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COMMERCIAL REAL ESTATE MARKET UPDATE

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  The new report shows that California, the traditional gateway for Asian immigrants, has by far the largest population of Asian Americans, with nearly 6 million, or almost a third of the nation's total.

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- Rise in Retail Sales Points to Healthy Consumer

  消費者消費能力漸強，二月美國零售業銷售額增長 1.1%，是五個月來最高增幅

  U.S. retail sales rose 1.1% in February, the biggest boost in five months as consumers spent on cars, clothing and other goods despite higher gas prices, according to a Commerce Department report released today. Sales at clothing stores increased 1.8%, the biggest jump since November 2010, and sales at garden and home-improvement stores rose 1.4%.

- Entertainment Properties REIT Announces $150 Million of New, Expansion Projects

  房地產投資信託基金“Entertainment Properties”公佈其價值一億五千萬的新投資項目

  Entertainment Properties Trust has commitments for $150 million in acquisition and development projects in 10 states. They include build-to-

suit entertainment venues totaling approximately $57 million. The REIT has reached half of its 2012 investment-spending guidance.

- Sam's Club Makes Inroads in China

  Wal-Mart 旗下大型會員制倉儲連鎖超市 Sam’s Club在中國漸入佳境

  Sam's Club has signed more than 100,000 members for its second store in Beijing, which opened six months ago. The Wal-Mart-owned members-only warehouse chain plans to add additional stores in China in the coming years, appealing to businesses and wealthy families willing to drive relatively long distances for the bulk-buying discounts.

MULTIFAMILY
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- Multifamily Mortgage Activity Enjoys Upswing after 3-Year Slump

  公寓樓貸款活動經歷三年的衰落後終於開始上揚，拖欠率漸穩並與整體經濟狀況同步

  Multifamily mortgage delinquency rates continue to stabilize and improve in parallel with the broader economy.

INDUSTRIAL
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- Don't Look Now But Investor Interest Reviving In Warehouses

  投資者看好工業倉庫長期漲勢，對其需求猛增

  Despite Recent Economic Deceleration, Investors Insist That U.S. Industrial Real Estate Positioned For Long-Term Growth.

MANAGEMENT
資產管理

- Smart Spending Strategies

  如何聰明地花錢升級物業

  More upgrades may be in store this year, as signs of an improving economy encourage businesses to step up their capital investments. Tactics vary as widely as commercial property types themselves, but the underlying principles of maximizing value and maintaining competitiveness.

FINANCING
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- Large Banks Cut Their Bad Loans

  大銀行紛紛設法處理壞帳，預示地產市場整體趨穩

  To deal with their distressed old loans, many of which ran into trouble after rents and values dropped, banks have been modifying loans and selling others off, often in large bundles.

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

  消費者市場利率：房貸、基本利率、等等

Businesses See Risks to Growth in China

美國公司高管對中國經濟放緩及其對亞洲市場的影響表示擔憂

By CARLOS TEJADA (Wall Street Journal)

BEIJING—U.S. businesses see slowing sales growth in China this year, according to an annual survey by the American Chamber of Commerce in China, while nearly half ratethe nation's economic slowdown as a top risk factor.

Worries of moderating growth in China are rippling across the global economy.Economists generally say Beijing wouldramp up spending or take other measuresif growth slowed alarmingly, significantlylimiting the chances of what they call ahard landing. Even a moderate slowdownhas implications for raw-materialscompanies, as well as those sellingservices and capital goods to the world'sNo. 2 economy after the U.S.

On a hot-button topic between the U.S. and China, most AmCham China members surveyed with an opinion on the matter said they see Internet security in China as worsethan in other countries.The survey showed that 46% of respondents say China's slowdown is among theirgreatest risks in that market, up from 31% a year ago. Only 16% expect China revenue togrow by one-fifth or more, compared with 26% who expected that in 2011, the survey,which included more than 300 of the organization's members at the end of last year andwas released publicly on Monday morning, showed.

Ted Dean, AmCham China's chairman, noted that the survey still showed that 76% of members expect revenue from China to grow this year, while only 16% expect flatrevenue and only 8% expect revenue to fall. "Companies [in China] are for the most partdoing well," he said. But he added the results "signal increasing concern over the shapeof the economy both domestically and globally."

Chinese leaders have indicated they hope to foster slower but healthier growth in coming years as they look to build domestic consumption and reduce reliance on exports andinvestment. Chinese Premier Wen Jiabao earlier this month set a 2012 annual growthtarget of 7.5%, a mostly symbolic figure that nevertheless was a drop from the 8% level ofprevious years and indicates Beijing's de-emphasis on growth at any cost.

Of businesses surveyed, AmCham 40% rated an overall global slowdown as a major riskto their Chinese operations, up from 27% a year ago. China has also been affected byslowing demand for its exports from places such as Europe, which is still dealing with itsdebt crisis. Last week, an initial reading of China's manufacturing activity in March from HSBC Holdings PLC indicated continued contraction.

Last week, an executive at Anglo-Australian mining giant BHP Billiton said Chinese demand for iron ore was "flattening out," sending markets lower as investor assess theimpact of a slowing Chinese economy.

Labor remains a top concern in China despite expectations of a slowdown, as pay rises and qualified workers remain difficult to find. The number of firms rating labor costs as amajor risk this year rose to 39% from 23% last year. According to the survey, 43% ratedmanagement-level human-resources issues as a top concern.Mr. Dean said the figures still indicate overall expectations for continued growth. "If it'sdifficult to find managers, that's because business and the need for managers aregrowing," he said.

AmCham's survey for this year included for the first time questions about Internet and electronic security. The subject has become an increasingly tense one, as Washingtonofficials step up accusations that Chinese hackers with ties to the military or otherorganizations are behind a surge in economic spying. Chinese officials have denied thatthey back hackers and say China itself is often their victim.

