# COMMERCIAL REAL ESTATE MARKET UPDATE

## GENERAL
市場概括

- Weaker Near-Term Growth Undercuts Outlook for Commercial Real Estate Demand, Rents, Values
金融動盪阻礙經濟復蘇，近期增長走弱削減了商業地產需求、租金和價值的預期

## RETAIL
購物商場

- Major Challenges for Retail Centers: online shopping, mom-and-pop stores closing, retailers looking for smaller formats
購物中心面臨三大挑戰：網路購物盛行，小零售店倒閉，以及零售商準備縮小店面規模
- Influx of Health Clubs Helps Shopping Centers as Traditional Tenants Pull Back
健身俱樂部進駐購物中心，填補傳統租戶減少帶來的空白
- Half of U.S. Retailers Eyeing Expansion Thanks to Lower Rents, Landlord Concessions
低租金加業主優惠，半數美國零售商準備擴張
- Fresh & Easy Supermarket's strategy for U.S. Operations
Fresh & Easy超市策略供美國經營者參考：優質健康產品，豐富折扣優惠

## FINANCING
貸款與資金

- Life Companies Still Lead, but Banks Return to Financing Market
商業地產貸款提供方中，人壽保險公司仍在領跑，銀行迎頭趕上
- Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
消費者市場利率：房貸、基本利率、等等

## STC LISTINGS
STC 獨家代理物業出售

- San Gabriel Office/Retail
聖蓋博獨棟商用物業
- Santa Ana Preschool/Redevelopment Opportunity [In-Escrow]
橙縣幼稚園/重新開發機會
- Monterey Park Luxury Residence
蒙特利公園豪宅
- Crenshaw Retail Center
洛杉磯購物商場
- Monterey Park Retail Shopping Center
蒙特利公園購物商場
- Rosemead Development/Mixed-Use Land
柔似蜜公寓與商業土地開發機會
- Profitable Downtown Los Angeles Business [Coming Soon]
高盈利洛杉磯市中心商業【即將上市】
- Major Rowland Heights Shopping Center [Coming Soon]
大型羅蘭崗購物商場【即將上市】

## Weaker Near-Term Growth Undercuts Outlook for Commercial Real Estate Demand, Rents, Values
## 金融動盪阻礙經濟復蘇，近期增長走弱削減了商業地產需求、租金和價值的預期

By: Mark Heschmeyer (CoStar)

The effects from late summer's national and international economic challenges have cast a huge shadow over the commercial real estatemarket recovery. Nothing postpones a leasing, development or investment decision like the uncertainty surrounding the prospect of a national default, volatile stock markets, a slowdown in retail sales, slouching corporate profit growth, and declining bank lending.

These indicators (while still pointing toward growth) have generally grown progressively weaker since late 2010. And while last year they all pointed to improved employment recovery, that expected level of job growth no longer appears to be the case.

In light of the financial turbulence, CoStar's economists have joined other market watchers in re-assessing its recovery forecast from this past spring in light of the more sluggish growth occurring now.

Office: Weaker Near Term

By: Adrian Ponsen, CoStar Real Estate Economist

Of all the lackluster economic data that's surfaced during the past few months, one of the most concerning for the office market was the decline in the ISM Non-Manufacturing Index.

The recent movement in the ISM Non-Manufacturing Index (historically a strong leading indicator of office absorption) best encapsulates the economic slowdown described above and its implications for office demand.

CoStar projects weaker near-term office demand growth. With our weaker near-term expectations of office-using employment growth, we are expecting about 13% less office demand growth than previously forecast through 2015 and higher vacancies in the near term.

One blessing is that this downgraded demand outlook isn't surfacing at a time when developers are already underway on new projects. Along with weaker demand, supply growth will adjust accordingly, meaning fewer new projects will deliver during 2013-15.

The outlook for rents has deteriorated, but not severely. For example, whereas year-over-year rent growth of 2.6% was expected for mid-2012, the forecast now calls for a 2.1% growth rate.

The difference in forecast value growth is more material, as weaker NOI performance is expected to keep values nearly flat through early 2013. The strategic implications of the changing outlook are most important to value-add and opportunistic buyers, who depend on future growth to generate higher returns.

Warehouse: Still Has a Green Light

By: Shaw Lupton, CoStar Senior Real Estate Economist

Gauged by the shoring up of retail sales, manufacturing output and trade, the climate for warehouse demand has improved markedly since this time last year. However, the shocks to the system (oil prices, supply chain disruptions) that disrupted economic growth in the first half of 2011, combined with the recent turmoil in the stock markets, have led us to temper our near-term absorption expectations.

