COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL
市場概括

- Slow and Steady to Remain the Theme in Investment Sales Market This Year

  緩慢和穩定仍是今年購物商場買賣的主題；房地產投資信託基金和跨境投資在購物商場投資活動中佔大部分

  REITs and cross-border investors have accounted for much of the retail investment activity so far in 2012, according to Real Capital Analytics. Transactions for the quarter to date amount to $1.96 billion in closed sales and $8.16 billion in pending deals, the research firm found. Publicly traded REITs accounted for 33% of deal volume, with cross-border investors accounting for 39%.

RETAIL
購物商場

- Airports Becoming Classy Shopping Complexes

  機場逐漸演變為優等購物中心，店家的選擇針對旅客特點

  Airports continue to evolve into shopping centers with a variety of retailers, including upscale shops. Observers also note that airports try to match retailers with the demographics of the travelers passing through the airports.
- Big-box Retailers Look to Maximize Space Efficiencies

  越來越多大型零售商縮小店面，開發商和房東尋找多樣化方式來分隔現有大空間以順應趨勢

  More major retailers are looking at space efficiencies and downsizing their footprints. As a result, developers and landlords are looking at more ways to divide up larger spaces to adapt to the downsizing trend.
- Wal-Mart Making Big Push into Southern California Grocery Market

  大型超市 Wal-Mart 大舉進攻南加州社區小型超市市場

  Wal-Mart has announced plans to open 13 smaller-format Neighborhood Market stores in California this year and in 2013, with more possible in the future. The stores, averaging 42,000 square feet, will have pharmacies and bring additional competition to a region where existing stores are already fighting for market share.
- Retail Tenants Less Insistent on Rent Concessions as Market Conditions Improve

  隨市場狀況好轉，商談租約時堅持免租的房客減少

  Rent concessions are playing less of a part in retail leasing negotiations, compared to two years ago.

- Pop-up Retailers Can Bring Shoppers And Market Visibility to A Fading Center

  冒出式（短期）房客在經濟衰退期借助新媒體助商業中心吸引顧客和增加知名度

  A pop-up lease is more than just a new name for a traditional short-term lease. The power of new media, along with the effects of the Great Recession, has created fertile conditions for a new breed of short-term retail lease.

- The Future of Dollar Stores

  在經濟衰退期穩定發展的一元店改頭換面並優化商品質量以便當經濟好轉後繼續吸引顧客

  The $52 billion dollar store industry grew substantially during the downturn as cash-strapped consumers sought out lower prices on a variety of goods. In the process, chains including 99 Cents Only Stores, Dollar Tree, Dollar General and Family Dollar improved the look of their stores and overcame a reputation for selling "junk" that's likely to keep bargain hunters coming back as the economy recovers, say some industry experts.

- New Regional Shopping Centers Strong Indicator of Economic Recovery

  近期一些大型商場的改頭換面預示經濟好轉

  Shopping centers in Utah are responding to consumer demands by adding more outdoor shopping components, recruiting new tenants and trying out less traditional shops. The mall makeovers are boosting state tax revenue and are a good sign of strong economic growth.

- Irvine Co. Malls Add More Asian Restaurants

  南區最大房東Irvine Company矚目亞洲風味餐廳，近期多家圣蓋博谷耳熟能詳的餐廳將在爾灣區域開業

  The Irvine Co. retail centers are becoming home to fresh new Chinese, Japanese and Vietnamese restaurant concepts. The developer has just released the list of their new and soon-to-be-open restaurants in Irvine and Newport Beach.

MULTIFAMILY

公寓樓

- Recovery of Commercial Property Fueled by Apartments: Mortgages

  1998 年以來最低的自置居所比例與大量政府支持的公寓貸款公司導致公寓樓需求猛增，一月份交易量較去年同期上漲五成

  U.S. apartment property sales were up 53% in the first month of the year compared with January 2011, reaching $3.8 billion. As homeownership rates have dropped, apartments are in big demand, pushing the recovery rate on defaulted mortgages to 75% for lenders. That's the highest recovery rate on all commercial properties.

OFFICE
辦公樓

- Demand for Creative Offices Grows on Westside

2011 年創意產業對洛杉磯西邊的新轉型辦公樓需求逆勢增長

Growing demand from creative businesses such as post-production, new media, advertising and technology firms resulted in the greatest net absorption of creative office space on Los Angeles County's Westside in 2011 since the start of the recession.

MANAGEMENT
資產管理

- CAM Audits: Making Dollars And "Cents" of It All

擅於在公共設施費用上精打細算有助於商業地產投資成功

When considering the lifespan of commercial real estate, the benefits of a proactive property manager who thoroughly reads leases, understands the terms and language contained within them and their relation to the overall property, and is skilled in the practices of lease administration and CAM reimbursement, can be the difference between a failed investment and extraordinary returns.

FINANCING
貸款與資金

- Commercial Property Lending Up for First Time in Two Years

兩年來商業地產貸款額首度上揚

Banks in the U.S. increased commercial real estate lending in the fourth quarter of 2011, according to Chandan Economics. Researchers found that nearly 60% of the largest segment of banks in the study increased their exposure to the asset class, marking the first time commercial real estate lending has risen since Q1 2010.

- Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)

消費者市場利率：房貸、基本利率、等等

NEWLY LEASED
近期租出

R & Y Fashion Boutique
@ Golden Square Plaza

Retail 零售# 600 SF

Lease commences in March, 2012

Coin Laundry
@ University Center

Laundry 洗衣房# 2250 SF

Lease commences in March, 2012

Slow and Steady to Remain the Theme in Investment Sales Market This Year

緩慢和穩定仍是今年購物商場買賣的主題；房地產投資信託基金和跨境投資在購物商場投資活動中佔大部分

BY ELAINE MISONZHNIK (RETAILTRAFFIC)

The retail investment sales sector has gotten off to a robust start in 2012 with Westfield's announcement of its joint venture with the Canada Pension Plan Investment Board. But don't expect a slew of high-quality portfolio sales to follow during the rest of the year. While overall volume of sales might overtake 2011, the recovery in the retail sector will continue to be marked by caution and slow progress.

So far, investment sales activity on retail properties has gotten to a decent start, with $1.96 billion in closed sales and $8.16 billion in pending transactions quarter-to-date, according to Real Capital Analytics (RCA), a New York City-based research firm. Combined, the figure would put sales volume in the first quarter slightly above the volume recorded in the fourth quarter of 2011 at $10.6 billion.

Cross-border investors and publicly traded REITs accounted for most of the activity in 2012, with 39 percent and 33 percent of deal volume respectively, RCA reports. Most of the cross-border acquisitions were made by Canadians, who picked up 13 properties totaling approximately $2.2 billion (not counting the Westfield/CPPIB deal). Private buyers accounted for 12 percent of sales, and institutional investors for 11 percent.

What's more, recorded deal terms reflect investors' growing appetite for retail properties. Quarter-to-date cap rates on retail sales have averaged 6.7 percent, 80 basis points below the average cap rate for the fourth quarter of 2011. Average price per sq. ft. went up more than $20, to $213 from $190.