In the survey, 37% of respondents said cybersecurity in China is worse than in other markets, while 16% said it was the same and 4% said it was better. Others didn'trespond. Mr. Dean said AmCham hopes to highlight an issue that many companies areloath to discuss publicly. "Not all companies with security vulnerabilities or informationissues want to go out themselves," he said. "It's important to get the data out there and evaluate the business impact."

The survey also touched in an issue that worries Chinese officials as well: the speed and reliability of China's Internet access. About 74% of respondents said slow or unstableInternet access impeded their ability to conduct business. That echoes Chinese surveysthat show the nation's Internet is slower than in other nations, even in major cities likeBeijing and Shanghai. Chinese regulators in November said they are investigatingalleged monopolistic activity by China's two state-run broadband Internet providers.

Asians Were Fastest-Growing U.S. Group in Last Decade

亞裔成為美國過去十年里人口增長最快的族裔；加州有近六百萬的亞裔人口，佔全國的三分之一

By Rebecca Trounson (Los Angeles Times)

The nation's Asian population grew faster than any other racial or ethnic group over the last decade, surging almost 46% between 2000 and 2010, says a new Census Bureau report.

The number of Americans who identify as Asian, either alone or in combination with another race, rose to more than 17 million during the decade, the report showed. That was more than four times the rate of growth for the U.S. population as a whole, which increased about 10% over that period.

By comparison, the Latino population rose 43%. Other groups grew much more slowly. Those identifying as African American, either alone or with another race, grew by 15% between 2000 and 2010, while those identifying as white, alone or in combination, increased by 7%.

The rising Asian population was propelled mainly by immigration, with newcomers arriving from across the Asian Pacific region and Indian subcontinent, census officials said this week.

The analysis was the latest in a series of Census Bureau reports on the nation's major racial and ethnic groups, drawing on results from the 2010 census.

The new report shows that California, the traditional gateway for Asian immigrants, has by far the largest population of Asian Americans, with nearly 6 million, or almost a third of the nation's total. The state's Asian population grew 34% during the decade, but that was outpaced in many other states, including neighboring Nevada, where it grew 116%, and Arizona, up 95%.

In fact, the population of those identifying as Asian or partly Asian rose by at least 30% over the decade in every state except Hawaii, where Asians already make up a majority.

Over the years, the children and grandchildren of Asian immigrants are composing a progressively larger share of the U.S. Asian population, but "immigration is still the key driver," said Paul Ong, a UCLA professor of public affairs and Asian American studies.

Ong said many Asian immigrants come to the U.S. for higher education or economic reasons, with others arriving for family reunification or as refugees. In recent years, they have become more dispersed throughout the country, although overall, Asians remain heavily concentrated in the West.

Among metropolitan areas, New York had the largest Asian population in 2010, with more than 1 million, followed by Los Angeles with 484,000 and San Jose, with 327,000. Four other California cities — San Francisco, San Diego, Fremont and Sacramento — were among the top 12 metro areas for Asians.

Among national groups, Chinese Americans were the largest, with more than 4 million who identified as Chinese alone or with another race. They were followed by Filipinos, with 3.4 million, and Asian Indians, with 3.2 million.

The full report is on the Census Bureau website: census.gov/prod/cen2010/briefs/c2010br-11.pdf

Yoshinoya to Launch Fast-Casual Asiana Grill Yoshinoya

日式連鎖快餐店吉野家將推出顧客自選食材式鐵板燒餐廳

By Lisa Jennings (Restaurant News)

The Japanese quick-service chain Yoshinoya is moving into the fast-casual Asian category with a new concept scheduled to launch in May.

Asiana Grill Yoshinoya departs from the primary chain's meal-in-a-bowl format. Instead, it will feature an exhibition kitchen, allowing guests to customize their own meals on a plate, as a soup or salad, or on a bun.

Guests can select a protein — steak, white or dark meat chicken, pork, fish, shrimp or tofu — sauces and sides. Dishes can be prepared either teppanyaki style, which is sautéed quickly in a flatiron grill, or yakitori style, which is charbroiled.

The slightly more upscale fast-casual concept will allow the company to expand into new markets outside California without cannibalizing the quick-service Yoshinoya chain, which has 93 locations, primarily in the West, said Manuel Villarreal, executive vice president of the Torrance, Calif.-based Yoshinoya America Inc.

Asiana Grill Yoshinoya will target higher-income customers, but prices will remain under $10. Asiana Grill's price range will fall roughly $1.50 to $2 more than the average ticket of $8.50 at Yoshinoya, Villarreal said.

The menu at Asiana Grill will also be positioned as healthful and low fat, with a signature brown rice with edamame as an option, as well as udon noodles, grilled vegetables and spring salad mix, he added.

The menu will also include wine and beer, as well as green teas and hot and iced coffee.

The new concept will also offer Yoshinoya's signature Beef Bowl, a top seller at the primary chain.

Asiana Grill's locations will be slightly larger than Yoshinoya's, targeting a 2,500-square-foot footprint, compared with Yoshinoya's typical 1,800 square feet.

The first Asiana Grill restaurant is scheduled to debut in Fullerton, Calif., near a California State University campus there.

The company plans to open two more units in 2012, including one near University of Southern California in Los Angeles, and a third in Manhattan Beach, Calif.

By 2013, the company expects to start franchising the brand, Villarreal said.

Yoshinoya America Inc. is the U.S. arm of a foodservice company based in Japan, which operates or franchises 1,600 Yoshinoya restaurants globally.

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The move into the Asian fast-casual segment could pit Yoshinoya against Chipotle Mexican Grill, which last year launched Shophouse Southeast Asian Kitchen in Washington, D.C., a concept the company is planning to grow slowly.

