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- Monterey Park Retail Shopping Center
  蒙特利公園購物商場
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  高盈利洛杉磯市中心商業【即將上市】
- Major Rowland Heights Shopping Center [Coming Soon]
  大型羅蘭崗購物商場【即將上市】

Commercial Real Estate Offers Stability to Nervous Investors
在經濟動盪的時刻，商業地產是穩定及低風險投資的首選

By: Kenneth P. Riggs Jr., CCIM, CRE, MAI (CCIM)

Just a few short months ago the recovery seemed to be finally taking hold. Gross domestic product growth was increasing, job growth was strengthening, retail sales were starting to pick up, and the stock market - including real estate stocks - was gaining steam. Investors finally were recouping some of the wealth lost in the recession and thinking that prosperity was just around the corner.

This confidence was short-lived, however, as a confluence of events occurred: Japan's earthquake, civil war and upheaval in the Middle East and northern Africa, Europe's expanding sovereign debt crisis, and the downgrading of the U.S. debt outlook to negative, to name a few. Add to that increasing layoffs among federal, state, and local government workers, a still-deteriorating housing market, tornados and floods in the southern U.S., and higher prices for food and fuel, and uncertainty soon replaced investor confidence.

This economy is not about to tumble back into recession, but it does remain fragile. The recovery, which resembles a marathon more than a sprint, has a long way to go and may slow down or stumble a few more times before the finish line. The U.S. is working off a recession unlike any experienced in more than 70 years, and it will take time to move through this period that is riddled with unforeseen events.

Risk Aversion Continues

Such a long-term view is ideally suited to commercial real estate, which remains a relatively stable investment, given such uncertain times and the volatility of the financial markets. Considered much less risky than many other investments, commercial real estate is tangible and transparent: Investors actually can see the number of tenants and calculate the amount of rent they expect to receive each month. In addition, as the NCREIF Index and NAREIT Index returns indicate, commercial real estate has been holding its own as compared to other investment alternatives. (See Exhibit 1.)

EXHIBIT 1. WHAT DO THE FINANCIAL MARKETS TELL US?

The NCREIF Index reflects institutional returns as reported by the National Council of Real Estate Investment Fiduciaries, and the NAREIT Index reflects commercial real estate stock market returns as reported by the National Association of Real Estate Investment Trusts.

Compounded Annual Rates of Return as of 3/31/2011

Market Indices	YTD[4]	1-Year	3-Year	5-Year	10-Year	15-Year
Consumer Price Index[1]	1.47%	2.65%	1.57%	2.29%	2.41%	2.45%
10-Year Treasury Bond[2]	3.46%	3.15%	3.33%	3.84%	4.13%	4.72%
Dow Jones Industrial Avg.	7.07%	16.51%	3.12%	4.87%	4.73%	7.73%
NASDAQ Composite[3]	4.83%	15.98%	6.86%	3.52%	4.22%	6.37%
NYSE Composite[3]	5.54%	12.85%	-1.51%	0.41%	2.93%	5.68%
S&P 500	5.92%	15.65%	2.35%	2.62%	3.29%	6.80%
NCREIF Index	3.36%	16.03%	-3.63%	3.46%	7.49%	9.23%
NAREIT Index (Equity REITs)	7.50%	25.02%	2.63%	1.70%	11.52%	10.91%

[1]Based on the published data from the Bureau of Labor Statistics (seasonally adjusted).
[2]Based on Average End of Day T-Bond Rates.
[3]Based on Price Index, and does not include the dividend yield.
[4]Year-to-date (YTD) averages are not compounded annually.
Sources: BLS, Federal Reserve Board, S&P, Dow Jones, NCREIF, NAREIT, compiled by RERC.

Jeffrey Coolidge/Getty Images, Braverabbit /Veer

The potential for such returns, along with less risk associated with this asset class in general, makes commercial real estate - on an institutional level or in the secondary or tertiary markets - particularly attractive to those who are risk averse. In comparison to other asset classes and given the continuing low-interest rate environment for 2011, members of the CCIM Institute, as reported in the RERC/CCIM Investment Trends Quarterly, continue to rate commercial real estate as a preferred investment alternative to stocks, bonds, or cash. (See Exhibit 2.)

EXHIBIT 2. CCIM RESPONDENTS RATE INVESTMENTS

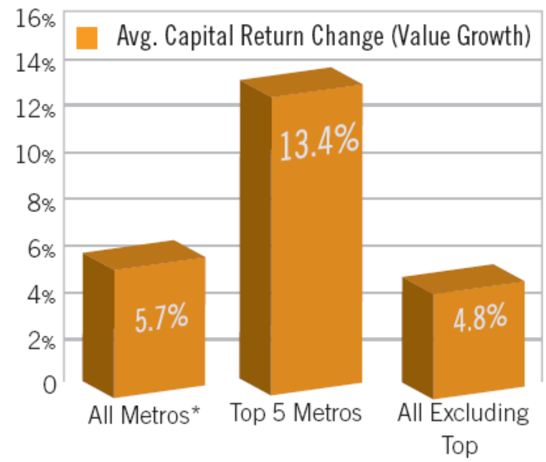
	1Q 2011	4Q 2010	3Q 2010	2Q 2010
Commercial real estate	6.0	6.3	5.6	6.1
Stocks	5.4	5.4	4.4	4.5
Bonds	4.3	3.8	4.2	4.5
Cash	4.6	4.2	4.8	5.7

Ratings are based on a scale of 1 to 10, where 1 is poor and 10 is excellent.
Source: *RERC/CCIM Investment Trends Quarterly* survey, 1Q 2011.

Although record sale prices of high-quality properties have occurred in some of the nation's top markets over the past few months, most commercial properties still garner little to no investor interest. Bifurcation remains evident in the sales volume and prices of trophy properties versus other properties.

Even among institutional properties in the nation's top metropolitan areas, there is a wide differential of return on capital investment. (See Exhibit 3.) Out of the nation's top 44 markets, the five metro markets with the highest post-recession capital return averaged a 13.4 percent return over the past five quarters, according to NCREIF. However, the remaining 39 metros yielded a return of only 4.8 percent, for an average of 5.7 percent for all metros. This flight to quality by investors caused demand to increase in the best markets; thus, values for the best institutional markets have increased at a much faster rate than in secondary markets.

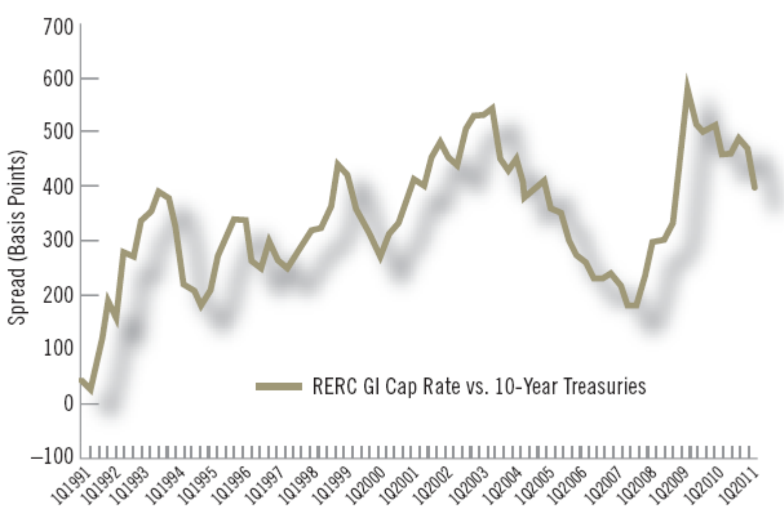
EXHIBIT 3. **NCREIF CAPITAL RETURN CHANGE, 1Q10 – 1Q11**



*Includes 44 metros covered by RERC.
Source: NCREIF, 1Q 2011.