Consequently, we have also lowered our outlooks for rent and value growth. However, the takeaway remains the same: Now is an excellent time to invest in continued economic expansion by gaining exposure to warehouse properties.

Other lingering factors that could continue to hold back warehouse demand are shadow supply and oppressively low housing starts. Despite this, we remain cautiously optimistic that the pace of absorption will improve in coming quarters. There are good reasons for optimism.

Wholesale trade sales expanded at a 6% seasonally adjusted annualized real rate in the second quarter. Although lower than the previous quarter, this rate of growth is in line with the 2004-07 average.

With the ratio of wholesale trade inventories to sales within its "normal" band of about 1.1-1.2, firms have little choice but to restock in response to continued sales growth.

Inventory restocking has soaked up much of shadow supply in recent quarters, which should allow more future growth to translate to net absorption. As of June, wholesale trade inventories had clawed their way back to within 1.5% of their 2008 historical peak in real dollar terms.

Finally, we continue to see strong leasing of modern warehouse space in major distribution hubs, which bodes well for absorption in the second half of the year. Nationally, there were 10 deals between 500,000 and 1.4 million square feet signed in the second quarter alone, and many more in the over-250,000-square-foot range.

With construction at or near a low for the cycle, we expect a modest demand bounceback to translate into rent and income growth in coming quarters, giving developers the green light to build.

Retail: Little Margin for Error

By: Ryan McCullough, CoStar Real Estate Economist

The sluggish recovery scenario paints a bearish outlook for retail. The demand forecast is particularly dicey over the next four quarters; with a cumulative gain of just 1%, demand is barely expected to keep pace with population growth. This leaves precious little margin for error. Another shock like rising energy prices probably would be sufficient to send demand back into the red.

Growth in retail space, already weak, is even weaker in the current sluggish recovery scenario, and does not seriously threaten supply and emand fundamentals over the next few years. The end result is an economic vacancy curve that trends down over the forecast but at a sluggish pace indeed.

Much like demand, the outlook for rents and investment performance is notably weaker in the sluggish recovery scenario. Rent growth is expected to re-emerge in early 2012 but at a grinding pace. Values will bounce along the bottom through 2012, and cap rates will remain above 8% until 2013. Overall, rents and values will not come close to recouping their losses by 2015.

Apartment: Upside Has Been Largely Realized Short Term

By: Erica Champion, CoStar Senior Real Estate Economist

The performance of the apartment market has been very impressive over the past 18 months. However, the demand generated from falling homeownership rates, reduced shadow supply and decoupling of roommate and multigenerational households has largely been realized by now. Going forward, job creation will have to fuel further recovery.

But the job creation momentum that looked so promising at the very beginning of the year has been disappointing of late.

In a sluggish recovery scenario, stalled employment growth will dampen apartment demand throughout the forecast and most significantly through 2013. However, the low number of units in the supply pipeline and a lack of confidence in the single-family market should help maintain modest demands, and as a result, vacancy levels are not expected to reverse their downward trajectory.

As demand grows at a slower pace, however, developers will likely wait on the sidelines for a little while longer.

Rent growth for multifamily property will likely be less robust in the near term as vacancies hang a little higher, but should post similar growth during the outer years. The total hit to nominal asking rents would be about $50, or 3%, by year-end 2015. So while the national economic setbacks may rain on the parade, the forecast does not call for a violent downpour.

## Challenges for Retail Centers: online shopping, mom-and-pop stores closing, retailers looking for smaller formats
## 購物中心面臨三大挑戰：網路購物盛行，小零售店倒閉，以及零售商準備縮小店面規模

By: Natalie Dolce (GlobeSt)

SAN DIEGO-The Internet both gives and takes in the retail world. It gives retailers another channel for selling their goods, but it also takes something away from real estate owners who rely on retailers. That was one part of the message from David Henry, president and CEO of Kimco Realty Corp., at the ICSC Western Division Conference on Thursday.

Henry, the new ICSC chairman, cited the Internet's impact on retailers as one of three major challenges that the retail industry is facing. He delivered his remarks at an ICSC conference that drew more than 3,400 attendees at the San Diego Conventon Center, where the tone of the day was mostly optimistic.

"The geometric growth of online sales will have a significant impact on brick-and-mortar sales," Henry said. He pointed out that online sales are growing four times faster than sales at shopping centers. He said it is a common misconception to think that selling staples and necessary services would give immunity from this problem.

Rockin' Retailer Review

Diapers.com for example, he said, is having a direct impact on places like BabiesRUs. "When Amazon.com does not have to collect 8% to 9% sales tax for example, and our tenants have to, it is a very direct impact. It is something we can't ignore," Henry said.