Other brands are also hoping to capture the market. P.F. Chang's China Bistro Inc. earlier this year said it would launch a new lower-priced Asian Market extension of its fast-casual Pei Wei Asian Diner brand. And the new Asian Box concept opened in Palo Alto, Calif., last month.

Starbucks Goes Natural, Opens First Evolution Fresh Juice Store

連鎖咖啡巨頭星巴克將開“Evolution Fresh”果汁店，主推自然與健康的概念

By Tiffany Hsu(LA Times)

Starbucks Coffee Co.'s foray into juice is bearing fruit (and vegetables), with its first Evolution Fresh store now open and selling "wholesome products" in Bellevue, Wash.

The Seattle coffee giant, hoping for an entryway into the burgeoning healthful lifestyle industry, bought San Bernardino-based Evolution Fresh Inc. in November for $30 million.

The juice company, created by Naked Juice founder Jimmy Rosenberg, uses fresh fruits and vegetables and employs a process called high-pressure processing that produces the juice without heat to retain more nutrients and flavors.

Options at the Evolution Fresh store include Cucumber Pineapple Ginger Juice and the Apple Berry + Fiber Smoothie.

The market for so-called cold-crafted juices could be worth as much as $3.4 billion, according to Starbucks, which called the new Bellevue store a "unique, premium juice and food experience."

In addition to juices and smoothies, the outpost will also offer personalized fresh hot and cold food items such as wraps, salads and soups as well as vegetarian and vegan offerings. Evolution Fresh juices are also being sold in grocery stores and will be available later this year in Starbucks stores.

Starbucks said in January that it would begin selling beer and wine at select locations, including up to six in Southern California, by the end of the year.

Starbucks shares were down about 0.4%, or 19 cents, to $53.01 in midday trading in New York.

Rise in Retail Sales Points to Healthy Consumer

消費者消費能力漸強，二月美國零售業銷售額增長 1.1%，是五個月來最高增幅

By Lucia Mutikani (Reuters)

(Reuters) - U.S. retail sales posted their largest gain in five months in February, with Americans feeling confident enough to buy more cars and other goods even as they paid more for gasoline.

In the latest sign of improvement in the U.S. economy's prolonged recovery from the 2007-2009 recession, sales rose 1.1 percent last month, the Commerce Department said on Tuesday, after a 0.6 percent increase in January.

The sales gains were broad-based and numbers for previous months were revised higher, suggesting rising employment was cushioning consumers from a steep run-up in gasoline prices.

"It signals that the improving economic fundamentals, particularly strong employment growth, are being translated into higher spending activity," said Millan Mulraine, senior macro strategist at TD Securities in New York.

"This building momentum is especially encouraging for the recovery as it suggests that the self-reinforcing positive dynamics between jobs growth and spending activity could foster a more robust economic recovery in the coming months."

The data helped lift U.S. stocks, with the Standard & Poor's 500 Index touching its highest intraday level since June 2008. U.S. Treasury debt prices tumbled, while the dollar reached an 11-month high against the yen.

Federal Reserve officials, at the end of a one-day meeting on monetary policy, acknowledged the recent improvement in economic data, but restated their concerns that the unemployment rate remained too high at 8.3 percent.

The U.S. central bank offered no clues on whether it would undertake another round of bond purchase to further drive down interest rates and support the economy.

PENT-UP DEMAND FOR CARS

With sales for December and January revised higher, the report suggested consumer spending has not been as weak as previously thought.

Consumer spending, which accounts for about 70 percent of U.S. economic activity, had been reported as being flat in the three months through January, when adjusted for inflation.

The report spurred some economists, including those at Goldman Sachs, to raise their forecasts for first-quarter gross domestic product. Goldman Sachs now expects GDP to increase at a 2.0 percent annual rate, instead of 1.8 percent.

Economists also expect fourth-quarter GDP growth to be revised up to as high as a 3.5 percent pace from 3.0 percent when the final reading is released later this month.

Sales last month were buoyed by a 1.6 percent rise in sales of motor vehicles, reflecting pent-up demand and growing confidence in the economy as job creation speeds up.

A devastating earthquake and tsunami in Japan caused disruptions to auto production last year and left dealers without models that consumers wanted to buy.

Excluding autos, retail sales advanced 0.9 percent, building on January's upwardly revised 1.1 percent gain.

A separate report from the Commerce Department showed auto dealers raced to rebuild stocks in January to meet the growing demand. Motor vehicle inventories increased in January at their quickest pace since July 2010, giving a boost to overall business inventories.

Sales at gasoline stations surged 3.3 percent to a record $46.9 billion - a figure that reflects higher gasoline costs. The percentage gain was the largest since March last year and followed a 1.9 percent increase in January.

Excluding autos and gasoline, sales rose 0.6 percent in February after increasing 1.0 percent the prior month. Gasoline accounted for 11.5 percent of retail sales in February.

BROAD-BASED GAINS

Auto dealerships and gas stations were not the only businesses to enjoy higher receipts.

Clothing sales recorded their largest increase since November 2010. Mild weather has boosted traffic to shopping malls even though retailers have had to offer huge discounts to clear shelves of winter clothing.

Sales of building materials and garden equipment also registered sturdy gains, which economists said may have also partly reflected the weather.

Consumers also spent at restaurants and bars, on hobbies and on electronics and appliances. Furniture sales, however, fell.

"There is more underlying strength in the economy than the expected 2 percent first-quarter growth number would seem to indicate," said Gus Faucher, a senior economist at PNC Financial Services Group in Pittsburgh.

So-called core retail sales, which exclude autos, gasoline and building materials, were up 0.5 percent after advancing 1.0 percent in January. Core sales correspond most closely with the consumer spending component of the government's gross domestic product report.