Unfortunately, the lack of demand in most secondary markets, along with the increased supply of distressed or foreclosed properties, has reduced property values in those areas. However, the pressure on institutional properties should prompt investors to move out on the risk spectrum to smaller properties and smaller markets. The movement of both these extremes is necessary in the real estate recovery process, and this trend will continue throughout 2011.

EXHIBIT 4. **SPREAD BETWEEN GOING-IN CAP RATES AND 10-YEAR TREASURIES**



Sources: Federal Reserve, RERC, 1Q 2011

It also is important to note that commercial real estate and the capital markets are inextricably interconnected. The risk associated with rising interest rates (it is just a matter of when and how much) is already built into the rates of return for commercial real estate, as shown in the spread between RERC's going-in capitalization rates and 10-year Treasuries. (See Exhibit 4.) Further, this spread demonstrates that commercial real estate is providing the highest level of return over Treasuries from a 20-year historical perspective. It is problematic to forecast interest rates, but the attractive risk-adjusted returns are why capital is flowing into commercial real estate today, and why it will continue to do so.

EXHIBIT 5. **HISTORICAL RETURN/RISK AND VALUE/PRICE RATINGS**

	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010
Return vs. Risk					
Office	4.5	4.5	4.1	4.4	4.1
Industrial	5.5	5.2	4.8	4.8	4.7
Retail	4.8	4.9	4.2	4.7	4.1
Apartment	6.7	6.7	6.2	6.2	6.1
Hotel	4.8	4.7	4.1	4.4	3.9
Overall	5.6	5.4	4.9	5.4	5.1
Value vs. Price					
Office	5.1	4.8	4.7	4.7	5.0
Industrial	5.7	5.2	5.1	5.1	5.0
Retail	5.3	4.9	4.8	4.5	4.9
Apartment	5.4	5.3	5.4	5.2	5.6
Hotel	5.3	4.7	4.5	4.7	4.7
Overall	5.5	5.5	5.1	5.2	5.5

Ratings are based on a scale of 1 to 10, where 1 is poor and 10 is excellent.
Source: *RERC/CCIM Investment Trends Quarterly* survey, 1Q 2011.

With respect to property sector risk, apartment properties received the highest return versus risk rating during first quarter 2011, with a rating of 6.7 on a scale of 1 to 10, with 10 being high, followed by the industrial sector with a rating of 5.5, indicating that the return on these two property types was generally higher than the amount of risk involved. The office sector received a rating of 4.5, the lowest return versus risk rating among the major property sectors, with the retail and hotel sectors each receiving a rating of 4.8. (See Exhibit 5.)

Value Recovery Underway

CCIM members also are seeing a recovery in value for each of the major property types. The value versus price rating increased over the previous quarter for every property sector, indicating that CCIM members in general believe the value of property is higher than the price being paid. (See Exhibit 5.)

With a rating of 5.7 on a scale of 1 to 10 with 10 being high, the industrial sector received the highest value versus price rating, beating out the apartment sector for the first time in more than two years. The apartment sector rating increased slightly to 5.4, while the retail and hotel sector ratings each increased to 5.3. The office sector received the lowest value versus price rating, as well as the lowest return versus risk rating.

Overall, the outlook for the commercial real estate industry is for a continued but slow value recovery, as each asset class will have different levels of value recovery. RERC estimates that class A to B+ property values should increase by approximately 7.5 percent in 2011, which would be a cumulative value increase from the trough of approximately 15 percent. Class B to C+ properties and class A+ properties reflect a one-year value increase between 5 percent and 12 percent, respectively. Adding in an income return of 6.5 percent, total returns range from

11.5 percent to 18.5 percent on an unleveraged basis for 2011. (See Exhibit 6.)

Property Sectors: Follow the Fundamentals

Multifamily. Given the weak housing market and increasing demographics that favor the rental market, the apartment sector is the least risky of the major property types nationally and in most regional and metro areas. In addition, apartment fundamentals have been improving over the past year. Vacancy declined to 6.2 percent in 1Q11, according to Reis, and effective rent increased by 0.5 percent, with rents expected to continue to increase during the rest of 2011.

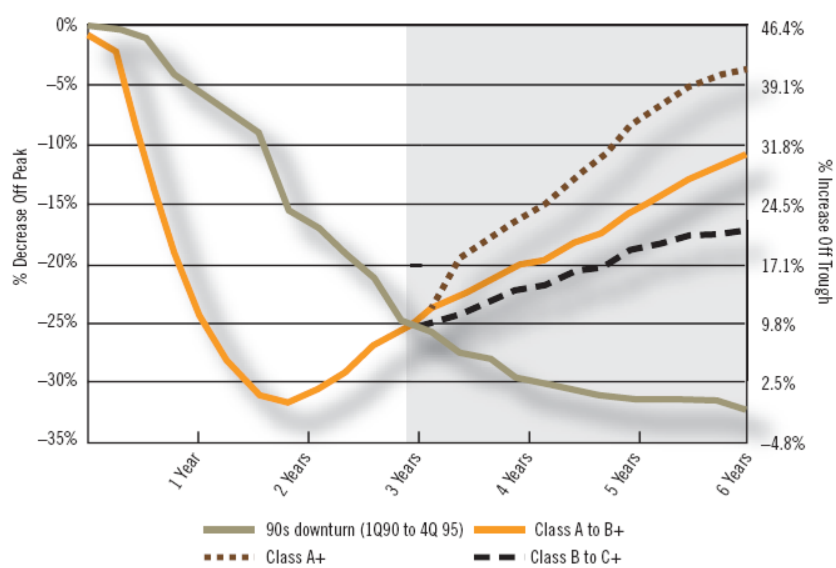
However, there is pricing pressure even for this tried-and-true property sector. According to RERC's analysis, apartment sector volume increased by 17 percent during 1Q11 on a 12-month trailing basis for transactions of less than $2 million, although the average size-weighted price declined to approximately $36,550 per unit, which was about 9 percent lower than the previous quarter. The weighted-average cap rate for all transactions remained unchanged at 6.1 percent.

Industrial. Known as the "steady Eddie" of commercial real estate, industrial sector fundamentals also are improving. The availability rate fell to 15.9 percent during 1Q11, and asking rent grew 3.2 percent on an annual basis, according to Grubb & Ellis. Further, net absorption - primarily in the warehouse sector — is expected to rise to approximately 60 million sf in 2011 and could double in 2012. Although RERC's 12-month trailing analysis indicates that the volume of transactions less than $2 million increased by more than 12 percent for this property type in 1Q11, the size-weighted average price of industrial space declined to $40 per square foot, approximately 9 percent less than the previous quarter. However, the weighted-average cap rate for all transactions declined by 10 basis points to 7.6 percent.

Retail. Although the retail sector carries the inherent risk of a weakened consumer as well as a general oversupply of product, the vacancy rate has remained unchanged at 10.9 percent for several quarters, according to Reis, and absorption is starting to improve. Neighborhood/community retail centers are faring better than regional malls, but asking and effective rents declined for both retail sectors by 0.1 percent. RERC's 12-month trailing analysis shows that the volume of transactions less than $2 million increased by more

EXHIBIT 6. **VALUE RECOVERY**

Shaded area reflects RERC's outlook from 2Q11 to 1Q14.



than 16 percent in 1Q11. A relatively high number of distressed and foreclosed sales comprised the transactions for the retail sector (along with the office and hotel sectors); however, the size-weighted average price of retail space declined by 9 percent to around $68 psf. Even so the weighted-average cap rate declined 50 basis points during first quarter, dropping to 7.7 percent.