"This is the busiest we've been at the start of the year since 2008," says Kris Cooper, managing director of retail capital markets with Jones Lang LaSalle, a real estate services firm. "Normally, we don't start getting a lot of requests for broker opinion of value until later. We've received probably double or triple the volume this year over the past two years. I view that as a good sign."

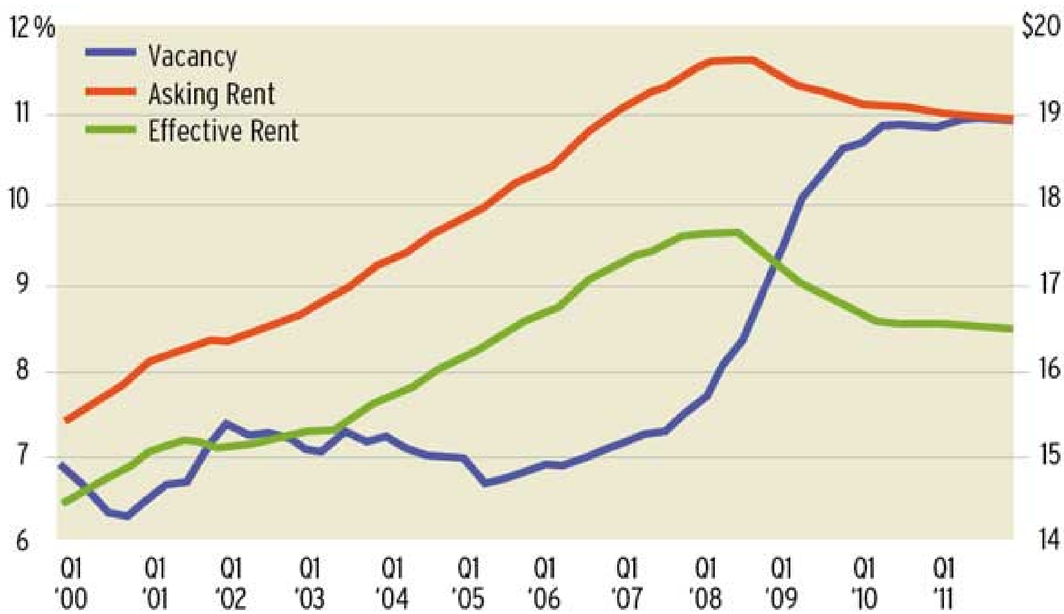
Core values

Yet investors continue to gravitate toward core assets in primary markets, and are willing to take only limited risk on centers located in secondary cities. Class-C assets and properties in tertiary markets continue to be out of play.

Part of their risk aversion can be attributed to the fact that sector fundamentals have barely budged over the past several quarters. At year-end 2011, the national vacancy rate for neighborhood and community shopping centers stood at 11 percent, equal to the vacancy rate at the end of 2010. Effective rents were at $16.51 per sq. ft., the same as two years prior, according to Reis Inc., a New York City-based research firm.

Vacancy at regional malls has dropped 20 basis points during the same period, to 5.7 percent, but quoted rents went down 2.8 percent, to $19.22 per sq. ft. from $19.79 per sq. ft. in the fourth quarter of 2010, reports the CoStar Group, a Washington, D.C.-based research firm. What's more, because of regional malls' size, there are few investors outside the major REITs who can afford to buy them, so the vast majority of prospective buyers have been concentrating on grocery-anchored shopping centers, which typically trade for under $50 million, says John Pelusi, executive managing director in the Pittsburgh office of HFF, a commercial real estate capital intermediary.

NEIGHBORHOOD AND COMMUNITY CENTER TRENDS



Source: Reis

Last year the biggest increase in sales volume in the retail sector involved properties priced between $10 million and $20 million, according to Marcus & Millichap Real Estate Investment Services, an Encino, Calif.-based brokerage firm. Trades on those assets rose 98 percent compared to 2010.

Given the uncertainty associated with the upcoming election and the ongoing financial problems in Europe, it seems unlikely that retail investors will significantly widen their acquisition criteria in the near future. Marcus & Millichap predicts 2.1 percent GDP growth for the U.S. in 2012 and potentially, a mild Eurozone recession. The firm expects that effective retail rents nationwide will rise only 1.2 percent over the coming year, with most of the growth occurring in gateway markets.

In fact, pricing on class-A assets in primary markets will likely reach a new peak this year, according to Marcus & Millichap. The firm ranks San Francisco; San Jose, Calif. and Seattle as the top three cities on its National Retail Index for 2012, based on supply and demand conditions.

"I would say that the activity level for 2012 will be equal to or greater than what we saw in 2011, and it will be more of the same—any core or core-plus offering in a major market will be aggressively sought by the REITs, the pension funds, institutional equity and private equity," says Pelusi.

Airports Becoming Classy Shopping Complexes

機場逐漸演變為優等購物中心，店家的選擇針對旅客特點

By Shan Li (Los Angeles Times)

Cafeteria. Camping ground. Transportation hub. Travelers know that airports can take on many identities.

Now, around the country, they are taking on a new role — as classy shopping complexes, not just endless strips of newsstands, souvenir shops and fast-food outlets tucked between departure gates.

Los Angeles International Airport plans to open a slew of new shops this year, including one by upscale L.A. boutique chain Kitson. McCarran International Airport in Las Vegas is building a mini-mall anchored by Juicy Couture, Guess and Hugo Boss. On the East Coast, John F. Kennedy International Airport has welcomed lingerie maker Victoria's Secret.

The emergence of airports as full-on shopping centers got its initial boost after the Sept. 11 terrorist attacks, which drastically increased the time most people spend at airports.

And since then, retailers have increasingly seen airport terminals as captive markets for far more than souvenirs, sandwiches, paperback novels and "I heart LA" T-shirts.

"Airports are trying to match up the demographics of their passengers" with the stores they open, said Bruce Boudreau, director of airport consulting firm LeighFisher in Burlingame, Calif.

"In a place with more business travelers, you're more likely to see electronics shops. In a place with more tourists, you're more likely to see toy stores. [In] places with an affluent clientele, more international travelers, you'll have more duty-free shops."

Over the last five years, as long-held leases expire on airport stores, many retail spaces are being retooled to cater more specifically to women, children, tech lovers and other shoppers once overlooked.

Airports also are looking to offer a local feel to what used to seem like a sterile walk down Anytown, USA, by inviting local brands to bring a little of the city's soul inside to passing travelers.

Stores targeting business travelers such as high-end clothier Brooks Bros. are expanding their airport shops, while women's clothes and beauty chains such as Kiehl's and Mango have opened more terminal locations.

And airports have their eye on traveling youngsters as well. Orlando International Airport in Florida opened a Build-a-Bear Workshop in April. At its do-it-yourself stations in the store, children can while away an hour or more stuffing, sewing and dressing plush animals for $10 and up.