Entertainment Properties REIT Announces $150 Million of New, Expansion Projects

房地產投資信託基金“Entertainment Properties”公佈其價值一億五千萬的新投資項目

By Randyl Drummer(CoStar)

Kansas City-based Entertainment Properties Trust (NYSE:EPR) announced signed commitments for $150 million in acquisition and development of theater, food and beverage assets, and education assets across 10 states.

The company has already reached half of the upper end of its 2012 investment spending guidance of $250-$300 million, said Entertainment Properties President and CEO David Brain.

The company has entered into build-to-suit agreements totaling approximately $57 million for the following theater venues:

- Regal Stadium Theatre, Albuquerque, NM, 16 screens and about 3,000 seats to be operated as the Regal Winrock Town Center 16 by Regal Entertainment Group.
- Carmike Stadium Theatre, Champaign, IL. 13 screens and approximately 2,850 seats to be operated as the Carmike Champaign 13 by Carmike Cinemas.
- Cinema West Stadium Theatre, Twin Falls, ID. 14 screens and approximately 2100 seats to be operated as the Magic Valley 14 Cinemas by CinemaWest.
- iPic Gulfstream, Hallandale Beach, FL. 10 screens, expanded food and beverage, premium seating, to be operated as iPic Gold by iPic Entertainment.
- LOOK Prestonwood, Dallas, TX. 11 screens, expanded food and beverage, integrated with two distinct restaurant options: Nick and Sam's Grill and CoalVines pizza and wine bar.
- Alamo Drafthouse Cinema, Austin, TX. 10 screens, expanded food and beverage with casual dining options.

EPR has entered into property acquisitions and/or property repositioning totaling approximately $35 million for the following venues:

- Latitude 30 in Jacksonville, FL (acquisition), Latitude 39 in Indianapolis, IN (build to suit), Latitude 42; Warrenville, IL (renovation in existing theatre location). The Latitude concept consists of utilizing second-generation big box retail revamped to incorporate a dining and entertainment facility with multiple entertainment venues within.
- Pinstripes Oakbrook, IL. Build to suit. Pinstripes is a distinctive entertainment and dining venue featuring exceptional Italian-American cuisine and service, combined with bowling and bocce in a sophisticated environment.

The company will make $38 million for public charter school properties, including:

- Basis DC, Washington, DC. Building acquisition and renovation to be developed by Highmark School Development. 40,000 square foot building which will serve grades 5-12 with a capacity of up to 732 students.
- Valley Academy, Hurricane, UT. Build-to-suit school to be developed by Highmark School Development. 32,000 square foot building which will serve grades K-8 with a capacity of up to 500 students.
- Pacific Heritage Academy, Salt Lake, UT. Build-to-suit school to be developed by Highmark School Development. 30,160 square foot building which will serve grades K-8 with a capacity of 500 students.
- Prospect Ridge, Broomfield, CO. Property expansion to be developed by Highmark School Development. Adding 15,000 square feet to a current 45,000 square foot building, which will serve grades K-8 with a capacity of up to 950 students.
- Property acquisitions totaling $20 million include following recreational property:
- Sale-leaseback for two TopGolf entertain locations in Dallas, TX and Allen, TX, including driving ranges, restaurants and bars.

Entertainment Properties Trust maintained total investments of $3 billion, including megaplex movie theaters and adjacent retail, public charter schools and other destination recreational and specialty investments.

Sam's Club Makes Inroads in China

Wal-Mart 旗下大型會員制倉儲連鎖超市 Sam's Club 在中國漸入佳境

By Yao Jing (China Daily)

At the Sam's Club store in Beijing, customers are not waiting in line at the cashier counters.

The high shelves are filled with packing goods. The corridors are wide enough for three shopping carts to pass through side by side, and the latest audio equipment is on display.

But these advantages are not to be enjoyed by everyone. Shopping for most items at the 12,000-square-meter Sam's Club, part of a chain of stores owned and operated by Wal-Mart Stores Inc, can usually be done only by those who have memberships there.

Established in 1983 and named after Sam Walton, the founder of Wal-Mart, Sam's Clubs sell most of the products on their shelves in bulk and at a discount.

Sam's opened its biggest outlet in Beijing in the Beijing Economic and Technological Development Area, in the southeastern suburb of Yizhuang, in November. It was the fifth Sam's Club to be in China and the second in Beijing.

Du Limin, vice-president of Sam's Operations, China, said finding the best location for expansion in Beijing was difficult.

Du said the presence of Coca-Cola Co, Nokia Corp and other multinational companies in the area gave Sam's confidence. Such companies, he explained, tend to buy office supplies and other business gifts in bulk, as do many middle-class professionals working in the high-tech industry. What's more, there was virtually "no competition" in the area, he said.

In the less than six months since it opened, the Sam's Club has attracted more than 100,000 members, a quarter of them being business members.

"Most of our customers come from Yizhuang," Du said. "But with more people traveling abroad and becoming aware of Sam's Club, we have been getting more membership enquiries. Many of the prospective members want to drive to the club on the weekend, and some of them come from as far away as Tangshan in Hebei province."

Stephen Montgomery Smith, Walmart China's chief marketing officer and senior vice-president of Sam's Club, New Formats, said the retailer is looking to expand much more quickly in China in the next few years to take advantage of a rapid increase in the country's middle-class population and urbanization.

Sam's Club plans to open a new outlet in Dalian, Northeast China's Liaoning province, later this year, Smith said.

According to the National Bureau of Statistics, the value of retail sales in China increased by 17.1 percent year-on-year to 18.12 trillion yuan ($2.87 trillion) in 2011.

But Sam's Club seems to be proceeding cautiously in its plans to expand in China. It has only had five stores in the country in the past 16 years and took seven years to open a second outlet in Beijing.