Hospitality. Last year was good to the hotel sector, and the early forecast was for further strengthening fundamentals in 2011. However, subdued consumer spending and increasing gas prices have weakened the hotel sector, increasing hospitality's investment risk somewhat. Even so, occupancy increased 12.2 percent to 60.8 percent in 1Q11, according to Smith Travel Research, and the average daily rate increased 5.3 percent to $100.18, while revenue per available room increased 18.1 percent to $60.91. In addition, volume for hotel transactions less than $2 million increased approximately 30 percent in first quarter, according to RERC's 12-month trailing analysis, although the average price per unit declined 18 percent to about $17,950. The weighted-average cap rate remained steady at 7.1 percent for hotel properties.

Office. Given the lack of office-using employment growth and the increasing ability to work from home, the office sector, especially in most secondary markets, is generally the riskiest investment property. However, there are some positive fundamentals. Office vacancy declined to 17.5 percent in 1Q11, which was the first decline since the recession began, according to Reis. Absorption was positive and asking and effective rents increased for the second consecutive quarter. RERC's 12-month trailing analysis indicates that the volume of transactions $2 million or less increased by nearly 5 percent in first quarter, but the size-weighted average price psf of office space declined by about 5 percent to $76 psf. However, the weighted-average cap rate for the office sector increased by 10 basis points to 6.8 percent, the only property type where the cap rate increased during first quarter.

Top Investment Markets

The market is recovering by fits and starts. On a regional basis, the size-weighted average price psf of 12-month trailing transactions less than $2 million for all the major property sectors in the West region were significantly higher than the national average during 1Q11, while the price psf of Midwestern transactions less than $2 million were significantly lower than the national average.

On the other hand, RERC's analysis shows that the average transaction prices for the South and East regions were mixed. The 12-month trailing size-weighted average price of industrial, retail, apartment, and hotel transactions of less than $2 million in the South were lower than the national average, while the price of office space was about the same as the national average. In the East, the 12-month trailing size-weighted average price for transactions of less than $2 million were lower than the national average in the office, industrial, and hotel sectors, while prices in the retail and apartment sectors were higher than the national average.

As investors move out on the risk spectrum and the resolution of distressed properties continues, the number of transactions will continue to increase in the secondary and tertiary markets. Already there is improvement in some of the major markets such as Washington, D.C., San Francisco, and Houston, and RERC's analysis indicates that commercial real estate returns are poised for improvement in such markets as Oklahoma City, Denver, Pittsburgh, Baltimore, and Austin, Texas.

Investors are incorporating a variety of creative strategies to avoid additional risk and to make their investments work. For investors who wish to avoid the 100-ormore- point gyrations of the stock market or the paltry returns of cash or bonds, commercial real estate and the measured risk available with this asset class could offer a reasonable return - if the terms of the investment are right.

2011Q2 Office, Industrial, Retail, Multifamily and Hotel Cap Rates and Price per SF Report
2011 年第二季度各類商業地產的投資回報率以及每尺均價

(CCIM Third Quarter 2011 Report)

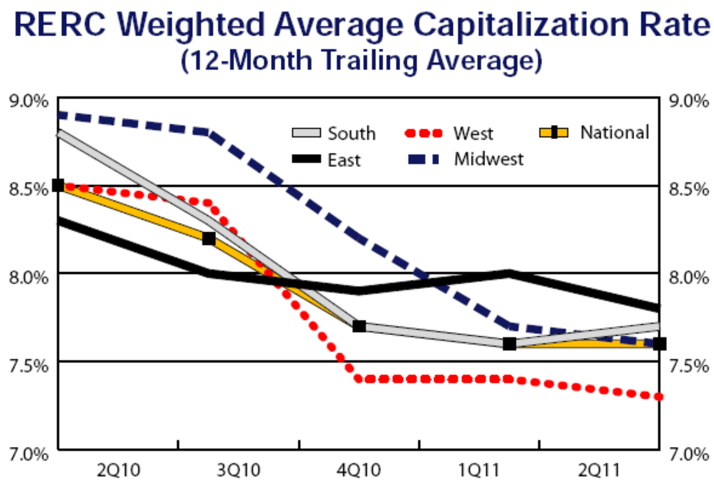
National Office Property Sector

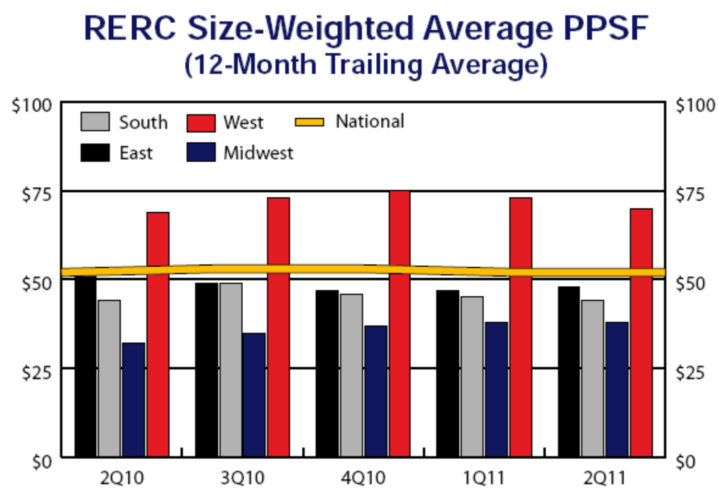
During second quarter 2011, the majority of RERC/CCIM Investment Trends Quarterly survey respondents said that distressed office properties were among the most popular office transactions. Transactions of normal and foreclosed office properties also occurred, but they were not as common as those for distressed properties. Depending on the region, respondents reported that both buyers and sellers were finding office space attractively priced.

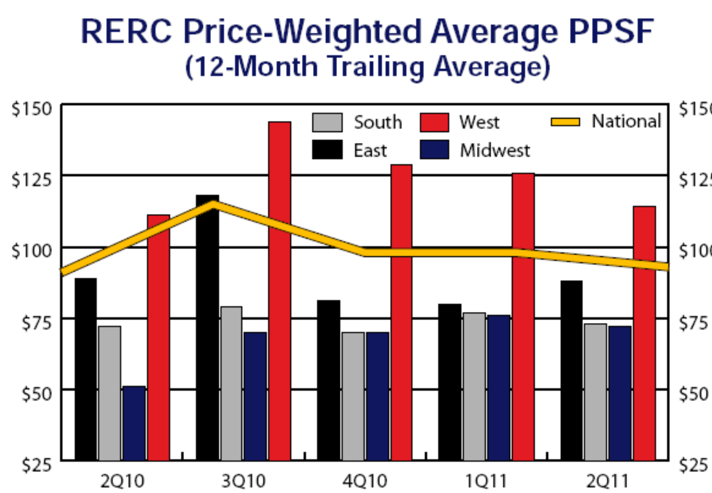
Twelve-month trailing total transaction volume for the office sector increased by approximately 20 percent during second quarter 2011, and the size-weighted average price per square foot of office space also increased, though not significantly. The weighted-average capitalization rate declined to 6.5 percent on a 12-month trailing basis during second quarter, after increasing the previous quarter.

After falling the previous quarter, office sector total volume increased significantly on a quarterly basis. The quarterly size-weighted average price per square foot increased nearly 20 percent in second quarter 2011, after fluctuating over the past several quarters.

Both volume and price increased for office transactions greater than $5 million on a 12-month trailing basis during second quarter 2011. However, for transactions that totaled less than $2 million, volume increased, while







price decreased.