The second challenge Henry pointed to involves mom-and-pop stores. "They continue to have significant difficulty getting credit and many of their credit lines have been cut," he said. "Many have gone out of business and have trouble keeping their lights on. The local stores continue to have a hard time supporting their businesses."

The third challenge Henry described is that as national retailers grow and expand, which is good, just about all of them want smaller prototype stores. "This impacts us directly when renewals come up," he said. "Some of those retailers have creative ideas on how we should take the back of the stores back. At the end of the day, they want a smaller box and that has a negative impact on us."

Working through those three challenges, Henry said, is in addition to fighting through the challenges in the economy. But on the positive side, he said, "the US continues to grow by three million people a year, who all need supplies." That, he said, in combination with virtually no large scale development, is good for the industry. "The development that you are seeing is mainly redevelopment, but not large scale development or new supply," the ICSC chairman said.

In general, Henry said the vital signs get better. "The key metrics are beginning to strengthen," he said. "Subject to some macro events that we can't control, our industry is healthier and things are getting better quarter by quarter. We are optimistic about going forward."

A few other trends that Henry mentioned included the growing Hispanic community and the impact of Internet social networking sites to drive traffic to properties. “We have gone through the storm and are on the other side of it,” he said. “The sun isn’t shining bright, but it is there.”

Following Henry's remarks, in a general session titled “Rockin’ Retailer Review,” approximately 20 experienced retailers discussed their greatest hits, what they are looking for, where they want to expand, and the kind of deals they expect to make. Moderator Denis Bar, ICSC Western Division retail chair and director of real estate for Fry’s Food Stores based in Phoenix, served as moderator.

Scott Gladstone, chief operating officer for Anna’s Linens, explained that the company has been able to expand in this environment. “We are using the economy to enter new markets,” he said. “We have an appetite for new stores and new opportunities.” In terms of criteria, Anna’s Linens seeks space that is between 8,000 to 12,000 square feet. In terms of demographic requirements, the company seeks a population of at least 150,000 with an income of around $40,000.

Autozone too is aggressively expanding. “The economy has been good for us because a lot of people are working on their own car,” said Sean Powell, real estate development manager. “We believe that expansion opportunities exist both in markets that we do not currently serve, as well as in markets where we can achieve a larger presence. We attempt to obtain high visibility sites in high traffic locations and undertake substantial research prior to entering new markets.” The most important criteria for opening a new store, according to Powell, is its projected future profitability and “its ability to achieve our required investment hurdle rate.”

Chase Bank is focusing on California and Florida for expansion, said Syreeta Hill, VP market director for real estate. She explained that Chase is “seeking dominant corner locations with high traffic, and grocery anchored intersections” and plans to open more than 100 branches in 2011.

Other retailers on the panel, which all were equally impressive in their expansion plans included: Big Lots!; Chipotle; Costco; Fanzz; Goodwill; Great Clips; Grocery Outlet “Bargain Market”; Jo-Ann Fabrics and Crafts; L.A. Fitness; Melrose; Panda Express; Panera Bread; Qdoba Mexican Grill; Ralphs/Food 4 Less; Shoe Carnival; Sports Clips; and Which Which?

# Influx of Health Clubs Helps Shopping Centers as Traditional Tenants Pull Back
# 健身俱樂部進駐購物中心，填補傳統租戶減少帶來的空白

By: KRIS HUDSON (Wall Street Journal)

Vacancy-plagued shopping centers in the U.S. are getting a lift from tenants who deal in sweat rather than typical retail goods.

Health clubs and gyms accounted for 8.8% of new leases signed so far this year by retail chains in the U.S., compared with 7.9% at the same point last year, according to real-estate research company CoStar Inc. The rush into shopping centers has helped fuel a 57% increase in square footage occupied by U.S. health clubs since 2007, to more than 70 million square feet.

The influx of health clubs comes at a time when retail landlords are scrounging for new tenants to offset a pullback among many traditional retailers. Retail vacancies in the top 80 U.S. markets remain near multiyear highs, reaching 11% for neighborhood shopping centers and 9.3% for regional malls in the second quarter, according to Reis Inc.

To compensate, retail landlords are focusing more effort on recruiting nonretail tenants such as dentists, medical offices, classrooms and insurance agents. Gyms, typically overlooked in boom times by landlords flush with other options, are emerging as big favorites in this category.