"Sam's needs its own facilities, instead of leasing space in a large retail shopping mall like other companies," Smith said. "This type of building takes more time and capital, and the opportunities are more limited than the current retail center dynamics that exist in China today."

He said Sam's strictly adheres to standards governing the size of its stores, their locations, their access to main roads, their need for ample parking and the demographic composition of the places they are opened in.

The Yizhuang outlet, with its 1,200 parking lots, is the biggest single-deck Sam's Club in the country. Even though it stands in the suburbs, many consider it to be more convenient and comfortable than various other supermarkets in Beijing, which often have crowded parking lots and long lines at their checkout counters.

Seeking to attract affluent family shoppers and small business owners, the club charges a membership fee of 150 yuan every year. That business model helps the club to keep the margins on its merchandise low and to instill loyalty among its members.

"Our price is 8 percent lower on average compared with other hypermarkets," Du said.

Nearly 18 percent of its products are imported, and 4 percent are from the club's own brand.

Sam's business model, though, has had to be modified somewhat to suit Chinese shoppers.

"Our format and commitment to members is the same in all countries," Smith said. "But the content of what we provide, and how we provide it, is always country-culturally correct."

Almost all of the managers and operators of Sam's Clubs in China are Chinese.

"Since Chinese consumers like to pick out favorites from among various items and are used to wandering in supermarkets to find something new when they have free time, we are offering more choices in China," Du said.

And because many families in China consist of only three members, the club has changed the size of the products it offers. In the United States, the soy sauce sold at the stores often comes in packages containing five bottles; in China, only three bottles are bundled together.

The Chinese, moreover, are not in the habit of storing supplies and prefer from time to time to change the brands that they use.

When the Sam's stores first opened in China, many shoppers were not accustomed to the idea that they would have to pay membership fees to shop there. An increasing number, though, have come to see membership as a status symbol.

As trade in China becomes more modern and as disposable incomes increase, an emphasis has been placed on having clean, well-organized stores that sell high-quality merchandise, fresh foods and imported products, Smith said.

To better inform Chinese customers about new products, Sam's Club will hold various events. Business members are also invited to attend wine tastings, and there are activities for mothers and children. All these help inspire loyalty in customers and improve the club's reputation in the community, Du said.

Though the company is faced with competition from both local and foreign rivals, Smith said he is excited about the opportunities in China.

Realizing that online retail is becoming increasingly popular among Chinese shoppers, Sam's has also set up SamsClub.cn. The online shopping service can now be used by Sam's Club members in Beijing and Shenzhen.

Multifamily Mortgage Activity Enjoys Upswing after 3-Year Slump

公寓樓貸款活動經歷三年的衰落後終於開始上揚，拖欠率漸穩並與整體經濟狀況同步

By Mark Heschmeyer (CoStar)

The multifamily mortgage market continues to experience an increase in lending activity from a variety of participants. Although the GSEs and FHA have been the primary participants, there has also been renewed interest from portfolio lenders, banks and thrifts and commercial mortgage-backed securities issuers, according to new research from Fannie Mae.

Based on publicly-available company reports, Kim Betancourt, director multifamily economics and market research for Fannie Mae, said Fannie Mae and Freddie Mac saw the first increase in their total dollar volume of multifamily mortgage and securities acquisitions (purchases and securitizations) last year after three consecutive years of declines. In 2011, Fannie Mae acquired $24.4 billion in multifamily mortgage loans and Freddie Mac acquired $20.3 billion.

During 2011, there was also an increase in multifamily CMBS issuance, totaling 16 deals. The multifamily collateral underlying the securities consisted of traditional multifamily units, manufactured housing parks and mixed-use properties. Although the conduits saw an increase in activity earlier in the year, issuance stalled during the third quarter of 2011, partly exacerbated by the Standard & Poor's ratings withdrawal on the $1.48 billion Goldman Sachs-Citicorp CMBS deal.

While multifamily CMBS saw an increase last year, it is important to note that the segment is still far from its previous issuance levels. For example, multifamily CMBS issuance levels were approximately $36 billion annually in 2006 and 2007.

Life insurers had their second best year on record in multifamily in 2011, reaching $11.1 billion in commitments on 517 loans. This is a significant increase from $4.6 billion in commitments on 244 multifamily loans in 2010. In 2006, during the height of the last commercial real estate cycle, the life insurers had their best year on record in multifamily commitments, reaching $11.2 billion.

Throughout 2011, the life insurers were determinedly competitive in their pursuit of multifamily commitments. At $11.1 billion, multifamily represented nearly 25% of all life insurer commercial real estate loan commitments last year.

Banks and thrifts saw a significant increase in total net multifamily real estate holdings during 2011, with the FDIC reporting a net increase of $5.8 billion. Fourth-quarter 2011 net multifamily holdings rose by $1.6 billion, slightly higher than the $1.1 billion increase during the third-quarter, but still below the second quarter's revised increase of $3.6 billion.

Betancourt said Fannie Mae expects the 2012 multifamily mortgage activity level to be similar to 2011 for a number of reasons, including interest rates likely remaining near or at current levels; low cap rates keeping

apartment buyers and sellers in the market; apartment sales staying healthy due to an ongoing dearth of new apartment construction coming online resulting in fewer new competing apartment units; and continued improvement in job growth.

As Lending Has Increased; Delinquencies Have Declined

Commercial and multifamily mortgage delinquency rates declined during the fourth quarter of 2011, and have fared better through the credit crunch and recession than any other major type of loan held by banks and thrifts, according to two reports released by the Mortgage Bankers Association (MBA).