According to Reis, Inc., the vacancy rate for the office sec-tor remained unchanged at 17.5 percent during second quarter 2011. Net absorption was 3.9 million square feet, which was less than the amount of space absorbed during first quarter. Asking and effective rents rose by 0.3 percent and 0.4 percent, respectively.

National Retail Property Sector

With weak retail sales, the retail property sector continued to struggle during second quarter 2011, according to RERC/CCIM Investment Trends Quarterly survey respondents. Distressed retail properties were selling better than normal and foreclosed retail properties, and like the other property sectors, retail property could be bought at an attractive price.

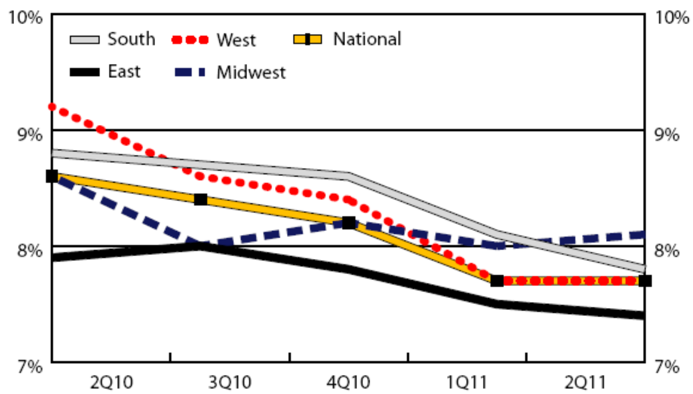
While 12-month trailing total retail property volume rose 50 percent from the previous quarter, the size-weighted average price per square foot declined nearly 10 percent during second quarter 2011. The 12-month trailing weighted average capitalization rate remained unchanged at 7.7 percent, halting the downward trend over the past year.

On a quarter-to-quarter basis, retail sector total volume jumped significantly during second quarter 2011, while re-tail property price on a quarterly basis fell nearly 15 percent.

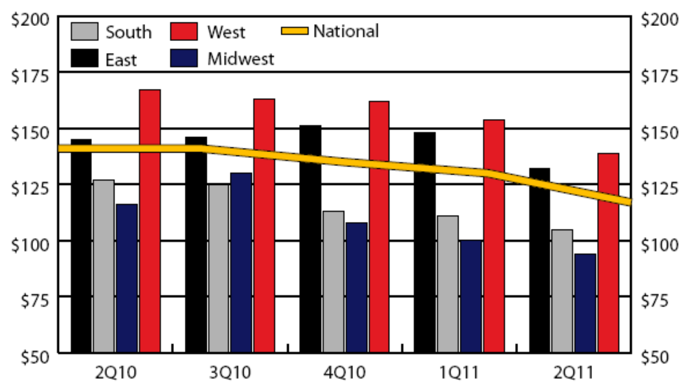
Although retail sector volume increased on a 12-month trailing basis for transactions of less than $2 million, between $2 to $5 million, and greater than $5 million, the price for retail properties in each of these transaction categories decreased.

According to Reis, Inc., the retail sector vacancy rate in-creased to 11.0 percent during second quarter 2011, after

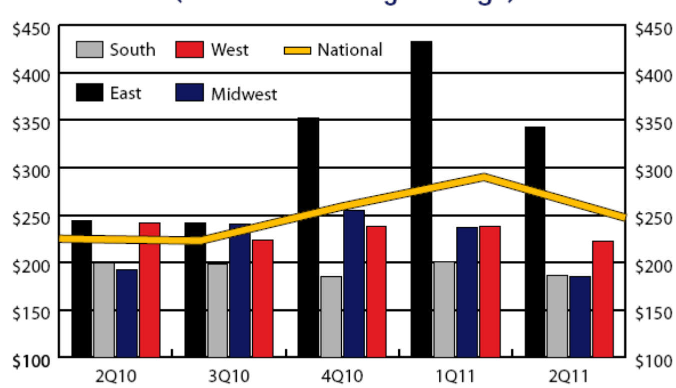
RERC Weighted Average Capitalization Rate
(12-Month Trailing Average)



RERC Size-Weighted Average PPSF
(12-Month Trailing Average)

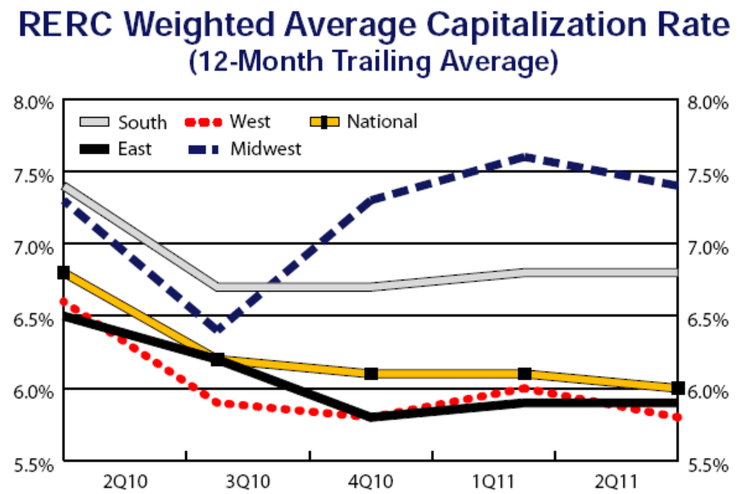


RERC Price-Weighted Average PPSF
(12-Month Trailing Average)

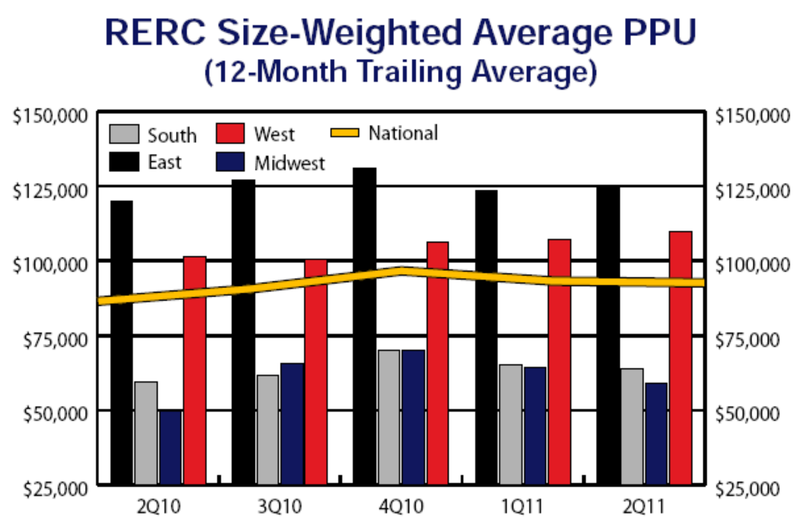


remaining at 10.9 percent for the past year. However, only 638,000 square feet of new neighborhood and community center space came online, the second-lowest level of new deliveries for any quarter since Reis began publishing quarterly data in 1999. Asking and effective rents were both flat this quarter.

National Apartment Property Sector



Despite the economic uncertainty, the apartment sector is expected to continue to perform well in most markets, according to RERC/CCIM Investment Trends Quarterly survey respondents. The majority of respondents reported that normal apartment properties (as opposed to distressed properties) sold the best within the apartment sector. In addition, the majority of respondents said that the apartment property prices were particularily attractive for sellers.