The ultimate goal for retailers: to pry more dollars from harried travelers.

At LAX, a multiyear expansion has begun to add a fresh crop of retailers that reflect L.A.'s reputation as a "taste-making city," said Laura Samuels, a spokeswoman for Hudson Group, which operates many retail and food spaces at airports.

In April, Los Angeles celebrity-favorite Kitson is slated to open its first airport store at LAX.

At 1,300 square feet — a fraction of the size of a standard Kitson — there's no space for a changing room. The shop will instead carry a greater mix of books and "funky" travel accessories, along with easy-to-try-on apparel such as sweat shirts, said owner Fraser Ross.

He said the store would emphasize gift items under $100.

"Husbands can get things for their wives there, and she'll be surprised," Ross said. "It won't look like you bought it at the airport, like you were in San Francisco and came home with a model streetcar."

But not every retailer is a fan of airports.

Ed Hardy, a Los Angeles street-wear brand, decided not to pursue an LAX store after failing to reach a compromise with Hudson Group.

Big-box Retailers Look to Maximize Space Efficiencies

越來越多大型零售商縮小店面，開發商和房東尋找多樣化方式來分隔現有大空間以順應趨勢

By Jenn Abelson (Boston.com)

BRAINTREE — You can pretty much size up the state of the nation’s big-box retailers by surveying The Marketplace at Braintree: They are shrinking.

At the shopping center off Route 3, office supplier Staples has already shed about 2,500 square feet of unwanted space, leasing it to video game seller GameStop. Kmart is shaving roughly 11,000 square feet from its shell to make room for cosmetics seller Ulta Beauty. And the former Borders bookstore sits vacant in the corner of the complex, a symbol of the newretail order brought about by the Great Recession.

Similar changes are happening at shopping centers across the country. Brands such as Staples, Old Navy, and Kmart are downsizing their footprints to cut costs following a long period of tepid consumer spending and steady growth in online shopping.

Now, it is getting harder to find a single tenant big enough to fill spaces larger than 20,000 square feet that were left behind by the liquidation of major chains in recent years, including Borders, Circuit City, Linens ’n Things, and Filene’s Basement. As a result, developers and landlords are chopping up the spaces or tearing down big boxes altogether because of the shifting retail landscape.

‘‘There is a change toward being more efficient and downsizing,’’ said Andy LaGrega of The Wilder Cos., which operates 50 shopping centers, mostly in New England. He has been working on deals to slim down Old Navy stores in Dedham and Hyannis, subdivide a former Borders in Burlington, raze big boxes in Cranston, R.I., and shrink several Staples stores across the market.

‘‘We’ve had some cases where retailers have reduced square footage by 40 percent, but kept up the same total sales volume and become much more profitable,’’ LaGrega said. ‘‘If they can be as productive in less square footage, we’ll get more rent down the road. But it’s not easy.’’

Shopping center landlords and developers are loath to lose important tenants such as Old Navy and Staples after years of grappling with brands shutting stores and merchants demanding rent reductions during the recession. But accommodating retailers’ requests to give back some of their square footage can involve complicated configurations and expensive efforts to move electrical feeds, sprinklers, restrooms, loading docks, and storefront doors.

Simply slicing off the side of a building to divide it results in a long, skinny bowling-alley type space that is not desirable to most merchants. In Methuen, Old Navy wanted to keep the middle of its store and jettison excess space on both sides. But it wasn't feasible to carve out leasable portions after trying for more than a year, LaGrega said.

Wal-Mart Making Big Push into Southern California Grocery Market

大型超市 **Wal-Mart** 大舉進攻南加州社區小型超市市場

By Shan Li, Los Angeles Times

Wal-Mart Stores Inc. has launched a big push into the highly competitive Southern California grocery business, which could spell further trouble for the region's major supermarket chains.

The nation's largest retailer, which announced plans last week for a grocery store in downtown Los Angeles, has two more of its smaller-format grocery-focused stores called Neighborhood Markets in the works in Orange County, one more in Ventura County and another in San Diego.

So far, the Bentonville, Ark., company has announced plans for 13 Neighborhood Markets in California, said Steven Restivo, Wal-Mart's senior director of community affairs. All will have pharmacies, he said. More Neighborhood Markets in California could be announced in the future, Restivo added.

The Orange County stores will be at Beach Boulevard and Atlanta Avenue in Huntington Beach and Avenida de las Flores and Antonio Parkway in Rancho Santa Margarita. The Ventura store will be in Camarillo.

Some of the California locations may open this year, with the rest to open in 2013. Nationwide, the retailer operates 167 of these stores and expects to have 300 open by next year.

"Customers always appreciate having more affordable grocery options closer to where they work and live," Restivo said.

California's three biggest supermarket chains grocers — Ralphs, Vons and Albertsons — are already losing market share to smaller competitors such as Trader Joe's and new rivals like Target, which carries fresh groceries in 236 stores in California. Now Wal-Mart will present fresh competition to the state's existing grocery chains.

At the same time, the arrival of Wal-Mart, which has long fought off efforts to unionize its workers, poses more challenges for the United Food and Commercial Workers union. The UFCW represents supermarket workers, who have already held protests and tried to organize workers at some of the nonunion chains such as Whole Foods Market, Bristol Farms and Fresh & Easy Neighborhood Market.

Averaging 42,000 square feet, the new Neighborhood Markets are about one-fifth the size of a Wal-Mart Supercenter and around the size of many Whole Foods stores. Some of the new Wal-Mart neighborhood stores will be built from scratch while others will slide into existing commercial spaces.

The 33,000-square-foot downtown store, opening sometime next year, will take over the ground floor of a senior housing complex at Cesar Chavez and Grand avenues in Chinatown.

Organized labor and local advocacy groups, which have long accused Wal-Mart of providing poor wages and benefits while driving out mom-and-pop businesses, expressed concern that the retailer was attempting to skirt local opposition by opening stores at smaller locations that require no public hearings, fewer permits and little government approval.

That may help Wal-Mart avoid the kind of ugly public battles with unions and local communities that have dogged previous efforts to expand in California. After officials thwarted a proposal to build a massive Wal-Mart Supercenter in Inglewood, the retailer tried to bypass the City Council in 2004 by going straight to the voters. Inglewood residents overwhelmingly rejected the plan to open a Supercenter without an environmental review or public hearings, and the store was never built.

There are 28 Wal-Mart stores in Los Angeles County, including five in the city of Los Angeles.

"Wal-Mart is looking to get around the community opposition they have faced throughout Los Angeles and California," said James Elmendorf, deputy director of advocacy group Los Angeles Alliance for a New Economy. "That is why they are using the strategy they are using."

Elmendorf said Wal-Mart has the resources to drive local shops out of business by temporarily undercutting prices, which can result in a net job loss for communities.

"In Chinatown you have long-standing mom-and-pop shops that serve the ethnic community and provide some offerings that Wal-Mart will not provide," he said. "But Wal-Mart has certain advantages that their size gives them. That means they can take a loss on this site just to get their foot in the door."