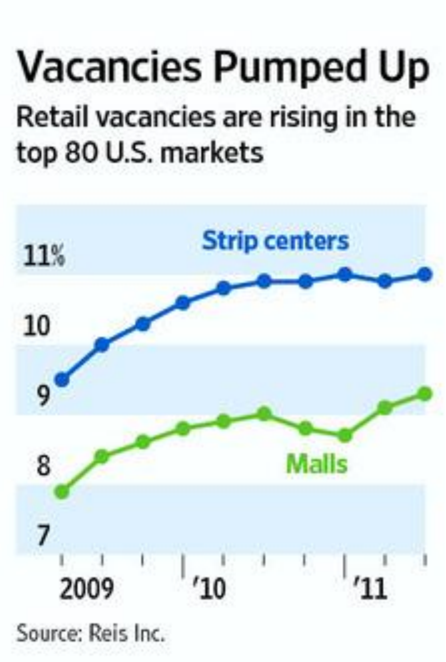
"As we expand, that is where we're going to go," Gold's Gym International President Jim Snow says of shopping centers. "That's what everybody is looking at."

Gold's, with 500 U.S. gyms either owned by the company or franchised, intends to open 17 gyms this year and 30 next year. The Dallas-based company recently introduced a 15,000-square foot express-gym format, which is less than half the size of its traditional clubs. Gold's has found that its express gyms fit well in spaces vacated by defunct or shrinking retailers. The chain recently opened gyms in Oklahoma City in locations that previously housed a Circuit City and a Sportsman's Warehouse.

Other rapidly growing health-club chains include L.A. Fitness International LLC, which intends to expand its stable of 370 clubs by opening 50 in each of the next five years. Global Fitness Holdings LLC's Urban Active is looking to add seven to 10 new clubs to its 37 by the end of 2012.

The expansions dovetail with a recent increase in health-club memberships nationally. According to the International Health, Racquet and Sportsclub Association, health-club membership in the U.S. increased 10.8% in 2010, to more than 50 million members, after several years of remaining relatively stagnant.

Also expanding in shopping centers is a close cousin of health clubs: day spas. Massage Envy Franchising LLC, which franchises massage clinics averaging 3,000 square feet, opened 43 clinics last year and another 43 so far this year, bringing its total to roughly 700. Many of the Massage Envy venues are popping up in fashion-oriented shopping centers frequented by female shoppers.




Not every health-club operator is following the herd. Clubs operated by Life Time Fitness Inc. are so huge, with indoor soccer fields, basketball courts and indoor and outdoor pools, that they typically are built as freestanding structures.

For landlords, health clubs are a cavalry riding to the rescue. In many cases, the clubs pay rent comparable to or only slightly less than what big-box retailers pay. L.A. Fitness's chief real-estate officer, Bill Horner, says his gyms are paying roughly $12 a square foot per year in the South and in the "high teens" in northern states. Gold's Mr. Snow says some older retail spaces can be had for $6 to $10 a square foot.

What is more, the costs for landlords of setting up a health club's facilities aren't onerous, roughly matching that of retailers in many cases, landlords say.

"Generally, health clubs are pretty good rent payers, in the sense that you will be able to recapture your [set-up] costs as part of the rent," says Michael Pappagallo, chief operating officer of Kimco Realty Corp., which owns stakes in 900 shopping centers in North America. "They're paying market rents for the space."

The trick comes in placating a center's other tenants about a gym's pending arrival. Parking often is a concern, as gyms tend to draw most of their patrons on Monday through Thursday nights, clogging parking lots. Fortunately, gym traffic tends to be light during key weekend shopping hours.

In addition, retailers typically want complementary stores around them to attract traffic. Health clubs don't often deliver many shoppers for fashion stores and jewelers.

In contrast, gym patrons do frequent nearby vitamin and supplement stores, pharmacies and casual restaurants that offer takeout service.

In this economy, an occasionally crowded parking lot might be tolerable if the alternative is a vacant storefront.

"We're always of the opinion that the more people we can get to a shopping center, the more chances we have" to boost the center's sales, says Greg Maloney, president and chief executive of brokerage Jones Lang LaSalle's Americas retail practice. "If [health clubs] don't come, we have no chance at all."

# Half of U.S. Retailers Eyeing Expansion Thanks to Lower Rents, Landlord Concessions

低租金加業主優惠，半數美國零售商準備擴張

By: the staff of Shopping Centers Today

Fifty-nine percent of U.S. retailers plan to open more stores due to the attractive rental rates available in the current market environment, according to a survey of 100 chains by real estate services firm CB Richard Ellis.