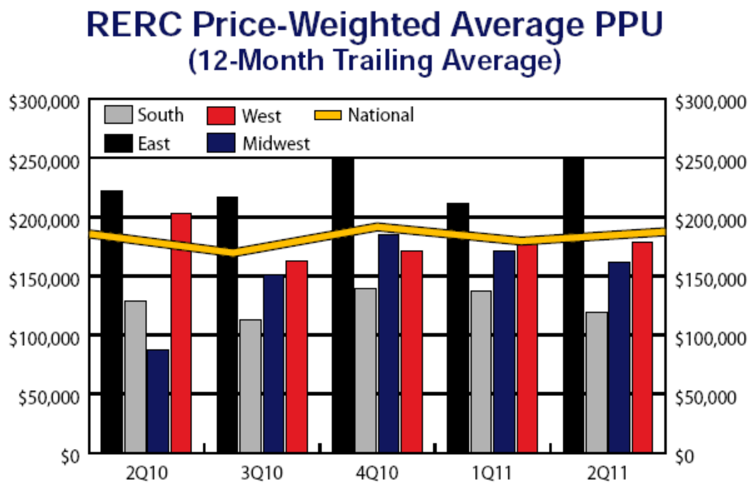


The 12-month trailing total volume for the apartment sector rose 20 percent in second quarter from the previous quarter, while the size-weighted average price per unit declined slightly. The 12-month trailing weighted-average capitalization rate declined to 6.0 percent during second quarter 2011.

Quarterly apartment sector total volume increased 45 percent in second quarter 2011, which was a huge difference from last quarter's decline. Likewise, the quarterly size weighted average price per unit rose nearly 5 percent from the previous quarter.

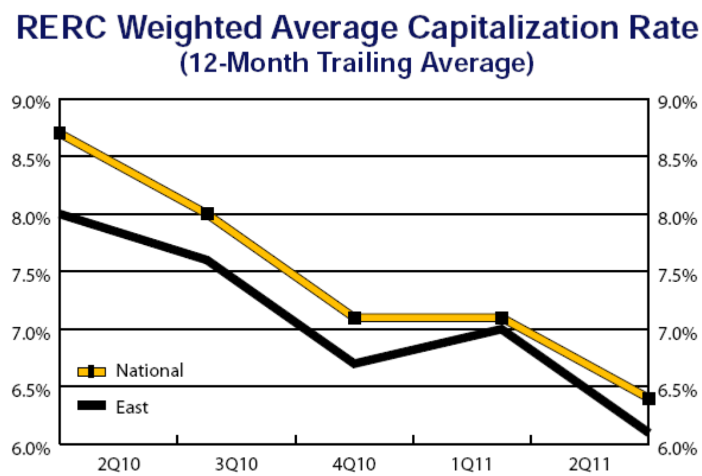
While the apartment sector volume for transactions that totaled greater than $5 million increased on a 12-month trailing basis during second quarter 2011, the size-weighted average price per unit remained mostly flat. In comparison, the volume for transactions of less than $2 million rose while the size-weighted average price per unit decreased.

The apartment sector vacancy rate declined to 5.9 percent during second quarter 2011, according to Reis, Inc. Asking and effective rents increased 0.6 percent. In addition, there were only approximately 8,700 new completions in second quarter, the second-lowest quarterly figure on record since Reis began publishing data in 1999.



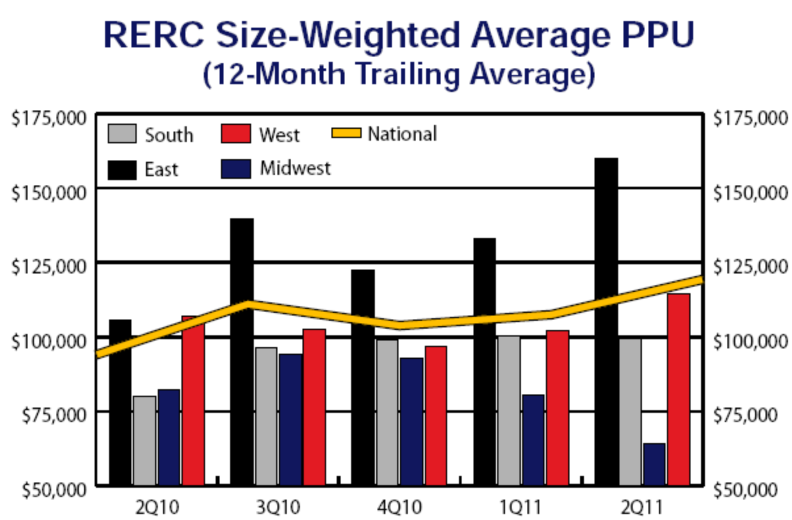
National Hotel Property Sector

While distressed hotel properties sold well, normal and foreclosed hotel properties were not as popular, according to RERC/CCIM Investment Trends Quarterly survey respondents. The majority of respondents said that hotel sector pricing was too high during second quarter 2011.



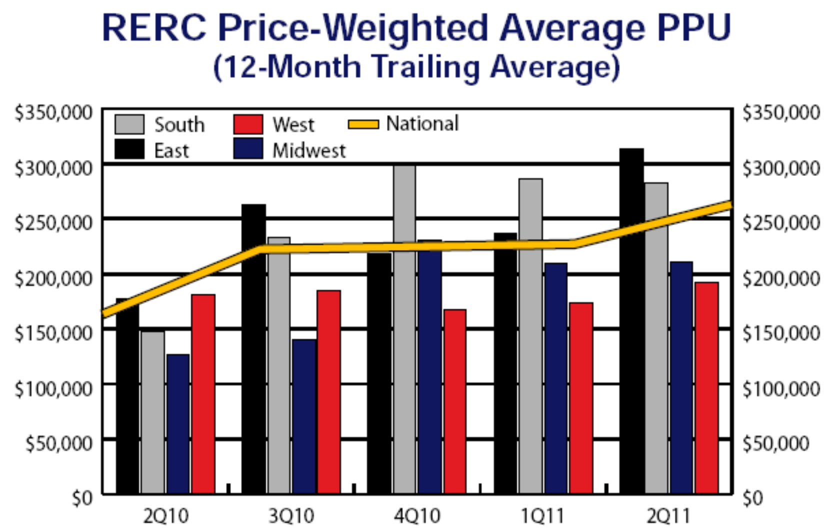
During second quarter 2011, the 12-month trailing total volume and size-weighted average price per unit increased approximately 30 percent and 10 percent, respectively. The weighted-average capitalization rate dropped to 6.4 percent on from the previous quarter on a 12-month trailing basis.

On a quarter-to-quarter basis, hotel sector volume increased significantly during second quarter 2011 from the previous quarter, while the price per unit rose approximately 30 per-cent.



Twelve-month trailing volume and price for transactions greater than $5 million increased during second quarter 2011. However, while the volume for transactions of less than $2 million also increased in second quarter, prices fell from the previous quarter.

According to Smith Travel Research, hotel sector occupancy rose 2.8 percent to 71.6 percent compared to a year ago. Likewise, the average daily rate (ADR) increased 3.3 percent to $102.33, and revenue per available room (RevPAR) rose 6.2 percent to $73.30 during second quarter 2011.



Cash Flow Tips: New Revenue Streams for Commercial Real Estate
商業地產增加收入的十條新策略

By: Martin N. Burton (CCIM)

Business owners have been cutting expenses, reducing payroll, and trying to chase down new sources of cash flow for two years. Yet, as the economic recovery lags, many realize they need to do even more. But what is left to cut? Where can they find new streams of revenue?

Real estate is often a company's first or second most valuable asset, so real estate-related moves have the potential to provide the biggest return on investment. Here are 10 original — and, in some cases, counterintuitive — strategies that commercial real estate professionals and their clients can employ to find additional savings and new avenues for cash flow, all based on real estate-related assets.