Restivo of Wal-Mart disagreed, arguing that Wal-Mart will stimulate local businesses by increasing foot traffic and bringing new customers. The 13 Neighborhood Markets will also bring up to 1,200 jobs to the state, Restivo said.

In addition, the retail giant said it has no plans to compete head-on with local ethnic markets.

"We're never going to be an ethnic grocery store. We're not going to change the business model to fit the community," Restivo said, but "customers always appreciate having more affordable options."

As it has opened more Neighborhood Markets nationwide, Wal-Mart has engaged members of local communities to address concerns and answer questions when opening a new store, Restivo said. Wal-Mart, for example, ended up stocking more sushi in a Chicago store after listening to feedback from local residents.

In the same way, Restivo said, the company has already begun reaching out to local merchants and residents in California to smooth its entry into the market.

The retailer operates 180 Wal-Mart stores and 33 Sam's Clubs in California, employing more than 70,000 people.

Excluding management, full-time workers in California earn an average hourly wage of $12.69, Restivo said.

By contrast, grocery workers in the state who belong to the United Food and Commercial Workers union earn average hourly pay of $15.41, said Jennifer Stapleton of the UCFW.

Union members recently held a rally to oppose approval of a full-service Wal-Mart store in Burbank, and worker advocates said more efforts will come to protest Neighborhood Markets.

Restivo said the opposition did not represent the majority opinion of communities.

"If we open a store in downtown Los Angeles and no one comes, we will have learned a really important lesson about downtown L.A.," Restivo said. "We don't think that will happen."

Retail Tenants Less Insistent on Rent Concessions as Market Conditions Improve

隨市場狀況好轉，商談租約時堅持免租的房客減少

BY ELAINE MISONZHNIK(RETAILTRAFFIC)

Rent concessions are playing less of a part in retail leasing negotiations, at least compared to two years ago.

Helped by rising retail sales and an improved sector outlook, landlords now have more of a choice about whether to grant new and existing retailers months of free rent or let them forgo common area maintenance (CAM) charges. And tenants have become more circumspect about asking for them.

As recently as 2010, many tenants were still expecting rent reductions when discussing new leases. In turn, landlords were worried about violating occupancy provisions and were willing to go the extra mile to keep vacancies from spiking up, according to John Bemis, executive vice president and director of leasing with Jones Lang LaSalle Retail, an Atlanta-based third-party property management firm.

Now, with the average vacancy for 2012 projected to fall to 9.2 percent and effective retail rents forecast to rise 1.2 percent on a nationwide basis, according to Marcus & Millichap Real Estate Investment Services, most of the necessary corrections in the marketplace seem to have taken place. Owners of good quality properties no longer need to worry about violating occupancy clauses or falling into default.

What's more, leftover vacant spaces from retailer bankruptcies at class-A and class-B centers are being snapped off the market, even if at rates that might be lower than peak, notes Thomas H. Maddux, principal in the Baltimore office of KLNB LLC, a commercial real estate services firm.

"Things are clearly better for landlords than they were a few years ago," Maddux says. "But there is still quite a bit of opportunity for tenants who are active and interested in doing new deals."

According to Bemis, "The pendulum is currently still on the retailer side, but it's beginning to swing back."

Getting a break

The key to how much leverage tenants have in leasing negotiations now comes down to the credit-worthiness and risk profile of the tenant and the strength of the center.

Good credit national tenants looking to lease new stores and perhaps offering the landlord an opportunity to rent out additional locations in the future stand a reasonably good chance of getting some perks in exchange for signing a deal. Today, those perks will most often take the shape of the landlord funding a full build-out of the store, or providing the tenant with the equivalent value in free rent or a tenant improvement allowance, according to Mez Birdie, director of retail services in the Orlando, Fla. office of commercial real estate services firm NAI Global.

On the other hand, retailers that are just starting out and don't have a proven track record or those that are clearly headed for bankruptcy/liquidation might have a hard time convincing landlords they are worth the extra expense when landlords now have a better chance of securing replacement tenants for their centers.

"Expectations for 'goodies' at lease-signing for well-rated retailers are high and are necessary for owners to remain competitive," says Tim Henry, senior vice president with SRS Real Estate Partners, a retail real estate services firm. "For smaller, less capitalized companies, the perks are fewer because the risk is higher to the landlord."

That's also why tenants at class-C centers or centers that face a lot of competition stand a better chance of getting concessions than those at high-quality properties or at properties that serve as dominant centers for very wide trade areas, according to Bemis.

"A lot of this depends on where the property stands in the matrix," he says. "If this is like Westgate Mall in Amarillo, Texas, which is the only mall for 100 miles around, you are going to get much fewer concessions. But if you are in a second mall in a small town, you can drive a harder deal. A retailer in a situation like that can drive a little bit of free rent, a TI allowance and maybe a percentage rent deal."

Pop-up Retailers Can Bring Shoppers And Market Visibility to A Fading Center

冒出式（短期）房客在經濟衰退期借助新媒體助商業中心吸引顧客和增加知名度

By Steven P. Heller (CCIM Magazine)

Standard short-term commercial leases are nothing new. Typically these leases run a year or less, going month to month after that initial period, allowing either party to end the agreement. Because of the short term, theparties usually negotiate simplified leasing arrangements and avoid serious financial commitments such as upfront expenses for new construction. They may even avoid any demising of the space at all. For example, in office buildings, short-term tenants may share open corridors, access, and reception areas; in industrial warehouses, short-term tenants may separate their spaces with only a chain link fence or rope, or even a mere paint stripe, and they may share dock doors.

Retail Pop-Ups

Pop-up leases adapt these concepts to the modern retail environment. A long-established type of pop-up shop is a seasonal business, such as a Halloween or Christmas store. But now all types of retailers seek novel advantages from the pop-up arrangement.

New retail marketing approaches have embraced the pop-up idea. A retailer with a new concept may want to briefly occupy a prominent space solely for the visibility and the buzz it creates, or to temporarily experiment in a test market. Online retailers increasingly seek a physical store presenceto complement their websites. Established national retailers, no longer willing to cede the short-term lease market to small businesses, are increasingly exploring pop-up arrangements to exploit seasonal or othershort-run market opportunities.

A new real estate concept may even be evolving, where a particular space is operated as a permanent pop-up site for a continually changing cast of new and attention-getting tenants. The viral marketing nature of Facebook and other new media fuels the success of these approaches.

Landlord Considerations

Landlords facing daunting vacancies have been unusually open to offering even prime retail locations to these short-term tenants. Normally, any landlord would prefer a solid, long-term tenant, but landlords can alsoreceive benefits from pop-up leases.

With hopes of an improving leasing market in the future, a landlord can opt to fill up its vacant space now with a cash-flowing tenant without getting stuck long-term with currently low rental rates. Landlords can also exploit the attention a pop-up retailer creates, bringing shoppers and market visibility to a fading center. Pop-up retailers also provide dynamism and entertainment value to landlords of mixed-use projects who are seekingamenities for their office or residential tenants.