During the fourth quarter, the 60+ day delinquency rate for loans held in life company portfolios fell 0.02 percentage points to 0.17%. The 60+ day delinquency rate for multifamily loans held or insured by Freddie Mac fell 0.11 percentage points to 0.22%. The 90+ day delinquency rate for loans held by FDIC-insured banks and thrifts fell 0.20% to 3.55%. The 30+ day delinquency rate for loans held in commercial mortgage-backed securities (CMBS) fell 0.36 percentage points to 8.56%. The 60+ day delinquency rate for multifamily loans held or insured by Fannie Mae increased 0.02 percentage points to 0.59%. These and other figures come from MBA's Commercial Real Estate/Multifamily Finance Mortgage Delinquency Rates for Major Investor Groups report.

"Commercial and multifamily mortgage delinquency rates continue to stabilize and improve in parallel with the broader economy," said Jamie Woodwell, MBA's vice president of commercial real estate research. "And counter to what many have predicted, commercial mortgages have proved to be neither 'the next shoe to drop' nor a 'ticking time bomb' for the banking sector or the economy as a whole. The data show that, to the contrary, commercial and multifamily mortgages have generally performed well for most investor groups and have been the best performing loans held by banks and thrifts through this recession."

Over the course of 2011, and throughout the credit crunch and recession, commercial and multifamily mortgages have had the lowest charge-off rates of any type of loan held by commercial banks and thrifts. In 2011, banks and thrifts charged off 0.84% of their balance of commercial mortgages and 0.74% of their multifamily mortgages, compared to charge-off rates of 1.22% and 1.24% respectively in 2010.

By contrast they charged off 0.89% of their balance of commercial and industrial loans, approximately 1.43% of their one-four family residential loans, 1.25% of other (non-credit card) loans to individuals, 3.33% of their construction loans and 5.45% of their credit card loans. Commercial and multifamily charge-off rates tend not to rise as rapidly as other charge-off rates during the onset of a recession and tend not to decline as rapidly as others during the onset of a recovery.

Don't Look Now But Investor Interest Reviving In Warehouses

投資者看好工業倉庫長期漲勢，對其需求猛增

By Randyl Drummer (CoStar)

While the heated apartment market continues to grab headlines in the ongoing CRE recovery, a number of investors are quietly turning their attention to the warehouse sector anticipating a strengthening economic rebound as the U.S. jobs picture continues to improve, leading to increased consumption and consumer spending, according to the latest PwC (PricewaterhouseCoopers) Real Estate Investor Survey.

"Warehouse demand is rapidly picking up, especially in coastal markets with international port access," said one participant in the first-quarter 2012 survey, while another respondent noted that "absorption levels have been impressive even though U.S. economic growth has been weak."

The ongoing recovery for the industrial sector was weak during the first half of 2011 as the European financial crisis accelerated and U.S. economic growth slowed. However, leasing demand grew significantly during the second half of 2011, allowing the sector to reabsorb virtually all of the space vacated during the last recession.

Led by the outperforming big-box warehouse sector, nearly all U.S. industrial markets reported positive absorption in 2011. Many investors surveyed by PwC feel that leasing demand for distribution space will remain strong in the coming months, despite concerns about Europe and the torpid U.S. recovery.

Increasingly strong aggregate absorption numbers don't tell the whole story of the strengthening warehouse market, according to Shaw Lupton, senior real estate economist for Property and Portfolio Research (PPR), CoStar’s analytics and forecasting division, who noted that many market participants complained about weak tenant leasing during most of 2011.

Lupton said those touting recovery in warehouse absorption and those noting the weakness in leasing transaction velocity are both correct.

"The common perception in the marketplace of flat leasing activity is accurate, yet slowing [tenant] move-outs have increasingly supported positive net absorption -- consistent with the recently outstanding profitability of companies that survived the recession," Lupton said in a recent daily update. "Given this leanness in the industrial economy, we expect move-outs will remain somewhat stickier in the near term, setting the stage for marginal improvements in move-ins to contribute significantly to net absorption."

While a number of markets throughout the U.S. will see continued low demand and elevated vacancies and cap rates over the next two years, a handful of key distribution hubs such as Southern California’s Inland Empire are already in full recovery.

Investors' upbeat outlook for warehouse space is tied to the healing U.S. labor market, with underlying positive signs outweighing concerns. Combined with limited construction over the past few years, the potential for rent growth in most markets is now a key driver for acquiring industrial assets, several investors stated.

Rent growth assumptions for the national warehouse market in PwC's survey have increased over the past two years. Also, the number of surveyed investors that are pushing rents has jumped from 25% in the first quarter of 2010 to 60% this quarter.

In one of the most significant commitments to the U.S. warehouse sector since the economic downturn, Brookfield Asset Management and Dallas-based developer Hillwood last week announced a joint venture backed by a $400 million equity commitment to invest up to $1 billion in industrial properties over the next three years. The venture will acquire, develop and manage mostly large warehouses across the U.S.

"Industrial development slowed during the downturn due to a lack of equity and debt," said Ross Perot, Jr., chairman of Hillwood. "Given the liquidity and resources supporting our investment, our joint venture is well-positioned to benefit from renewed demand for industrial space which will increase as the economy continues to show signs of improvement."

Last fall, Blackstone Group LP acquired a portfolio of mostly suburban office properties in seven markets for $1 billion from Duke Realty Corp. (NYSE: DDR), which is seeking to shed office properties to raise capital to increase its holdings of industrial properties in key distribution markets.

In addition to the national distribution markets, buyers are especially interested in industrial properties located in energy and high-tech markets like Austin and California's Silicon Valley, where job gains, leasing demand, and rent growth are expected to lead the country. In December, PS Business Parks Inc. acquired RREEF America LLC's 5.34 million-square-foot portfolio in the Silicon Valley and East Bay for $520 million.

Despite the increased appetite for warehouse acquisition, investors are carefully monitoring both the economy and its impact on the sector's fundamentals as well as developers' plans for new supply.