“Our survey shows a significant number of retailers will be taking advantage of an opportune time for growth due to compelling rent levels—luxury goods, wholesale clubs and discounters in particular are expected to continue to expand,” said Anthony Buono, executive managing director of CBRE Retail Services in the Americas, in a press release.

Ninety-four percent of retailers surveyed said they have been able to negotiate tenant improvements in their leases, including landlord financial contributions toward building out their space, the term of the lease and the rights to terminate early.

In the past year, the consensus outlook among retailers has turned more cautious with regard to the current economic environment, CBRE reports. Only 27 percent of retailers surveyed in 2011 viewed the economy as improving, as compared to 35 percent last year. However, 45 percent of retailers surveyed view the economy as stable compared to 35 percent last year, with 27 percent of retailers feel that the recovery has already occurred within their market segment.

Some of the risks that retailers cited as possibly impacting their businesses included unemployment (80 percent), the state of consumer confidence (79 percent) and higher food and energy prices (68 percent).

## Fresh & Easy Supermarket's strategy for U.S. Operations
Fresh & Easy 超市策略供美國經營者參考：優質健康產品，豐富折扣優惠

By: JESSE HIRSCH (The Bay Citizen)

Bessie Morris went into Bayview's new Fresh & Easy supermarket for the first time last Sunday. She needed to pick up just some ground turkey and sandwich cheese, but one thing led to another.

"They've got so much healthy, different stuff here, and prices were pretty good; I just couldn't stop," Morris said, laughing and gesturing to her cart. It is almost full, with prepared meals, salad greens, even a few exotic spices.

Morris may not know it, but she is Fresh & Easy's model customer: someone who appreciates the well-curated selection of a specialty grocer but with the discount prices of a mainstream supermarket. Since March, the company has opened 11 stores in the Bay Area, with many more in the works. Fresh & Easy is rolling the dice that Ms. Morris's shopping patterns are not unique.

The company is trying to capitalize on the cultural and economic trends that have brought huge changes to the local grocery store business over the past five years. Squeezed by expensive purveyors of organic, local and artisanal products on the high end and discounters like Costco and Wal-Mart on the low end, as well as a slow economy, traditional supermarket chains are reeling, with store closings and bankruptcies sweeping the sector.

The venerable Bay Area chain Andronico's Community Markets, a family-owned company with seven stores in the region, filed for bankruptcy protection two weeks ago and has just announced it will sell itself to a private equity firm through its Chapter 11 filing. Its troubles follow those of Delano's IGA, which closed last fall after a failed expansion effort that included taking over troubled Cala/Bell Foods. In 2006, the supermarket giant Albertson's began closing all its San Francisco stores.

The last traditional supermarket chain to open a branch in the city was Safeway, in the South of Market district, in 2004.

By contrast, the Whole Foods supermarkets chain, with its focus on high-end natural foods, is thriving, opening its fifth San Francisco store this spring. Many of the organic and specialty food stores that compete with Whole Foods are thriving, too. And Trader Joe's, with a range of specialty groceries at discount prices, will soon take over San Francisco's last Cala Foods, on Nob Hill.

Now Fresh & Easy, owned by the British retail giant Tesco, is entering the market with its own style of grocery. The company opened its first American store in November 2007; since then, the chain has rapidly built an empire of 177 stores in Arizona, California and Nevada. It often moves into areas where other grocery stores have failed or into historically underserved "food deserts." Its recent opening in Bayview, for example, was the neighborhood's first new supermarket in over 20 years.

The company has sustained heavy losses on its United States operations thus far, but it says it has big plans for San Francisco. Besides the Bayview location, Fresh & Easy opened a store in the Outer

Richmond in June, and has stores planned in Portola and the Mission. Brendan Wonnacott, Fresh & Easy's communications director, said more openings were coming.

Tesco's United States strategy is based on intensive market research. The company embedded researchers with 60 American families for weeks, inspecting their refrigerators and pantries, and videotaping them cooking and shopping.

The formula that emerged was a small-form, highly automated supermarket, with a split focus on low-cost traditional grocery items and locally sourced, healthy and natural foods.

Upon its arrival in San Francisco, Fresh & Easy opened an aggressive campaign against Whole Foods, with billboards bearing slogans like "Wholesome food, not whole paycheck." The store also does a price-by-price comparison with Safeway next to many of its products.

"For us, our competition is anyone selling groceries," Wonnacott said.

Safeway, San Francisco's market leader in terms of sales volume and number of locations, is the ultimate big-box grocery store, with an average storefront of 47,000 square feet.

But while Safeway has been struggling to find sufficient real estate (for its SoMa store it settled for 33,000 square feet), Fresh & Easy has a standardized 10,000-square-foot template that allows it to squeeze easily into cramped urban spaces.