Even with these quick, simplified deals, landlords need to carefully structure pop-up leases to create sufficient flexibility so that thespace remains marketable to attractive long-term prospects. In addition, landlords need to have enough standard legal protection toavoid liability and runaway costs.

A pop-up tenant may want a very short lease term, anywhere from six weeks to six months; some may desire month-to-month leases with the option to grow into a long-term tenancy. But a landlord needs flexibletermination rights of its own so it can keepthe space available for a solid long-term tenant.Also, because short-term tenants, forwhom time may be critical, will probably beextremely sensitive to initial delivery deadlines,the lease agreement should clearly spellout these targets and any exceptions or penalties,so that neither party is blindsided.

Rent for a pop-up store may be as littleas half of that for a traditional lease, and istypically arranged with a gross flat rate thatincludes common-area expenses and sometimesutilities. However, to avoid swallowingunexpected costs for pop-up utilities orspecial services such as security, landlordsshould strategically assess specific site conditionsand structure the deal accordingly.

In terms of structuring rent payments,a very brief term of one to six weeks maycall for prepayment or two lump-sum payments.Otherwise, it’s usually on a standardmonthly (or prorated monthly) basis. Rents are usually a fixed amount, not linked tosales performance, as pop-ups are of en moreabout visibility than sales. And the term istoo short to justify the expense and hassle ofreviewing and auditing sales records.

Similarly, the agreement should clearlylimit the use rights of short-term tenants.With regard to sales, granting an exclusiveuse right to a pop-up would tie the landlord’shands for other prospective tenants;a loosely drafted permitted-use clause inthe pop-up lease agreement risks conflictwith the exclusive-use rights of existing tenantsand risks upsetting existing tenants ifthe pop-up tenant engages in undesirableconduct. Remember that many pop-up tenantsmay desire publicity but likely feel littlecommitment to the quality operation andreputation of the overall project. Landlordsshould carefully assess the likelihood of violatingexisting leases, or even just injuringoperations of (or relationships with) valued long-term tenants in evaluating the quality,reputation, and likely operating hours of aproposed pop-up tenant.

Finally, a pop-up lease shouldn’t surprisea landlord with pop-up liability. Legal protectionsin the insurance, indemnity, limitedliability, and similar provisions should be justas solid as those in any long-term lease. Liabilityfrom a slip-and-fall or any other incidentwon’t be any less for a short-term deal.

“Pop-up” may be a trendy label, butlandlords using an old-fashioned, careful approach to leasing will benefit from the newmarket dynamics and the opportunities thatthese deals present.

The Future of Dollar Stores

在經濟衰退期穩定發展的一元店改頭換面並優化商品質量以便當經濟好轉後繼續吸引顧客

By Tanya Mannes (U-T San Diego)

There are few places where a buck buys more than at 99 Cents Only, Dollar Tree and other "all one price" stores, a retail sector that thrives when customers pinch pennies.

The $52 billion dollar-store industry has been expanding as middle-class shoppers trade department stores and supermarkets for extreme discounting.

San Diego County has an increasing number of these value meccas: 18 Dollar Tree stores, 17 99 Cents Only stores, and dozens of mom-and-pops. The newest 99 Cents Only store, at Market and 26th streets, had hundreds of people lined up at its Feb. 2 opening hoping to score 99-cent flat-screen televisions, scooters and other "door-busters."

Dollar-store sales have grown 4.3 percent, on average, in each of the past five years, said Justin Waterman, retail analyst for IBISWorld in Santa Monica.

"That's extremely high in light of the recession in 2008 and the negative consumer sentiment in 2009," Waterman said. "Any time there's a slump in the economy, this industry picks up, because consumers are more price conscious."

Meeting that demand are publicly traded companies like 99 Cents Only Stores, Dollar Tree, Dollar General and Family Dollar, which have acquired smaller chains, as well as many mom-and-pop stores. They compete with Target and Walmart as well as supermarkets with smaller, convenient locations, often in urban areas.

Years ago, dollar stores had a bad rep. Shoppers perceived them as junk stores stocking leftover Halloween

Dollar Tree sells everything from toilet-bowl cleaner to Mardi Gras masks and cans of Progresso soup. Another market leader is 99 Cents Only Stores, which does a brisk business in fresh romaine hearts, batteries and Malt-O-Meal cereal.

"It's a mix of everyday items but it's also an exciting treasure-hunt shopping experience, with closeouts and deliveries several times a week," said Jeff Gold, president and chief operating officer of City of Commerce-based 99 Cents Only Stores.

Gold believes that his stores have much to offer middle-class customers. "We feel that if and when they come in our stores, they'll appreciate the values we offer and enjoy the shopping experience," he said.

"Some people might have thought that there was a stigma attached to shopping at dollar stores," Waterman said, "but when they saw their friends shopping at them and realized the potential savings, they were more likely to frequent these stores."

San Diego resident Maria Lopez, 27, said she shops regularly at the new 99 Cents Only location on Market Street. "I like dollar stores because even without coupons you can still get a good deal on brands," she said. "Of course, you have to make sure it's not expired and some of the products are smaller sizes. But you can fill up your pantry by shopping there."

Lopez, who blogs about saving money at drugstoredivas.net, said she found Earthbound Farm organic salad, Philadelphia Cooking Creme and Farmer John ham, all for 99 cents each, on recent trips.

"People know me - I'll go anywhere for a deal," she said.

The big question is whether middle-class customers will keep shopping there once the economy improves.

“I’ve got a feeling that dollar stores are going to have some staying power,” said consumer-behavior expert Bernhard Schroeder, director of the Entrepreneurial Management Center at San Diego State University. He said consumers who feel “burned by the recession” will still seek bargains and may find they enjoy the dollar-store shopping experience. “I don’t think we necessarily come out of a recession and immediately run back to caviar and chocolates.”

IBISWorld projects that the dollar-store industry will continue growing at an average of 2.6 percent a year for the next five years.

99 Cents Only

An industry standout is 99 Cents Only Stores, which says its per-store sales of $4.9 million are the highest in the dollar-store industry.

The company has 294 stores, mainly in California, Arizona, Nevada and Texas, and plans to open a dozen more this year. Unlike many dollar stores, the 99 Cents Only stores emphasize fresh food with perishable products such as packaged sliced turkey or a package of Dole romaine hearts, and some organic produce.

The company’s employees are trained to “act with a sense of urgency” and handle constant change, such as processing one-time closeout buys, Gold said. Unlike a Walmart or a Costco, which has rigid operating constraints, 99 Cents Only is designed around handling varying stock.

The company does $1.4 billion in sales a year, but “in a lot of ways we act like a very small company without a lot of bureaucracy,” Gold said. “Being resourceful is an important core value for our company.”

Dollar Tree

The Chesapeake, Va.-based Dollar Tree Stores chain has around 3,800 locations and sells in bulk from its online arm,dollartree.com. The company had an estimated $6.6 billion in sales last year, which it attributed in part to adding refrigerated and frozen food at more stores. It gets about half of its revenue from cleaning products, food, and health and beauty items, known as “trip starters” because customers visit the store with those in mind. Many people then make impulse buys when they spot bargains like Easter baskets, china plates or two-for-a-buck greeting cards, company officials have said.