1. Pay 18 Percent Interest — and Save

Hard-money lenders usually are thought of as lenders of last resort, but savvy investors know when to use them as lenders of choice. Having a strong relationship with a private lender can help investors move quickly to seize fleeting opportunities before they vanish.

One client, a hard-money lender, helped a borrower pay off his $32 million loan two years early for just $21 million. The key was a quick closing. The original lender was struggling and needed to raise capital. It offered to cut the principal owed by the borrower in return for an early repayment. Scrambling, the borrower called up my client, who supplied half of the $21 million needed, secured by a first mortgage on the property, for 18 percent interest. The borrower supplied the rest of the pay-off amount, and the whole deal closed in three weeks. Within six months the borrower had refinanced with a new 6 percent loan. This was a win-win-win: The lender received immediate cash, the hard-money lender earned 18 percent interest, and the borrower not only saved $11 million but ultimately reduced its interest rate by four percentage points.

For opportunities that can't wait for an institutional lender, a hard-money lender can help make it happen.

2. Divide and Prosper

If the time has come to sell off an asset, owners can maximize the chances of sale and total return by selling off smaller parcels instead of a single large one. Not only do smaller parcels typically sell for higher per-square-foot values, but their lower overall prices attract more potential buyers.

In jurisdictions with complex land-use regulations, simpler lot-tie terminations or lot-line adjustments often work. For example, one national corporation needed only half of its two-building Los Angeles campus for operations. It decided to consolidate its personnel in one building and sell the other. All that was needed was to terminate a single lot-tie covenant, a procedure processed at building department staff level. In a matter of months, the client had secured a permit to physically separate the formerly conjoined buildings, finished the construction work, terminated the lot-tie covenant to separate the parcels, and was able to sell one site separately.

3. Increase Value

The subdivision example above illustrates an important land-use principle: Scale down complexity to lower costs and enhance chances for approval. For example, if residential construction will exceed square-footage maximums, instead of seeking a variance — requiring a discretionary public hearing — convert part of the project into basement space, which won't count toward habitable square footage calculations and requires no hearing.

And before selling assets, owners should determine if they can quickly secure entitlements that will increase the sales price. Entitlements to add density, renovate space, increase parking, change use, or otherwise add to the value of a property before it is placed for sale aren't always as hard, expensive, or uncertain as they might seem.

4. Find Power in Numbers

Sophisticated property owners devote substantial time to selecting top legal counsel, but many times they fail to recognize the tangible benefits a superior accountant may bring, year after year. For example, most accountants know to depreciate a real estate asset over a standard 39.5-year period, but accountants who specialize in real estate investments can tell you when to perform a cost segregation — accelerating depreciation of costs by segregating categories of improvements.

Parking lots, for example, can be depreciated over 15 years, and individual improvements within offices or apartment units — doors, for example — can be depreciated over just five years. Such accounting techniques work particularly well for real estate developments with divisible units: hotels, apartment complexes, and office buildings, for example.

And for owners whose projects have turned into financial disasters during the recession, an excellent accountant can help to maximize those losses against other gains.

For one client with an underperforming project, my best advice ever was to refer him to a top quality, creative accountant, who applied the techniques above to find $140,000 in overpaid taxes that a previous accountant had failed to see.

5. Embrace This Audit

Some companies have begun to adopt green practices, such as switching to fluorescent bulbs, or making sure employees turn off lights and computers regularly at the end of each day. But a comprehensive energy audit can help leverage the benefits of these improved practices to achieve even greater savings.

A professional energy audit will cover multiple approaches to reducing costs: operational changes, technology upgrades, equipment retrofits, and energy control measures. Importantly, a professional firm will provide benchmarks that compare an asset's energy costs to the competition. Since some states require owners to disclose to tenants, lenders, and buyers the energy consumption rating for their commercial buildings, an all-inclusive energy audit can be used for both purposes.

Some practices cost little to nothing and can be implemented immediately. Power strips, for example, automatically turn equipment off after a preset period of inactivity to reduce plug load: This move can shave 10 percent to 15 percent off energy costs. Operational changes such as shifting use of energy-intensive equipment to off-peak hours (with less expensive rates) can often be implemented with little impact.

Other retrofits require capital but pay dividends over the future. Energy efficient windows, roofing, and insulation all can have a significant impact on energy costs. A comprehensive approach to energy savings can help owners schedule upgrades and changes for maximum impact.

6. Bond with PACE

Property Assessed Clean Energy bonds can make green retrofitting even easier, allowing cities to finance a property owner's green improvements. The owner repays the loan through tax assessments on that property over 20 years. In many cases, the money saved in reduced energy expenses is enough to cover the loan and bring in cash flow.

Last summer, Fannie Mae and Freddie Mac announced that they will no longer allow PACE financing on mortgages they buy, freezing PACE financing for all residential projects. The good news is that, as a result, funding for PACE bonds has migrated to the commercial sector, creating more programs tailored to meet the needs of commercial projects.

7. Get Paid for Rays

Until recently, electricity generated from solar panels on one's property could only be used to offset the electricity used on that site. Now, feed-in tariffs allow property owners to sell excess solar power directly to a utility. The electricity generated on rooftops feeds into the utility's power lines, for which the utility pays a tariff to the property owner.

A pay-for-rays program like this has been used successfully in Germany since 2000 to produce enough solar-generated electricity to power 750,000 homes, establishing Germany as the world leader in solar production. Properties that use little on-site energy (such as warehouses and parking lots) or whose owners are not otherwise able to benefit from electric bill credits (such as apartment and office property owners) would then have an incentive to add solar panels.

8. Increase Parking Revenues

Parking operation changes hold enormous upside potential for properties located in high parking demand areas. This is because the primary investment required to raise parking income is in management and not physical construction. A change in operations can unlock the hidden value in pricing for weekend, weekday, in-season, out-of-season, reserved, and valet parking, increasing parking "turns" and, consequently, revenues. Even changing the mix of just a portion of stalls from monthly reserved parking to daily or hourly parking can have a substantial impact on cash flow. Contact a parking professional for a look at just how much money can be made.

9. Consolidate and Save
Many companies keep scores of affiliated entities on the books — mainly title-holding limited liability companies, corporations, and partnerships. Across multiple jurisdictions, it becomes increasingly costly to track compliance, submit annual filings, keep corporate records, and stay up-to-date on changes in each jurisdiction. The penalty for not keeping an entity registered can be significant transaction delays.

Some corporate services offer volume discounts to handle all of a company's registration and corporate maintenance nationwide. One real estate developer, for example, has saved tens of thousands of dollars in annual out-of-pocket and staff costs by outsourcing its corporate maintenance for more than 100 entities.

10. Cut Litigation Risks

Litigation happens, but there are intriguing new ways to manage the risks and minimize costs. For example, insurance has recently become available for both plaintiffs and defendants that will pay the other side's attorneys' fees in the event of an adverse judgment. This can help make litigation costs more predictable.

Cutting expenses and finding new revenue streams is not glamorous work. It is the "blocking and tackling" of real estate management. But piecing together initiatives will advance the ball down the field — slowly but surely — and, perhaps, even score a touchdown.

Office Space Tightening Amid Greater Economic Concerns
雖然經濟前景堪虞，高級辦公樓需求走強

By: Nicholas Ziegler (Commercial Property Executive)

If you had to distill the state of the U.S. office market into one adjective, it could be "turbulent." Despite continued economic volatility and sluggish growth, many economists are seeing strong fundamentals and portions of the tightening office market seem to bolster that idea. According to a new report by Jones Lang LaSalle, flexibility is going to be the key to meet rapid market changes.