Safeway has taken note of the compact-sized competition, but does not consider it a significant threat, said Melissa Plaisance, senior vice president of finance and investor relations.

"We realized there would need to be 25 Fresh & Easy stores opened near a Safeway to provide the same competitive impact as one traditional supermarket," Plaisance said.

Fresh & Easy's smaller size is a key part of its strategy to be more approachable and easier to navigate.

The new store in the Outer Richmond is in a former Albertson's supermarket. But instead of using the whole space, the company is splitting it with a CVS drugstore.

"The day of the gigantic megastore has come and gone," said Phil Lempert, a supermarket trends analyst. "These big stores have far more space and selection than anyone can actually use. People are realizing it's not that important to have 100 different varieties of olive oil."

Armando Hernandez, a customer assistant at the Bayview Fresh & Easy, compared his store to a homey, neighborhood food purveyor. "It's a return to the old days, like when you'd go to the butcher, or the neighborhood produce guy," he said.

But Hernandez's enthusiasm aside, Fresh & Easy stores do not actually employ butchers, produce workers or virtually any department-specific employees besides those in the bakery. The meat, seafood, sliced cheese, and much of the produce come pre-packaged from a massive distribution center in Riverside.

There also are no cashiers; as is the case with many other chain operations, automation is the name of the game.

The Bayview Fresh & Easy has 45 employees, though most other branches employ 20 to 30. By contrast, the upscale San Francisco grocer Bi-Rite Market, with one-third of the floor space, has an in-store staff of 90; there are workers in every food department.

“There’s a big percentage of people that value convenience over quality, and that’s one of our biggest challenges,” said Sam Mogannam, the owner of Bi-Rite.

Nevertheless, the store is thriving and will open another branch in NOPA next year.

“A store like mine is about shopping every day, running into your neighbors, building relationships with my workers,” Mogannam said.

Despite Fresh & Easy’s intensive market research, and bullish projections before opening, the company has struggled since its inception. Last fall, it closed 12 stores in Las Vegas and Phoenix, and one in Southern California. Wonnacott attributed the closings to the housing crisis and projected developments that never materialized.

Still, Fresh & Easy has yet to see a profitable year, declaring losses of more than $300 million for its 2010 -11 fiscal year.

Despite these difficulties, the company continues to expand, it broke ground on a Sacramento store on Wednesday. The company is, however, scaling back to 50 projected openings a year, from 200, and is “becoming more thoughtful about each new location” Mr. Wonnacott said.

Last Sunday at the Bayview Fresh & Easy, it appeared that such thoughtfulness had paid off. In a straw poll of nearly 20 respondents, no one had a negative thing to say about the new store.

## Life Companies Still Lead, but Banks Return to Financing Market
## 商業地產貸款提供方中，人壽保險公司仍在領跑，銀行迎頭趕上

By: Keat Foong

Even as capital returns to the commercial real estate market, life insurance companies continue to top the list of debt providers. Indeed, in the first quarter, life insurance companies registered an index of 212 on the Mortgage Bankers Association mortgage originations index, followed by Fannie Mae/Freddie Mac (112), commercial banks (77) and conduits (26).

“Life companies have come back very strongly,” said Gerard Sansosti, executive managing director at Holliday Fenoglio Fowler L.P. “They had a lot of opportunities in the first half, driven by investment sales in the top markets. There has been a little bit of a slowdown in the second half in the core properties because the caps have become aggressive.”

Virtually all life insurance companies have returned to the debt markets. The biggest players—such as MetLife, Prudential, New York Life and Northwestern Mutual—have been the most active, followed by such second-tier firms as Nationwide and Allstate.

“The insurance companies drew the line when things got frothy the last cycle, and they did not lend much above 65 percent LTV,” observed David Twardock, president of Prudential Mortgage Capital Co. One of the reasons why insurance companies are so active through this cycle is because their level of problem loans is much lower, he said. “It is much easier to be active and comfortable in the market when there are not as many problems to deal with.”

Prudential is expecting to execute $10 billion in total on-and off balance- sheet debt financing this year, Twardock said. This level of activity is not far below the $14.5 billion in volume achieved in 2007, Prudential’s peak financing year. In fact, it will be the third biggest year in debt financing for the company since 2003. Prudential is equally active in Fannie Mae, Freddie Mac, FHA and CMBS financing (the company just created a CMBS unit with venture capital to make as much as $1 billion in loans per year), as well as in on-balance-sheet financing, Twardock added.