A spokesman for Dollar Tree declined to provide an interview because the company's policy is to avoid media coverage ahead of making certain investor disclosures. However, the company allowed U-T San Diego to take photos in one of its local stores.

More than a dollar

The nation's two largest discount variety stores, Dollar General and Family Dollar, aren't strictly dollar stores but sell a significant number of items at the $1 price point. Both carry name-brand items, emphasize value prices and convenience, and serve shoppers making "fill-in" trips between visits to supermarkets or big-box stores like Walmart.

Dollar General has 9,800 U.S. stores but none in San Diego; the company plans to open 625 stores this year and hasn't announced any local locations, said spokeswoman Tawn Earnest.

Family Dollar has roughly 7,100 stores but none in San Diego as of now. The company plans to continue expanding in 2012, and recently opened its first California stores.

New Regional Shopping Centers Strong Indicator of Economic Recovery

近期一些大型商場的改頭換面預示經濟好轉

By Mayor Steve Curtis (Standard-Examiner)

"Being in this business for as long as I've been in it, it's sort of like living in a town or a city before the war and then after the war and then during the reconstruction and then during the time that it sprawls out to the malls."

— CARLY SIMON

Over the past 20 years, there has been a dynamic shift in the look and feel of the regional shopping center. This truth is emphasized with the completion of the "open-air" City Creek Center in Salt Lake City.

Historically, what was viewed as a regional shopping center was an enclosed mall with additional single-tenant shops built in a peripheral shopping area.

The new open-air concepts provide an outdoor and walkable shopping experience.

Regardless of appearance or function, a regional shopping center can have a significant impact on a local government.

The evolution of the regional shopping center has been a result of consumer demand, national trends and the need for innovation in retail. The open-air format can be an interesting element to a shopping center, particularly in a harsh climate.

Consumers in Utah have shown that, on occasion, they like the variety of new shopping experiences, but in other instances, they seek familiarity.

Though the traditional indoor mall is still very popular, several Utah area malls have made a concerted repositioning effort.

Fashion Place Mall and University Mall have remained popular in a traditional setting but have upped their game by mixing in open-air components. The same is true for Valley Fair Mall, even to the extent of adding a larger periphery tenant in Costco.

Over the next few months, Layton Hills Mall will also be adding tenants and enhancing its visibility along Interstate 15.

Several malls have been razed in favor of the open-air concept. The impending opening of City Creek brings a new regional shopping experience, replacing the ZCMI Center and Crossroads Mall.

Also to our south, Gateway redefined the lure of retail purchasing as a true Life Style Center. The demolition of Cottonwood Mall has been slowed by the economy, but plans are in the making for a similar shopping format.

As the Top of Utah becomes more populated, the sales tax revenue derived from these centers has been enticing as a quality-of-life enhancement to growing cities.

The competition for tax dollars within this megalopolis of cities is keen but economically healthy. Cities that house regional shopping centers also have to plan for additional traffic and other system impacts.

A person coming into your community to shop is a good thing, so city infrastructure must be addressed in order to accommodate additional consumer populations.

It will be intriguing to see how the regional shopping center evolves over the next 20 years. The consumer will largely determine what new elements and aspects will be included.

It is a certainty that the building of new and the upgrade of existing retail amenities are a strong indicator of a recovering economy.

Irvine Co. Malls Add More Asian Restaurants

南區最大房東 **Irvine Company** 矚目亞洲風味餐廳，近期多家圣蓋博谷耳熟能詳的餐廳將在爾灣區域開業

By NANCY LUNA (THE ORANGE COUNTY REGISTER)

The Irvine Co. recently sent me a list of new and soon-to-be-open restaurants at its properties in Irvine and Newport Beach. As I looked at the list, I noticed a theme: Asian foods are on the rise.

The developer's retail centers are becoming home to fresh new Chinese, Japanese and Vietnamese restaurant concepts.

Here's the lowdown:

- Little Sheep Mongolian Hot Pot will open in spring at Culver Plaza in Irvine.
- In the summer, Ha Long Vietnamese Cuisine is slated to debut at the Crossroads shopping center at Culver and Barranca.
- Class 302 opened early this year at University Park at Culver and Michelson. A Taiwanese Café, Class 302 specializes in shabu shabu, Teppan and authentic Taiwanese bento boxes and dim sum, according to the Irvine Co.
- Pho So 1, a casual dining Vietnamese restaurant, has opened at Westpark Plaza in Irvine at Culver and Alton. On the menu: pho, egg rolls, spring rolls, vermicelli, grilled beef and pork.
- Tokio Grill, which specializes in sushi and hibachi-style cooking, recently opened at The Square in Irvine, at MacArthur and Main. Menu prices range from $1.50 to $10.95. Address: 17915 MacArthur Blvd.
- Vietnamese restaurant, La Pho, is now open at Quail Hill Shopping Center in Irvine. The casual eatery specializes in Vietnamese cuisine, according to the Irvine Co.
- Later this year, Assi Super, based in Koreatown, Los Angeles since 1998, will open its first Orange County location. The ethnic market, which specializes in Korean fare, will take over the space currently occupied by Stein Mart at the Woodbridge Village Centerin Irvine. The O.C. location will be called Assi Natural Market.

Recovery of Commercial Property Fueled by Apartments: Mortgages

1998 年以來最低的自置居所比例與大量政府支持的公寓貸款公司導致公寓樓需求猛增，一月份交易量較去年同期上漲五成

By Oshrat Carmiel (Bloomberg)

When Arenda Capital Management LLC bought an Atlanta apartment complex whose owners defaulted on a $26 million loan, they did something distressed investors rarely do: They paid full price, deciding not to wait for lender LNR Partners to foreclose and face competition from other acquirers.

“If I don’t buy the deal, then it may be 12 to 24 months before I’d have another chance to buy it, and they still may not be selling unless I make them whole,” said Ryan Millsap, managing principal at Los Angeles-based Arenda, which bought the 592-unit property in October.

Demand for U.S. apartment buildings is surging as the homeownership rate hovers near the lowest level since 1998 and government-supported mortgage companies provide record levels of financing for apartment properties. That’s fueling a rush by investors to buy buildings and helping lenders recover 75 percent of the value of defaulted mortgages tied to multifamily housing, the highest recovery rate on all commercial property.

Sales of U.S. apartment properties totaled $3.8 billion in January, a 53 percent increase from the same month a year earlier, the strongest start to the year compared with offices, and shopping centers, according to Real Capital Analytics Inc., a New York-based commercial property data firm.

Fannie, Freddie Loans

The dollar volume of multifamily loan originations by Fannie Mae and Freddie Mac hit an all-time high in the fourth quarter, according to a Mortgage Bankers Association index that has tracked the data for 11 years. The government-supported entities increased lending by selling $33.9 billion of bonds tied to apartment buildings last year, from $21.6 billion in 2010, according to data compiled by Bloomberg.