"Increased office space demand, though highly varied across industries, geographies and product types, is placing pressure on corporate occupiers to execute transactions now to either accommodate growth or seize upon remaining market leverage since the ability to lock in favorable terms may become more difficult," said Tod Lickerman, CEO of corporate solutions at Jones Lang LaSalle. "Regardless of where the economic needle moves in the next six to 12 months, corporate real estate executives will continue to implement strategies that achieve cost savings, mitigate risk, shed surplus space and increase utilization rates."

Demand remains strong in the top tiers of the market, with trophy and Class A spaces drawing the bulk of activity and interest. According to the report, "this trend will continue until there is a transition in the economic environment toward significant widespread growth."

The anemic second quarter of 2011 did little to help the recovery in real estate. GDP moved up only 1.3 percent, dragged down by weak customer spending and government slowdowns. In the last 12 months, U.S. GDP has averaged only 1.6 percent, illustrating a recovery that has lost significant steam. But that recovery could be driven by the need for office space, net absorption rose to nearly 11 million square feet, its highest level since the end of 2007, during 2Q11. Demand was strongest in New York City, Dallas, Houston and Seattle.

Some of the moves have been driven by a flight to quality, those top levels of the market. The overall vacancy rate in Class A space this past quarter declined from 18.4 to 18.1 percent. And occupier demand also accelerated, with 73 percent of tracked markets registering a decline in the number of office options available. But spread between availability of premiere CBD space versus suburban space and between Class A and Class B product is showing even higher discrepancies than last quarter. At the end of the second quarter, the CBD vacancy rate was 15.0 percent compared to the suburban rate of 20.0 percent on a national basis.

"Occupiers are leaving behind older, less efficient space and outdated suburban campuses for the open layouts of modern buildings in core urban areas," said Kenneth Rudy, International Director, Corporate Solutions at Jones Lang LaSalle. "These pockets of the market enable companies to tap into a broader talent pool and be on the leading-edge of innovation, a non-negotiable competitive advantage in today's market."

Net Lease Investors Remain Enamored With Drugstores
藥店的低風險和穩定收入吸引投資者

By: ELAINE MISONZHNIK (Retail Traffic)

Net lease investors can't seem to get enough of the drugstore sector with sales today being driven by a desire among both lenders and buyers for low risk assets with a steady income stream.

According to a report on the second-half outlook for net lease properties from Marcus & Millichap Real Estate Investment Services, drugstore sales were up 10 percent, supporting a 3 percent rise in the median price for the sector to $334 per square foot. Yields have fallen to the high-6 percent to mid-7 percent range.

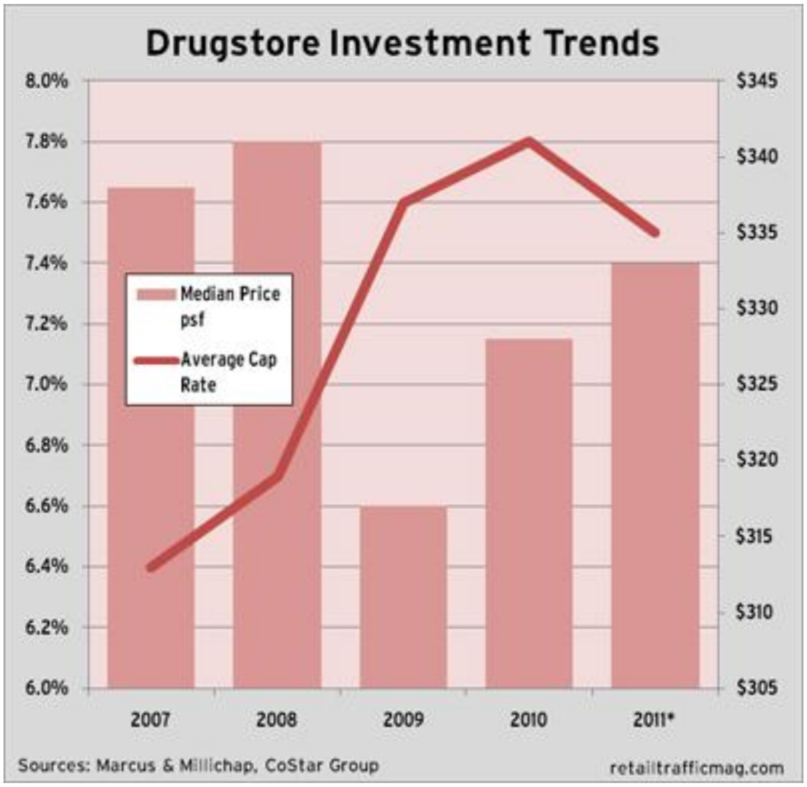
Investors view drugstores the same way they view long-term bonds—as a safe bet with a guaranteed long-term return, according to Brad Pepin, director with Stan Johnson Co., a Tulsa, Okla.-based commercial real estate investment firm specializing in net lease properties. That's because drugstore chains typically sign leases for at least 20 years, with additional renewal options extending their terms to as much as 75 years in total. Moreover, two of the three major drugstore chains in the market—Walgreen Co. and CVS Caremark Corp.—come with investment grade credit ratings. That makes it easier for buyers to secure financing and is a big reason why the assets continued to trade throughout the downturn.

"They are popular because the majority of the financing available today is specifically for these kinds of properties," says Randy Blankstein, president of The Boulder Group, a Northbrook, Ill.-based brokerage and advisory firm that focuses on the single-tenant net-lease sector. Drugstores are eligible for credit tenant loans (CTLs), which lenders give to properties that have tenants with investment grade credit ratings. The loans come with multiple perks, including higher than average leverage ratios, low debt service coverage and no recourse.

Today, net lease buyers can secure non-recourse financing with interest rates in the mid-5 percent range, 60 to 70 percent LTV ratios, 10-year terms and 30-year amortization schedules. With CTL loans, lenders often provide leverage ratios of up to 85 percent for buyers of Walgreens and CVS drugstores, according to Blankstein—something they are unlikely to see outside the pharmacy sector.

What's the attraction?

While institutional investors have turned their attention from core assets to class-B properties in smaller markets recently, the bulk of investors in single-tenant net leased buildings are still private individuals who continue to prefer relatively safe bets. Walgreens and CVS locations offer safety because of the high credit ratings of the companies—Moody's currently rates Walgreen Co.'s long-term debt at A2 and CVS Caremark's long-term debt at Baa2. Standard & Poor's gives Walgreen Co. an A rating and CVS Caremark a BBB+ rating.



Drugstores also sign leases that feature the longest terms among the tenants in the retail net lease universe, according to Nick Coo, director in the Irvine, Calif. office of Faris Lee Investments. They typically sign for an initial term of 20 to 25 years, whereas a big-box tenant would only agree to a 10-year lease.

The price point for drugstores, which tends to be in the $3.5 million to $10 million range, makes them a particularly attractive product for net lease investors. Fast food restaurants usually trade under $2 million and attract all cash buyers. Big boxes, which start at $10 million, might be too expensive for some. Drugstores, meanwhile, are relatively affordable for the vast majority of investors and provide the opportunity to build in leverage, according to Coo.

“These projects are easily financeable, and then the lease term is one that allows for easy refinance if there is a 10-year term on the loan,” says Coo. “It’s a great product for a market that’s seeking passive income.”

Cap rate equation

As a result of high demand, cap rates for drugstores tend to be significantly lower than cap rates for net leased properties occupied by other retailers. In the second quarter, asking cap rates for all net leased retail properties came in at 8 percent, according to a report from The Boulder Group. They also increased 17 basis points from the first to the second quarter.

Median cap rates for Walgreens sites, on the other hand, came in at 6.8 percent, 5 basis points below where they were in the first quarter and 100 basis points lower than the asking cap rate for net leased retail properties as a whole. Median cap rates for CVS locations came in at 6.9 percent, because of CVS Caremark's slightly lower credit rating than Walgreen Co.'s.

In fact, depending on the market, some Walgreens and CVS sites are trading at cap rates that are as low as 6.25 percent or 6.5 percent, according to Gregory M. Dalton, senior vice president and leader of the net lease properties group with CB Richard Ellis. For example, Dalton's team recently helped negotiate a 1031 exchange of a Walgreens in Northern California that was closed at a 6.25 percent cap rate.

"We do see a premium for certain locations—typically in California, in the larger metro areas, there is a premium between 25 and 35 basis points for a Walgreens or a CVS," he says. "And the same holds true for certain areas on the East Coast."

Brokers expect that current cap rate levels will hold steady for the next six months, driven by affordable financing terms. At the same time, the fact that there are plenty of drugstores available on the market—Brad Pepin estimates there might be more than 200 available nationally right now—will prevent further cap rate compression.

Also, "lenders are not giving out as overly aggressive loan terms as they were in 2006 and 2007," he adds. "Therefore, because the debt terms are more conservative, cap rates are going to stay at a level they are today."

The rankings

Not all drugstores are created equal, however. Because Walgreen Co. has high marks from the rating agencies, it is viewed as the most desirable operator followed closely by CVS Caremark. Both, however, are far more sought after than Rite Aid Corp. Standard & Poor's gives Rite Aid Corp. a credit rating of a B-, indicating that it is on a watch list for default. As a result, risk averse investors have stayed away from Rite Aid locations for most of last year, and this year are only buying those properties at cap rates that start in the 9 percent range, according to Blankstein.

Still, because the higher risk profile of Rite Aid Corp. has the potential to deliver a better yield, investors continue to look at the chain's stores. Marcus & Millichap, for example, has sold 20 Rite Aid drugstores year-to-date, out of 100 single-tenant net leased drugstores, according to Bill Rose, director of the firm's national retail group.

The difference is that with Rite Aid sites, investors dig down to the level of the individual location to figure out if buying makes sense. If sales are high and the store can be easily leased to another tenant should Rite Aid leave, they will go after the property, according to Coo. If sales at the store are lackluster and the location mediocre, investors will pass.

As a rule, though, drugstore boxes, which range from 10,000 square feet to 14,000 square feet and often take prime corners, can easily be replaced by alternate space users, says Rose. He notes that both Wal-Mart Stores Inc. and Target Corp. have recently started working on smaller concepts, in addition to a number of other chains.

"It's a perfect size fit for many retailers," Rose says.

CMBS Delinquency Rate Recedes Sharply in August
CMBS 貸款拖欠率 8 月大幅回落

Drop is second largest since Credit Crisis began; Third fall in the last four months

The Numbers

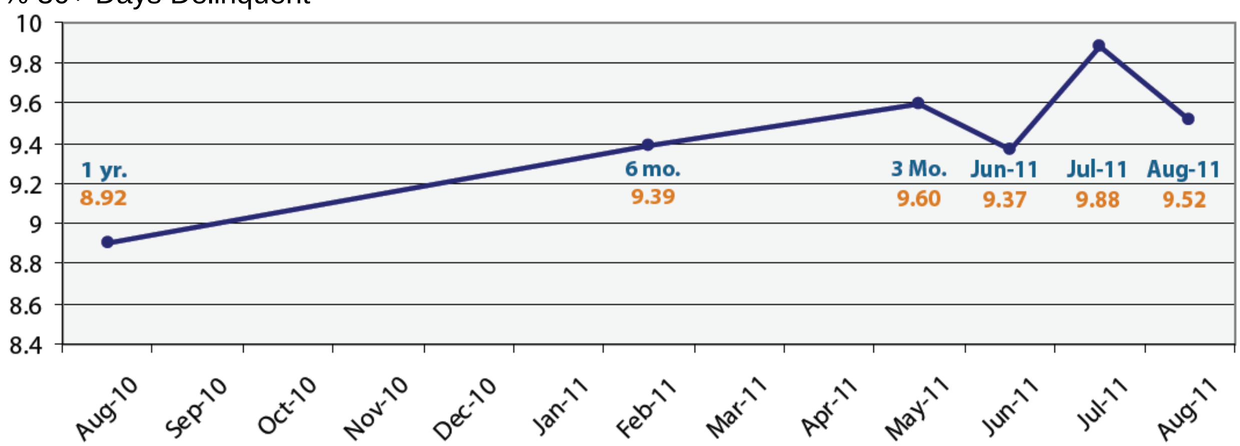
Overall U.S. delinquency rate falls to 9.52%, a decrease of 36basis points

Percentage of loans 30+ days delinquent or in foreclosure:
August: 9.52% | July: 9.88% | June: 9.37%

Delinquency Status	%
Current	89.84
30 Days Delinquent	0.73
60 Days Delinquent	0.40
90 Days Delinquent	2.21
Performing Matured Balloon	0.65 [1]
Non-Performing Matured Balloon	0.89
Foreclosure	3.25
REO	2.04

1 - Loans that are past their maturity date but still current on interest are considered current.

% 30+ Days Delinquent



Industrial rate jumps;
All other major property types flat or improved;
Multifamily remains worst performer

Property Types - % 30+ Days Delinquent	Aug-11	Jul-11	Jun-11	3 mo.	6 mo.	1 yr.
Industrial	11.24	11.09	11.68	11.96	10.44	6.56
Lodging	13.76	15.04	13.87	15.37	14.61	18.92
Multifamily	16.44	16.94	16.48	16.71	16.61	14.53
Office	8.17	8.17	7.35	7.23	7.10	6.57
Retail	7.38	7.85	7.82	7.94	7.81	6.76

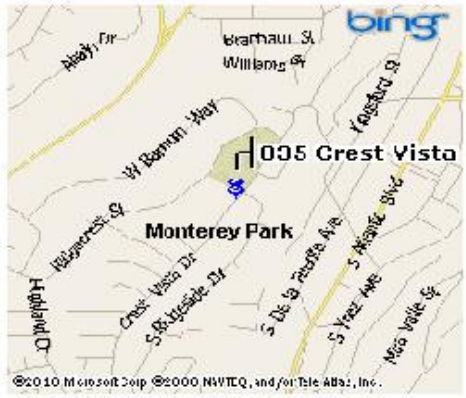
Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

(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	0-0.25	0-0.25	-	-2.00
Prime rate*	3.25	3.25	3.25	3.25	-	-1.75
Libor, 3-month	0.34	0.33	0.34	0.25	-0.04	-2.48
Money market, annual yield	0.56	0.57	0.73	0.56	-0.17	-1.90
Five-year CD, annual yield	1.71	1.72	2.34	1.71	-0.62	-2.54
30-year mortgage, fixed	4.36	4.46	5.21	4.32	-0.25	-1.83
15-year mortgage, fixed	3.53	3.58	4.57	3.53	-0.56	-2.22
Jumbo mortgages, $417,000-plus	5.00	5.04	5.89	5.00	-0.58	-2.31
Five-year adj mortgage (ARM)	3.13	3.14	5.79	3.00	-0.40	-2.83
New-car loan, 48-month	4.26	4.46	6.16	3.75	-1.90	-2.23
Home-equity loan, $30,000	4.75	4.75	5.17	4.25	-0.35	-0.67

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.