Prudential is lending on virtually all product types, but more so in multi-family, retail and industrial than the office sector at this time, Twardock reported. The hotel sector is seeing some over leverage, which makes it difficult for the deals to pencil out, he noted. Prudential’s portfolio lending is made generally to Class A and B-plus properties in the top 10 to 12 markets, but its other lending programs extend to secondary and tertiary markets.

“Our balance-sheet lending is done to create assets to match liabilities in the insurance and retirement business,” explained Twardock. “The attractiveness of the asset is driven by how the risk is priced relative to alternatives. Spreads on commercial mortgages are now attractive relative to bonds, though not as much as a year ago. There is pretty good investor demand for those assets.

The Banks Are Back

The financing market is also witnessing a surprising comeback of sorts by banks. In the first quarter, commercial banks increased their origination volume by 73 percent, second only to conduits (391 percent) and life insurance companies (126 percent), according to the MBAs originations index. We are seeing banks become very aggressive, said Clay Sublett, senior vice president & CMBS manager with KeyBank Real Estate Capital." A lot of banks have managed through their problems more rapidly than anticipated."

Many banks, including KeyBank, had increased their liquidity tremendously, whether by choice or government direction, following the financial meltdown, and they are now seeking to deploy that substantial capacity, Sublett said. "The question is how to get a decent return on that (deposit). (Banks) have moved from liquidity concerns to earnings concerns." Also, loans have been paid off or refinanced more rapidly than expected, reducing the ratio of loans to deposits and further releasing the reserves held by the banks.

KeyBank is hoping to complete at least $1 billion in balance-sheet financing this year, compared to the $5 billion to $6 billion in financing achieved in 2007. This volume represents a huge bounce-back in financing volume from 2009 and 2010, when the on-balance-sheet financing was insignificant. In its off-balance-sheet financing department, KeyBank is on track to lend more than $2 billion this year in Fannie Mae, Freddie Mac and FHA financing. About $1 billion is projected under KeyBank's CMBS arm, though it will likely fall far short of that level, said Sublett.

For KeyBank and many other banks, "the marching order is to 'go find new loans,' "said Sublett. KeyBank is now seeking to add banking clients, as it has shrunken its balance sheet over the past three years slightly more than what it now views as desirable. Nevertheless, in making on-balance-sheet loans, the bank is avoiding financing-only relationships, Sublett pointed out, and is seeking borrowers with which it can have a complete banking relationship.

It is also making new construction loans, though only for multi-family and build-to-suits. The bank provides debt financing at the entity level by providing credit facilities to REITs. At the project level, it is seeking to finance acquisitions and repositionings more than new construction.

"We are trying to manage and control the amount of construction in part because we do not see enough lift in the overall economy to drive demand for significant ground-up activity," said Sublett. For commercial property, Sublett sees more support for office or specialized retail properties, and if a tenant property is already signed up, "we will follow those developers where they want to go," including to secondary markets, said Sublett.

Private equity funds are also preoccupied with seeking business in the value-added space. Ryan Krauch, principal at Mesa West Capital, said there were probably fewer than five of the funds in the market providing bridge loans before the financial crisis. However, after the crash, there were more than 100 debt funds in the value-added space. Debt funds were driven out of the market when the crisis hit, and a lot of the pension fund clients wanted advisors with track record. Mesa West has invested about two-thirds of the $2 billion fund it raised last year for bridge financing, said Krauch. The fund invests in "good locations in good markets with a high chance of success."

Some life companies and private equity funds are also providing preferred equity or mezzanine financing, including Principal Financial and The Hartford, as well as private equity funds such as Investcorp, according to Sansosti.

Active in Equity

On the equity front, all three major types of joint venture equity capital today- traditional, nontraditional and foreign - are active, according to Spencer Levy, executive managing director of CB Richard Ellis Capital Markets. Among the traditional players, he singled out the pension fund advisory community as being particularly astir. Sansosti noted AEW, Invesco, Blackstone and iStar, in particular. “They have raised a tremendous amount of capital each and every day,” he observed.

In addition, life companies have closed at least $20 billion in commercial real estate investments so far this year, Sansosti said. REITs, large owner-operators with excess capital for joint ventures, individual pension funds and insurance companies are also seeking opportunities in the market, said Levy.

Even non-traditional players that have historically not engaged in real estate - namely, private equity funds and hedge funds - are getting in on the game. They are now actively seeking partners because they are seeing opportunities, said Levy.