For Millsap, paying full price to acquire Atlanta’s Arbors at Winters Chapel before foreclosure seemed like a pretty safe bet, he said.

“Multifamily was not hit hard from an operating standpoint,” Millsap said. “Everybody overpaid -- but there was nothing wrong with the actual properties and today’s market recognizes that. The property itself doesn’t know the difference -- it just keeps operating.”

When the complex was appraised in March, 2006, it was valued at $39 million. The original loan matured last May and went into default because the borrower was unable to refinance, according to data compiled by Bloomberg.

Little Capital Risk

Millsap's firm got a loan from Freddie Mac at a 4.5 percent interest rate. The capitalization rate, a measure of investment yield on the property, is about 7.8 percent, by Millsap's estimates. "That puts me in a position where I don't feel like I have a lot of capital risk," Millsap said.

"Freddie Mac and Fannie Mae originate a huge portion of the loans out there for apartments," said Ben Carlos Thypin, director of market analysis for Real Capital Analytics Inc. "If a buyer can secure cheap financing, whether from a government sponsored entity or elsewhere, that allows them to be able to pay more for a property."

The interest rate for a 10-year fixed multifamily loan designated for purchase by Fannie and Freddie was 4.1 percent, as of March 2, according to New York real estate investment banking firm Cushman & Wakefield Sonnenblick Goldman. The rate is for a loan that covers up to 80 percent of the asset value.

'Aggressive Lending'

Life insurance companies and commercial banks are also competing to lend in the relatively stable apartment market, offering mortgages for shorter durations and for "transitional" properties that are not fully occupied, said Bert Crouch, director of acquisitions for structured investments at Dallas-based Invesco Real Estate.

"You're seeing interest rates fall and a very stable and aggressive lending environment, and you've got a supply constrained world," Crouch said.

Rents in the U.S. climbed 4.1 percent in the 12 months through December, according to Axiometrics Inc. Apartment owners are projected to see their rental revenue increase by 6.7 percent this year, as little new supply comes to market.

For all of 2011, 37,678 new apartment units were completed, the lowest annual total in 31 years of data compiled by New York-based Reis Inc.

While Invesco's real estate holdings are "overweight" on multifamily properties, the firm hasn't found the kinds of deals it had hoped for when dealing with lenders disposing of troubled apartment loans.

'Difficult to Find'

"On the distressed side it's been very difficult to find the quality of product that we're comfortable with and at the same time get a meaningful discount," Crouch said. "We have not been nearly as productive in that area as we would have wanted."

In major metropolitan areas, where institutional apartment investors such as REITs and pension funds have concentrated their acquisitions, recovery rates for liquidated apartment loans have come close to 100 percent of the outstanding debt, according to Real Capital. In Manhattan, apartment lenders disposing of bad loans recouped 88 percent of the debt in the second half of 2011. Lenders for properties in San Francisco and Los Angeles have been able to recover about 86 and 85 percent respectively.

The biggest losses were for states where high volumes of foreclosed single-family homes are competing with apartment buildings for renters. Lenders for apartment properties in Las Vegas and Miami recovered 59 percent of their debt in the second half of last year.

Overleveraged Owners

Acquiring notes on distressed multifamily loans makes sense in most markets, which isn't the case for loans backing retail and office, said Matthew Schwab, managing director and co- founder of Los Angeles-based Karlin Real Estate. The investment firm bought the note and in June foreclosed on the 200-unit Vista Verde apartment complex in Orlando.

The main source of distress in the apartment market is the overleveraged owners, who borrowed at the peak of the market on rosy assumptions of rent growth, and then couldn't repay their debt once rents plummeted in 2009, he said. Once that old debt is cleared, new loans can easily be supported by tenant demand, he said.

"If you told me about an office building in Orlando, now you've got to really study the office vacancy rates in that market," Schwab said. "Retail, even if you get to the asset, you still have a challenge to lease up. With multifamily, once you get to that asset, the cash flow will be much more predictable."

Mortgage Bankers Data

In 2011, banks and thrifts charged off less than one percent of their balance of multifamily mortgages, compared with a 1.55 percent charge-off rate for their total portfolio of loans and leases, the Mortgage Bankers Association said in a report today. In all years since 2007, banks charged off $7.8 billion in multifamily mortgages, the lowest dollar volume of charge-offs of any other type of loan. Commercial mortgages for properties other than apartments had $35.1 billion in charge- offs since 2007, the Mortgage Bankers said.

Banks liquidating debt from retail properties recovered 61 percent of what they were owed in the second half of 2011, Real Capital said. Defaulted office property loans mustered a 68 percent recovery rate. Industrials recovered 73 percent.

Apartment vacancy rates, now at a decade-low of 5.2 percent, never fell below 8 percent, even during the lowest point of the commercial property rout, according to data from Reis Inc. The office vacancy rate was 17.3 percent in the fourth quarter, while vacancies at shopping centers average 11 percent in the fourth quarter, unchanged from the previous three quarters.

"It's a lot easier to hang your hat on something that's experiencing good fundamentals where values are being supported than if somebody handed you a retail building that sits 60 or 70 percent occupied," said Ryan Severino, senior economist at Reis.

Demand for Creative Offices Grows on Westside

2011 年創意產業對洛杉磯西邊的新轉型辦公樓需求逆勢增長

By Roger Vincent (Los Angeles Times)

Growing demand from creative businesses such as post-production, new media, advertising and technology firms resulted in the greatest net absorption of creative office space on Los Angeles County's Westside in 2011 since the start of the recession, a report said.

Last year, more than 500,000 square feet of offices were taken off the market, the highest annual net absorption since 2006 and a 32% increase over 2010, real estate brokerage Industry Partners said.

The firm describes creative space as an adaptive reuse of an existing commercial or industrial building predating 1970 or new construction meant to convey a similar look and feel. There are about 17.5 million square feet of creative office space on the Westside with vacancy at 12.7%, down from 16.1% a year ago.

Although Westside landlords continue to renovate and redevelop buildings to make creative office space, it will only offset the expected loss of as much as 1 million square feet over the next few years, according to the Industry Partners' report.

Several buildings along Colorado Boulevard in Santa Monica will be demolished to make way for the Expo Line light rail. Other creative offices are slated for demolition to make way for an even hotter category of real estate in the seaside city: apartments.

Rent Watch: How To Get A Tenant To Leave Before The Lease Is Up

擅於在公共設施費用上精打細算有助於商業地產投資成功

By DAVID AHN, CPM, RPA, CCIM(Journal of Property Management)

Whether negotiating anew lease or reading anexisting lease, propertymanagers and tenants are keenlyaware of the base rent, how it comparesto the market and how thosepayments affect NOI and the tenant'soverhead. However, it is oftenthose convoluted and poorly understoodsections of the lease, regarding"additional charges," thatcan have a greater financial impacton the long-term success of a commercialreal estate asset. CommonArea Maintenance (CAM) chargesare often glanced over by brokers,landlords, property managers andtenants due to a poor grasp of thelanguage or economics. The impactof CAM charges on a commerciallease can either be financially devastatingor a saving force, dependingon how they are applied.

