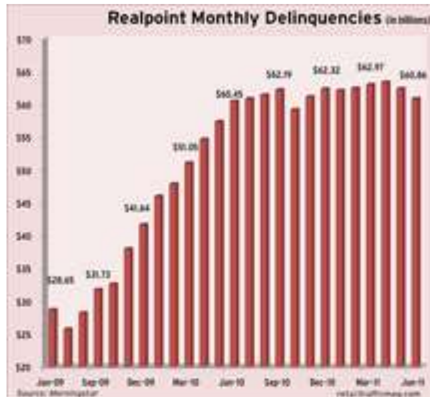

According to Morningstar, “The movement in both delinquent unpaid balance and percentage is now clearly being impacted by the size and amount of loan liquidations, modifications, extensions and resolutions reported on a monthly basis, leading to a potential slow-down in the reporting of new delinquency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

The firm projects that the delinquent unpaid balance for CMBS still has the potential to grow higher than 9 percent in 2011.

The delinquent unpaid balance in June decreased in part because of $1.27 billion in loan workouts and liquidations across 142 loans, at an overall average loss severity of 48.2 percent, according to Morningstar—the second highest monthly liquidation amount tracked by Morningstar.

According to Morningstar, all deals seasoned at least a year had a total unpaid balance of $688.9 billion, with $60.86 billion delinquent – reflecting an 8.83 percent rate. When agency CMBS deals are removed from the equation, deals seasoned at least a year had a total unpaid balance of $649.29 billion, with $60.81 billion delinquent – reflecting a 9.37 percent rate. Finally, conduit and fusion deals seasoned at least a year had a total unpaid balance of $595.53 billion, with $58.84 billion delinquent reflecting a 9.88 percent rate.

By property type, in June, multifamily loans continued to top retail loans as the greatest contributor to overall CMBS delinquency. Retail loans had been the greatest contributor for six straight months prior to June 2010. Delinquent multifamily loans account for 2.19 percent of the CMBS universe and 26.7 percent of total delinquency. The retail default rate decreased to 7.3 percent in June after peaking at 7.7 percent in April 2011. The current default rate compares to 6.4 percent in June 2010.

Hotels, meanwhile, had the highest delinquency rate—12.2 percent, although the figure is down from a high of 14.3 percent in October 2010. The industrial delinquency rate fell to 10.9 percent in June—down from a peak of 11.1 percent in May. The multifamily delinquency rate remained at 9.5 percent for the third straight month and is down from a peak of 10.2 percent in January. The office delinquency rate is at 7.0 percent for the second straight month—its highest point in the past 12 months.

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

Trepp's view

Meanwhile, in its analysis, New York City-based Trepp said that the CMBS delinquency rate fell to 9.37 percent in June, down 23 basis points from May and down 28 basis points from the high of 9.65 percent in April.

According to Trepp, “For the first time since the credit crisis began in 2008, the CMBS delinquency rate fell for two consecutive months. The rate reduction was driven primarily by a sharp spike in loans being resolved with losses, rather than delinquent loans actually curing. … The drop was driven by the fact that about $1.8 billion worth of loans were liquidated in June. That was the highest total since we began measuring the loss resolution numbers 18 months ago.”

The delinquency rate one year ago was 8.59 percent. The percentage of loans seriously delinquent (60+ days delinquent, in foreclosure, REO or non-performing balloons) is at 8.75 percent, down 21 basis points from May 2011

The elimination of troubled loans reduced the delinquency rate by 28 basis points. The remaining loans in the index saw delinquencies rise by about five basis points, according to Trepp.

Multifamily remained the sector with the highest delinquency rate, according to Trepp. The multifamily rate is at 16.48 percent (down from 16.71 percent in May) while the lodging delinquency rate fell to 13.87 percent from 15.37 percent in May. The lodging delinquency rate peaked at 19.33 percent in September and been improving in recent months.

The delinquency rate for industrial properties fell to 11.68 percent from 11.96 percent in May. It has more than doubled from a year ago when the rate stood at 5.48 percent. The delinquency rate fell for retail properties from 7.94 percent to 7.82 percent and is down from a peak of 8.15 percent in April. It is the first time Trepp has measured the retail delinquency rate above 8 percent. The delinquency rate rose for office properties from 7.23 percent to 7.35 percent.

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

(Reprinted with Permission of the Wall Street Journal)

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0.00	0.00	-	-2.00
Prime rate*	3.25	3.25	3.25	3.25	-	-1.75
Libor, 3-month	0.26	0.25	0.45	0.25	-0.20	-2.54
Money market, annual yield	0.58	0.60	0.77	0.58	-0.17	-1.88
Five-year CD, annual yield	1.88	1.89	2.53	1.86	-0.55	-2.32
30-year mortgage, fixed	4.66	4.68	5.21	4.32	-0.03	-1.82
15-year mortgage, fixed	3.82	3.86	4.57	3.71	-0.34	-2.20
Jumbo mortgages, $417,000-plus	5.15	5.14	5.89	5.09	-0.47	-2.56
Five-year adj mortgage (ARM)	3.14	3.18	5.79	3.14	-0.78	-2.92
New-car loan, 48-month	4.06	4.10	6.39	3.75	-2.17	-2.81
Home-equity loan, $30,000	4.77	4.79	5.17	4.75	-0.34	-0.0

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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:	

Interior Features

Bedrooms: **11**
Bath(F,T,H,Q): **6, 0, 0, 0**
FirePlace: **See Remarks**
Cooling: **Central**
Laundry:
Rooms: **See Remarks**
Eating Area:
Floor:
Utilities:

Property Description

Beautiful traditional eastern-style home with numerous bedrooms and unique elegance. Large, spacious bedrooms on both floors in well-kept condition. Custom-built in 1986 with addition of the back part of the house in 1992. Spacious backyard with a zen garden, large waterfall, and bountiful fruit trees. Also includes a large storage shed. Home is located in a secluded, safe neighborhood right next to a large park and tennis courts, and provides views of a beautiful cityscape from its many balconies upon sunset. Please call for appointments at least 24 hours in advance.

Exterior Features

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

Presented By

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

School Information

School District:
Elementary:
Junior High:
High School:

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Accuracy of square footage, lot size and other information is not guaranteed.