While new construction has been constrained so far, a shortage of quality bulk warehouse space is spurring speculative construction and build-to-suit activity in several markets, especially the Inland Empire. In fact, "the list of markets where the number of vacant blocks larger than 500,000 square feet is approaching pre-recessionary lows is growing and today includes even the recently overbuilt metros of Dallas and Phoenix," according to Rene Circ, PPR's director of research for industrial property. "The industrial sector is very responsive to the business cycle and new construction can come back as quickly as it retreated." Investors realize too much new supply could easily undermine the recovery, squashing rent growth and capital appreciation for the entire sector.

Pricing, Values Firming Across All Property Types

Across the entire CRE spectrum, investors surveyed by PwC see a broadening stabilization in values and pricing. Over the past year, the number of markets posting quarterly declines in overall capitalization rates across all

CRE property types has fallen while the number reporting either increasing cap rates or no change has increased.

Industrial cap rates edged down about 7 basis points in the first quarter from the previous quarter to 7.41%, the only national market besides net lease (7.46%, -13 bps) and power-center retail (7.32%, -3 bps) to see continued compression.

Medical office and flex/R&D properties held steady at 7.92% and 8.71%, respectively, while CBD office rose sharply by 19 bps to 7.03%, followed by suburban office, which increased 9 bps to 7.52%

Surveyed investors reported that most of the falling cap rates this quarter occurred in city-specific office markets such as Charlotte, Manhattan, Houston, southeast Florida, suburban Washington, D.C., Northern Virginia, the Pacific Northwest and Los Angeles, all of which posted double-digit declines.

While apartments have led the real estate recovery, "many investors have turned their focus to the office sector as job growth accelerates and limited additions to supply are expected to bolster rental rates in many office markets," PwC said in the report.

Smart Spending Strategies

如何聰明地花錢升級物業

By Paul Rosta (Commercial Property Executive)

Like most other aspects of property management, investing wisely into assets calls for abalancing act. The recession produced creativecost-saving strategies, yet many owners learnedthe hard way that depriving an asset of thecapital needed to keep it competitive is self-defeating."Asset preservation is the No. 1 responsibilitywe have, but at the same time we have tomake smart spending decisions and not alwaystake the easy way," contends Sherry Freitas,Wood Partners' vice president for asset management.And for properties that reverted back tothe lender through foreclosure, decisions aboutinvestment are all the more complex.

More upgrades may be in store this year, as signs of an improving economy encouragebusinesses to step up their capital investments.A survey of middle-market companies in theNortheast, Mid-Atlantic and Florida sponsoredlast fall by TD Bank revealed that 17 percent of those firms plan to invest in improving theirfacilities in 2012. Though this includes expendituresfor equipment as well as structure, itsuggests that an increasing number of ownersare also willing to invest in renovations.

Tactics vary as widely as commercial property types themselves, but the underlying principlesof maximizing value and maintaining competitiveness remain the same. Strategicinvestment in technology is a proven way tocreate good will and ultimately improve thebottom line. In the multi-family sector, for example,software and social media that keep residentsin the loop, enable online rent paymentsand track maintenance problems efficiently arepaying back their investments in spades. "Thetechnology is smart spending because it allowsyou to communicate more freely with your residents.You're no longer missing them becauseyou left a note on the door," Freitas explained.

Anticipating the property's needs is a time-honored but indispensible approach. "We wantto be a year ahead, not a year behind," saidMike Barnello, CEO of LaSalle Hotel Properties.The REIT, which specializes in value-addedopportunities, counts on well-consideredinvestment to bring its properties to the nextlevel. Later this year, LaSalle will start a majorrenovation of the Park Central Hotel, a 934-key property in Midtown Manhattan, which itacquired in January for $396 million.

Between 2004 and 2012, previous ownership invested $33 million in upgrades, yet LaSalleplans to invest as much as $35 million on furtherimprovements. "We want to capture moreupscale corporate travel business," Barnello explained."In order to do so, we need to upgradethe facility." Scheduled for a late 2012 start,the year-long project will target the hotel'slobby, corridors and guest rooms.

As the line between conventional asset management and property management continuesto blur, owners are more involved thanever in determining the details of investing inthe property. Veteran property management executives confirm that their colleagues canexpect a greater degree of involvement fromclients. And when it comes to budgeting decisions,property managers and owners may notalways see eye to eye.

While owners have the last word about whereto put resources, though, the more sophisticatedgive managers a seat at the table and value theirinput. “Because they’re our day–to-day representatives,we like to include them from theget-go,” said Tom Ohlson, senior vice presidentfor Grosvenor Americas. Daily interactionswith customers and local market knowledgegive on-site managers valuable insights that canshape investment decisions.

Such a strategy is rejuvenating a 30-year-old office building in Santa Monica, Calif. The propertychanged hands last year after the recessiontriggered a foreclosure. After years of inadequateinvestment by previous ownership, the propertysuffered from a tired appearance. As a result, occupancyat the 100,000-square-foot property hadplummeted into the 70 percent range.

The new owners brought in Jones Lang LaSalle Inc. to take over management and posed a challenge: “How can we make capital improvementsthat will drive value through leasing?”recalled Michael Prabhu, managing director &head of property management for Jones LangLaSalle’s Southwest region.

In answering that question, the propertymanagers have an ace in the hole: Santa Monica’semergence as “Silicon Beach,” a hot spotfor technology-related fi rms. The trend haspushed office vacancy in the city’s Downtownsubmarket to around 4 percent. Jones Lang LaSalle recommended a makeover that would attractcutting-edge fi rms. A late spring start isscheduled for a $2 million, six-month renovationthat will modernize the lobby and corridors.In addition, Prabhu said, allowances for improvements will encourage tenants to buildthe open, collaborate spaces favored by youngtechnology professionals.

The combination of upgrades and incentives has generated new leases from a variety of tenants,including marketing, media, technologyand a European clothing manufacturer. Thatactivity will boost occupancy from about 70percent to 90 percent, Prabhu estimated.

Staying on Top

A well-timed investment can also keep a strong asset at the top of its game. Last year,Grosvenor Americas decided to refurbish RiceLake Square, a 250,000-square-foot retail centeranchored by a Whole Foods store and locatedin the upscale Chicago suburb of Wheaton,Ill. The center was well tenanted and ingood physical condition. Yet after 22 years ofcontinuous operation—the last seven underGrosvenor’s ownership—Rice Lake Squarewas beginning to look somewhat dated, Ohlsonexplained. Grosvenor ordered a faceliftthat included renovated storefront facades,new lighting towers topped by lantern-shapedLED elements, expanded parking and reconfiguredtraffic exit and egress. For a modest costof less than $10 million, the project is packinga punch. “It feels like a completely differentasset,” Ohlson said. Several tenants have renewedtheir leases, and the center is attractingnew arrivals, like the Potbelly Sandwich Shop, which relocated from a competing center.

The stage of a property’s lifecycle and its place in the owner’s strategy will ultimately shapespending decisions. But whatever the hold timemay be, properties should not be shortchangedmerely because they could be up for sale soon,Ohlson argues. “Generally, our value-add opportunitiesare focused toward the long-term fix, regardless of where they are in the life cycle,”he said. “The change to the asset has to bea project that makes sense in the long term. ...It can’t be an improvement that’s for the quick fix to get rid of the asset.”

When an owner is hesitant to commit to alarge-scale upgrade in advance, the propertymanager can suggest making the investmenton a trial basis. Multi-family properties lendthemselves particularly well to this strategy.At Windbrooke Crossing, a 256-unit apartmentcommunity in Buffalo Grove, Ill., MarquetteCos. is carrying out a phased programto upgrade 50 to 60 units per year as residentvacancies permit. Rather than tackling the entireproperty, however, Marquette is renovatingfour units to start with. “If those get absorbed,we’ll do another six,” said Jim Cunningham,executive vice president & head of Marquette’sthird-party property management services. As arule of thumb, Marquette is looking for a markupin the range of 8 to 16 percent for each of theremodeled units.

Large Banks Cut Their Bad Loans

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By ELIOT BROWN (Wall Street Journal)

Large U.S. banks have been making headway in dealing with their troubled commercial real-estate debt, selling off and reworking bad loans at a faster rate than smaller banks.

While the high debt levels tied to commercial real estate caused significant worry among analysts and federal regulators in the early days of the economic downturn, banks havegradually been finding their footing more than three years after the collapse of LehmanBrothers.

At the end of the fourth quarter, banks with at least $20 billion in assets reported a delinquencyrate on commercial-real-estate debt of 6.3%,down from a peak of 10.3% in the first quarter of2010, according to loan research service TreppLLC. Banks under that threshold saw a smallerdrop, to 5.8% from 8.1%, according to Trepp.

A loan becomes delinquent when a borrower is at least 30 days late in payments.

Banks still face choppy waters in the sector.Current delinquency rates are well above normallevels, and analysts say hundreds of billions ofdollars of loans may be difficult to refinance incoming years.

But the success by the larger banks at cleaning up their balance sheets signals a move towardstability in the broader property market. Indeed,many financial firms have picked up lending. In the final three months of 2011, banksboosted their holdings of commercial mortgages, excluding construction loans, by morethan $5 billion, according to the Federal Deposit Insurance Corp.

To deal with their distressed old loans, many of which ran into trouble after rents and values dropped, banks have been modifying loans and selling others off, often in largebundles.

For instance, Bank of America Corp. last fall sold an approximately $880 million portfolio of 32 performing and nonperforming loans to a group of investorsincluding Square Mile Capital Management LLC. The deal, involving one of the largerpools of commercial mortgages sold by a U.S. bank last year, helped Bank of Americalower its count of loans at least 30 days past due to $5.3 billion, from $8.1 billion,according to Trepp. The Square Mile group paid 20% to 25% less than the face values of the loans, according to people familiar with the matter. The bank's overall commercial real-estate exposure has shrunk 44% since the start of 2009, according to Trepp.

Wells Fargo, the nation's largest commercial-mortgage lender holding $123.8 billion of commercial-property loans, took its delinquency rate to 6.5% from 9.3%,one of the largest percentage decreases of large banks, according to Trepp. "We reallybeefed up our loan workout area in a big way, and so I think we tackled the problemsearly," said Mark Myers, Wells Fargo's head of commercial real estate.Smaller banks have been working through their problems at a slower pace, in large partbecause their balance sheets tend to be more

concentrated in commercial real estate. Asa result, smaller banks haven't been as fast as larger banks to resume new commercialreal-estate lending, analysts say.

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

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	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	0.17	-0.76
Money market, annual yield	0.47	0.47	0.65	0.44	-0.16	-0.92
Five-year CD, annual yield	1.42	1.39	2.00	1.30	-0.52	-1.24
30-year mortgage, fixed	4.20	4.20	5.02	3.95	-0.72	-1.15
15-year mortgage, fixed	3.46	3.46	4.24	3.29	-0.67	-1.58
Jumbo mortgages, $417,000-plus	4.70	4.71	5.59	4.50	-0.84	-1.74
Five-year adj mortgage (ARM)	3.11	3.09	3.67	2.83	-0.47	-1.79
New-car loan, 48-month	3.31	3.30	4.89	3.05	-1.58	-3.76
Home-equity loan, $30,000	4.70	4.71	5.14	4.70	-0.44	-0.87