In the end, properly administeredCAM expenses, through strict andequitable adherence to the terms setin the lease, benefit both the propertymanager and the tenant.

It is imperative that a property manager understands each section of thelease, particularly those sections concerning billing of tenants. Each lease foreach tenant within a real estate project must be allowed to stand on its own,and it should be assumed that each lease has its own characteristics, motivesand language. Property managers often find themselves mistaken when theyassume that language or terms of one lease applies to another—or worse, appliesto all of the leases within the same project.

RECOVERING REIMBURSABLE OPERATINGEXPENSES

The following case study involves a power retail center consisting of severallarge big-box retailers that changed property management companies. Onaverage, the previous management company recovered approximately 75percent of reimbursable operating expenses from its tenants in the form ofCAM reimbursement, despite its 100-percent occupancy. During the changein management companies, the new property manager believed that this recoveryrate was unusually low for this particular property type. Each of theleases was carefully read, abstracted and applied individually, and the tenants'CAM charges were recalculated.

Since then, the property manager has recovered more than 95 percentof reimbursable operating expenses despite difficult economic times andslightly reduced occupancies. How was the property manager able to achievesuch a dramatic increase in recovery with no significant change in tenancyor leases? By carefully examining each individual lease and the expenses atthe property, the property manager found significant expenses in which onlycertain tenants were benefitting, such as the trash- and rubbish-removal service.

Big-box retailers often provide for their own services or maintenance (e.g. trash and rubbish, HVAC and building and roof maintenance) andtherefore do not participate in all related expenses incurred upon the remainingareas of the property. In this example, the previous property managerrecovered only 60 percent of the trash and rubbish costs, as the remaining40 percent of the expense was unrecoverable from the big-box retailer whoprovided for its own removal service. The new property manager correctlyunderstood that the big-box retailers did not participate in the expense fortrash- and rubbish-removal pursuant to their leases.

CAM POOLS

Application of specific tenants to specific expenses is often referred to as a "CAM Pool." As long as the lease permits, the property manager shouldutilize CAM Pools to the extent that the application is reasonable, fair andconsistent with the terms of the lease, in order to maximize the recovery ofallowable expenses.

In this case, the new property manager understood that the trash and rubbish expense could not be billed to the big-box retailers as they did not benefitfrom or utilize the service and therefore did not participate in the costof the expense. The full cost was instead billed only to those tenants whodid benefit from such service and the property manager was able to recovernearly the full amount of the expense.

TRIMMING COSTS

Another way to increase CAM reimbursements is more obvious: cutting superfluous costs. Full tenant buildings are often required to maintain specificinsurance requirements. Insurance policies should be checked to ensuredouble coverage isn't being provided to tenants, which would increase thedirect cost to the property manager/owner while providing no additionalbenefits to the tenant. The same exercise and review should be applied to securityservices, landscaping areas, parking lot repairs and any other expensesin which tenants may be directly responsible to maintain.

But what does this mean in real dollars? For the property in the aforementioned case study, the average annual net operating income from 2008 topresent increased by an average of over $1.50 per square foot on an annualbasis when compared to the same time period immediately preceding thechange in property management companies. The increased NOI immediatelyresulted in increased returns and cash flow for the property owner.Capitalized at 6 percent, the sameproperty is valued at nearly $6 millionmore as a result.

CAM audits can dramatically alter the total costs of a lease, dependingon its application. If appliedcorrectly, CAM audits can actuallybring property managers and tenantscloser together. Most commercialreal estate leases expresslystate that the property manager isexpected to act in fairness to thetenant and work in the best interestof both parties by keeping operatingcosts reasonably contained andwell managed while providing therequired level of service.

If or when a tenant audits CAM charges, property managers who canprovide clear backup and concisereports showing transparencyand a sense of fairness will builda confident relationship with thetenant. These fair dealings willhopefully result in lower operatingcosts, lower real estate overheadcosts and a greater return and profitmargin.

Commercial Property Lending Up for First Time in Two Years

兩年來商業地產貸款額首度上揚

By Carisa Chappell (REIT.com)

Banks in the United States have increased their lending to commercial real estate projects, according to an analysis of lending and default statistics from the fourth quarter of 2011.

This marked the first time that bank lending has spiked upward since the first quarter of 2010, according to Sam Chandan, president and chief economist at Chandan Economics, which performed the analysis.

“It is the most encouraging set of results we have seen for the banks in some time,” Chandan said. He added that banks’ commercial real estate balance sheets expanded by more than $5 billion during the fourth quarter, with most of the increase in multifamily and commercial property loans.

The trend is evident across a range of banks, according to Chandan. In the fourth quarter, nearly 60 percent of the largest segment of banks in the study - those with $1 billion or more in net loans and leases and at least $100 million in commercial real estate loans - increased their exposure to commercial real estate.

Chandan said that while lending has improved, the larger commercial real estate markets will continue to capture a disproportionately greater share of the benefits. Additionally, banks with lower default rates on legacy commercial property loans have shown that they’re more likely to increase their lending.

“Conversely, banks with higher default rates continue to draw down their exposure to commercial property,” he said.

In another positive sign for the commercial real estate industry, the default rate on loans fell to its lowest level since the third quarter of 2009. The default rate dropped from 4.41 percent in 2009 down to 3.76 percent in the fourth quarter of 2011.

“Supporting banks’ reengagement with borrowers, legacy loan performance continues to improve, easing institutions’ capital regulatory demands,” Chandan said.

Although the default rate has dropped, Chandan said bank default rates are still considered high when compared to the time frame leading up to the financial crisis.

Obstacles to increasing their lending levels remain for smaller banks, Chandan said. Distressed properties will pose problems for banks in smaller markets, where property values have been slower to recover than has been the case in major markets.

“The financing outlook for smaller markets is improving, but remains reserved,” he said.

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	-	0.00
Prime rate*	3.25	3.25	3.25	3.25	-	0.00
Libor, 3-month	0.47	0.47	0.58	0.25	0.16	-0.85
Money market, annual yield	0.48	0.50	0.65	0.46	-0.13	-0.97
Five-year CD, annual yield	1.38	1.30	2.01	1.32	-0.63	-1.34
30-year mortgage, fixed	4.05	4.06	5.02	3.95	-0.85	-1.31
15-year mortgage, fixed	3.35	3.35	4.24	3.29	-0.84	-1.61
Jumbo mortgages, $417,000-plus	4.63	4.61	5.86	4.50	-0.91	-2.24
Five-year adj mortgage (ARM)	2.97	3.00	3.67	3.00	-0.66	-2.04
New-car loan, 48-month	3.08	3.66	4.93	3.62	-1.83	-4.07
Home-equity loan, $30,000	4.71	4.71	5.14	4.71	-0.42	-0.65