Foreign investors have also been active, from public and private pension funds to the sovereign wealth funds. The recent market plunge notwithstanding, “our sense is that investors are pretty bullish on the U.S. again,” observed Dale Taysom, COO of Prudential Real Estate Investors. They are well aware, he noted, that unlike most real estate recessions in the past 40 years, this time there was no oversupply of commercial real estate. And investors’ interest in commercial real estate has been particularly driven by expectations that inflation will kick in again.

Levy noted a lot of interest coming from Canada and Asia, especially high-net-worth investors from China. The Chinese investors are showing interest in joint ventures with well-established American operators in both major and secondary markets, Levy noted. “It is encouraging because there is some spending beyond the gateway cities,” he added.

At this stage, equity is targeted to the top and bottom ends of the risk-reward spectrum, and there is still very little interest in middle-market real estate. Investors are chasing either core or core-plus deals on the one hand or value-added transactions or opportunistic new development deals on the other. “It is the barbell effect,” Sansosti observed.

While core properties are often purchased without joint venture equity, plenty of joint venture equity sources are eyeing distressed deals, including broken condos and discounted loans. “We are seeing a lot of that joint venture capital appear, especially for transactions in which the deal is underwater,” said Levy. A number of traditional private equity funds are providing capital to purchase the debt at a discount as well as to stabilize the property, Levy added.

Indeed, “during the recession, a lot of opportunistic capital had been raised in anticipation of blood in the water," noted Sansosti. "This has not occurred to the magnitude, or as quickly as, expected." To satisfy the funds' yield requirements, this capital is instead being deployed into new development and note purchases, Sansosti observed. Prudential Real Estate Investors is an example of an active joint venture player in the new development sphere. JP Morgan, ING, RREEF and The Carlyle Group are also said to be among the more prominent equity players seeking to provide joint venture equity for new developments.

Prices obtained in the core acquisition arena are becoming a bit steep for PREI's taste in many cases, Taysom said, and the investment advisor is moving some of its equity investments into joint venture arrangements, mostly in new developments. "In the last several months, 80 percent (of our activity) has been in joint ventures," said Taysom.

PREI is expecting to make overall equity investments of about $2 billion this year, compared to $5 billion to $6 billion annually during the peak business cycle years of 2005-07. Taysom estimates that about 60 to 65 percent of that equity will be sunken into joint ventures. "Joint ventures have been our lifeblood for a decade," he said.

PREI is investing in joint ventures to develop apartments primarily, as well as some retail. The company has not returned to developing office or industrial, however. PREI favors joint venturing with regional developers that are local experts in their markets. The institutional advisor likes to build urban infill or combination high-and-mid-rise developments, Taysom said. It also considers investing in new construction of garden apartments in some markets, such as Texas, which is currently a leader in job growth, he added.

Two recent project examples are the 363-unit Broadstone Valley Parkway in Lewisville, Texas, with Alliance Residential Co. and the 328-unit Greystar Brightleaf in Durham, N.C., with Greystar Residential.

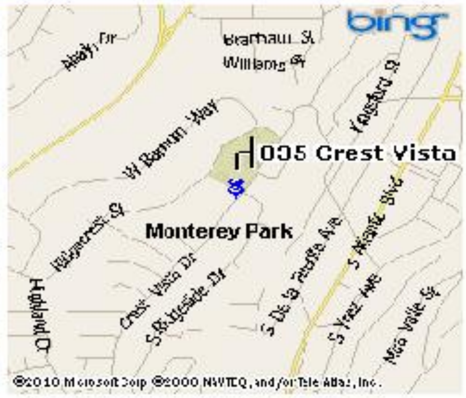
## Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)
## 消費者市場利率：房貸、基本利率、等等

*(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 | 0.05 | -2.48 |
| Money market, annual yield | 0.55 | 0.57 | 0.72 | 0.55 | -0.15 | -1.88 |
| Five-year CD, annual yield | 1.71 | 1.71 | 2.34 | 1.71 | -0.61 | -2.57 |
| 30-year mortgage, fixed | 4.34 | 4.38 | 5.21 | 4.32 | -0.31 | -1.56 |
| 15-year mortgage, fixed | 3.53 | 3.53 | 4.57 | 3.53 | -0.58 | -2.04 |
| Jumbo mortgages, $417,000-plus | 4.98 | 5.02 | 5.89 | 4.98 | -0.63 | -2.16 |
| Five-year adj mortgage (ARM) | 3.14 | 3.13 | 5.79 | 3.00 | -0.43 | -2.65 |
| New-car loan, 48-month | 4.29 | 4.39 | 6.03 | 3.75 | -1.74 | -2.19 |
| Home-equity loan, $30,000 | 4.76 | 4.74 | 5.17 | 4.74 | -0.34 | -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: