STC 資產管理 MANAGEMENT
Lic. No. 01299442

COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL
市場概括

- **Big Real-Estate Firms Are Going To School**

  房地產公司和私募基金投資者逐漸轉向學生公寓住房項目

  Real estate companies and private equity investors increasingly are investing in student housing. Brandywine Realty Trust and Campus Crest Communities are partnering in this space. Trends call for more private student housing on college campuses as colleges choose to outsource housing development rather than undertake it themselves.

- **New Wilshire Grand to Tower above Downtown Los Angeles**

  大韓航空公司斥資 10 億美金開發的Wilshire 高塔大酒店辦公樓將成為洛杉磯市中心新的第一高樓

  Move over US Bank tower; the $1-billion Wilshire Grand is coming to take the crown of tallest building in Downtown Los Angeles.

- **Self Storage Gains Cachet as Values Rise**

  售價創新高，自助儲藏設施成為最值錢的商業地產種類

  Self-storage facilities are now the biggest-ticket properties in commercial real estate-at least by one measure closely tracked by investors.

RETAIL
購物商場

- **Macy's Eyes Growing Sales With Strong Multi-Channel Integration**

  梅西百貨將投資 9 億著眼實體、網絡、移動設備等多銷售渠道整合

  Macy's posted stronger than expected sales in 2012 due to a successful online initiative. This year it will build on that performance by strengthening the integration among mobile, online and its brick-and-mortar stores. To that end it will invest $925 million in improving omnichannel sales capabilities.

- **Retail Landlords cheer Office Depot, OfficeMax Merger**

  購物商場房東歡迎兩大辦公用品零售商OfficeDepot和OfficeMax的兼併案，因預見其更強勁的表現

The planned merger of Office Depot and OfficeMax may result in the closure of some stores, but retail landlords still see it as a positive path to create a stronger chain for the future.

- **Southern California Malls Target Asian Shoppers**

  農曆春節之際南加州購物中心主攻亞裔消費者市場

  The arrival of the Lunar New Year this month seems to have sparked an epiphany for area shopping centers. Malls around the Southland are hustling harder to make themselves more appealing to the demographic.

- **Are REITs Overexposed To The Big Box Office Supply Chains?**

  兩大辦公用品零售商的合併對不動產投資基金營利的影響

  Despite the obvious advantages to the merger two office supply chains (reduced wages, lower saturation, infrastructure boosts to compete with other office supply chains), could the cannibalization of stores impact the revenue of larger REITs?

HOTEL

酒店

- **Hotels Still In Good Place Of The Recovery Cycle–Host Hotels CEO Has A Suite Outlook, Despite Sequester**

  酒店板塊仍在復甦階段，新建造項目較少

  "The reality is that… new construction is still very low in the sector." Ed Walter told CNBC's Squawk on the Street. The result has been an opportunity to invest more in current assets.

FINANCING

貸款與資金

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

  消費者市場利率：房貸、基本利率、等等

Big Real-Estate Firms Are Going To School

房地產公司和私募基金投資者逐漸轉向學生公寓住房項目

By DAWN WOTAPKA (WSJ.com)

Housing for college students, long dominated by small players willing to put up with beer pong and raucous parties, is attracting some of the biggest names in real-estate development.

Lennar Corp., one of the nation's largest home builders, this month broke ground on its first off-campus apartment community near the University of Texas at Austin. Toll Brothers Inc., best known for its sprawling suburban homes, is purchasing land near the University of Maryland in College Park and Penn State University in State College, Pa., on which it plans to build upscale student housing. The two Toll Brothers projects, totaling about 3,100 beds, could open by 2015.

Brandywine Realty Trust, a real-estate investment trust that specializes in suburban office space and other real estate, recently teamed up with Campus Crest Communities Inc., to build a 33-story tower in Philadelphia that will serve students from several schools, including the University of Pennsylvania and Drexel University.

The moves are designed to help the companies better weather the next economic recession by diversifying into areas considered less sensitive to downturns. During the real-estate crash, as prices of single-family homes declined and apartment landlords reduced rent, many student-housing landlords continued to raise rent, thanks to the generosity of parents and student-loan programs.

Meanwhile, established players in the market are on a buying spree in hopes of remaining competitive against the big-name newcomers. Last year, a record $3.7 billion of student-housing properties traded hands, up nearly 95% from the previous year, according to ARA Student Housing.

"A lot of people think our space is hot," said J. Wesley Rogers, president of Landmark Properties, a longtime owner and developer with about 5,000 beds and 2,700 under construction. "You see a lot of new players circling the space right now."

The frenzy comes amid increasing debate about the skyrocketing cost of college tuition and the ease of borrowing that is leading many students to graduate with heavy debt loads. Also, the companies are ramping up construction at time when college-student enrollment has slipped, falling 1.8% in 2012 from 2011, according to the nonprofit National Student Clearinghouse Research Center.

But the companies maintain that over the long term, enrollment will continue to rise, especially at large state schools where much of the construction is taking place. And they believe that demographics support an expanding industry. More than three million high-school students are expected to graduate each year until the

2021-2022 academic year, according to the Department of Education, and many of them are expected to pursue higher education. At the same time, enrollment from foreign students remains robust.

Yet, most colleges and universities don't have enough beds to go around. American colleges are short a total of between 1.5 million and 2.15 million beds, according to research from consultant Michael Gallis& Associates. Moreover, many colleges and universities lack the funds needed to upgrade current dormitories or build new ones and are relying on the private sector to fill the gap.

"They just can't accommodate all these people. Some of them have just handed over all the reins altogether," said Will Baker, a senior vice president with Walker & Dunlop Inc., which financed $157.1 million of off-campus housing deals in 2012.

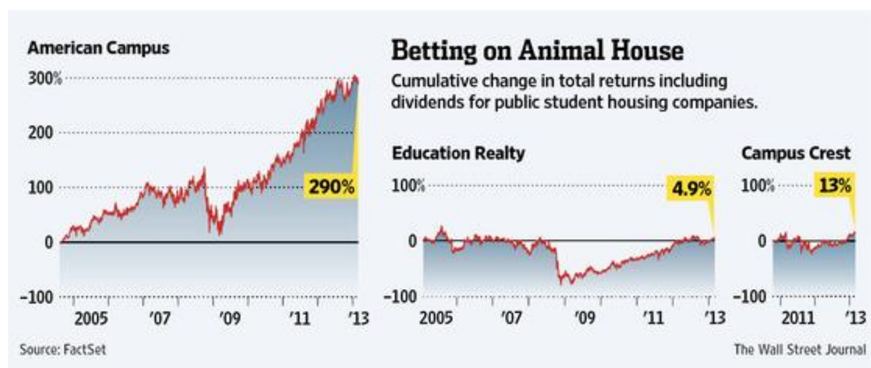
Still, some industry analysts question whether some newcomers to student housing understand the hidden risks and high costs associated with the business, which requires more maintenance and management oversight than typical apartment housing. Students are notoriously hard on housing and they are known to hop from property to property, leaving older properties more at risk of occupancy declines.

Each bed typically turns over annually, and a bed that is empty when school starts often remains empty for the entire semester. Operators also have to balance the demands of students straddling childhood and adulthood, educators and overprotective parents.

Toll Brothers says it likely will allow property managers familiar with the student-housing business to help. "The management is very important because you have three months to get these buildings leased up," said Martin Connor, Toll's chief financial officer. "You have a two-week turnover period, generally, where all your tenants move out and all your tenants move in."

There is growing concern of overbuilding in some markets. Construction numbers for individual cities are limited, but some 40,000 off-campus beds are in the pipeline for 2013, according to ARA. The firm tracks 71 projects under way, up from about 40 last year.

To entice students to pay top dollar, developers are adding upscale amenities including tanning beds, resort-style pools and ice-skating rinks. Today's developments give students their own bedroom and bathroom, allowing developers to charge more rent. Depending on the market and how many students share a unit, monthly rents can approach $1,000 per bed.



"As today's parents know as they drop their kids off at college, these are not the most inexpensive places you can find, like some of us may have experienced in our college days," said Mr. Connor, 48 years old. "They are high quality, in great locations and generate significant rent."

There are concerns that some companies might be adding capacity too quickly. American Campus Communities Inc., the nation's largest publicly held owner of student housing, which spent $1.8 billion on new beds last year, surprised industry watchers earlier this month when it reported that its student housing portfolio was 43.3% preleased as of February for the 2013 academic year that begins next fall, down from 46.4% at this time lat year.

"There's still plenty of time in the leasing season," American Campus Chief Executive Bill Bayless pointed out.

While it is still early, analysts are monitoring the issue. Alexander Goldfarb, a REIT analyst with Sandler O'Neill + Partners, said he is confident American Campus will fill the beds before the new academic year begins. But "if we get another quarter and the gap is still pretty big, people may question if it's a macro issue."

Developers' heavy construction activity has prompted Freddie Mac, which purchases student-housing loans from lenders, to turn somewhat cautious. "You can't help but notice there's a lot of interest now going into that space," said John Cannon, head of multifamily sales at Freddie Mac, which purchased $1.7 billion in student-housing loans last year, up 55% from 2011.

"You want to be careful that the market's not overheating and you're not getting ahead of yourself," he said.

A big reason why companies are diversifying into student housing is that they believe the sector is recession-resistant.

Kayne Anderson Real Estate Advisors, a private-equity investor with 15,000 beds, posted annual returns that exceeded 20% between 2007 and 2012, despite the economic downturn. The firm isn't worried about oversupply.

"I don't think we're in a situation where you're looking at overdevelopment," said Al Rabil, managing partner of Kayne Anderson. "In almost all cases, you're looking at a situation where development is just catching up in creating supply to keep up with demand."

New Wilshire Grand to Tower above Downtown Los Angeles

大韓航空公司斥資 10 億美金開發的 Wilshire 高塔大酒店辦公樓將成為洛杉磯市中心新的第一高樓

By Greg Aragon(ENRClifornia)

Move over US Bank tower; the $1-billion Wilshire Grand is coming to take the crown of tallest building in Downtown Los Angeles. Developed by Korean Air Lines Co., the new hotel and office project will contain 73 stories and will rise to 1,100 ft tall, with a distinctive architectural spire at the top.

"The Wilshire Grand Hotel and office development will change the corner of Wilshire and Figueroa with an iconic building that will redefine the downtown skyline," said Korean Air Chairman Yang-Ho Cho at a recent press conference.

The roughly 2 million sq-ft endeavor, scheduled to be completed in late 2016, was designed by Los Angeles-based architect AC Martin Partners and is being built by New York-based Turner Construction Co. Structural engineering is being led by Brandow& Johnston Inc., Los Angeles.

The project will be highlighted by a 900-room, luxury hotel above 400,000 sqft of office space and more than 45,000 sqft of retail. An 1,100-stall parking garage will occupy seven levels below grade.

The signature spire atop the structure will be made of either stainless steel or aluminum. Standing next to a tactical approach helicopter pad, the signature spire—to be made of either stainless steel or aluminum—is a source of pride for the architects.

"This is a big deal because my grandfather did L.A. City Hall in the 1920s, and that is the only other building in the city that really has an architectural top," says Chris Martin, CEO of AC Martin Partners. "All the buildings in L.A. have flat, truncated tops, so this is going to stand out—and we want it to."

Martin, whose cousin David Martin is the lead designer on the new hotel, says the spire and the entire exterior skin of the tower will be filled with programmable LED lighting, which will be seen throughout the city, and used to "artistically to give character to the building in light."

The project is located on the site of the former Wilshire Grand hotel, which closed in 2011. To get the new tower up, Turner must first demo 1 million sqft of the old hotel. Kevin Dow, vice president of Turner's Los Angeles Region, says this process began in September and should complete in August.

Once the old rubble is cleared, crews will be left with a city block-size hole, ranging from 85 ft to 100 ft deep. Dow says they will then prepare for one of the largest single concrete pours in Los Angeles history – a three-day convoy of trucks shooting 24,000 cu yds of concrete into the structure's 20-ft-thick mat foundation.

“It is intended to be one concrete pour because, if you put a construction joint in something that large, you end up with so many reinforcing dowels across the joints that it becomes unmanageable," says Gerard Nieblas, president of Brandow& Johnston.

The tower will employ a lateral system with a concrete core shear wall, and use a series of outrigger columns and braces to help with building drift. The concrete core will be 4 ft thick at its base, and taper to 2.5 ft thick at the top floor. It will be supported by a structural steel brace frame.

Because the tower is being built in an active seismic zone, Nieblas says the team is doing a performance-based design, with a peer review committee with university professors and a practicing engineer hired to by city to review the design.

When the project is complete, hotel guests will begin their visit at the 70th story, where a panoramic "sky lobby" will be located beneath a restaurant and infinity pool. To keep circulation running smoothly, the building will use hi-tech, computerized double-deck elevator cabs.

"When people come to this building, they are going to look at the top and say 'I want to go to the lobby and restaurant on top; I want to see the view.’ So we decided to take them there and then down-feed [them] to the rooms," says Martin.

Self Storage Gains Cachet as Values Rise

售價創新高，自助儲藏設施成為最值錢的商業地產種類

By A.D. PRUITT (WSJ)

Self-storage facilities, those usually drab buildings on city outskirts where people stash their old sofas, heirlooms and other keepsakes, are now the biggest-ticket properties in commercial real estate—at least by one measure closely tracked by investors.

Acadia Realty Trust, a real-estate investment trust, recently sold 14 self-storage properties scattered across the New York metropolitan area for roughly $300 million to Storage Post and real-estate investment firm Heitman LLC. Storage Post is one of the largest closely held self-storage companies.

While the deal wasn't huge by Wall Street standards, it raised eyebrows among investors because the capitalization rate on the deal was low, about 5.5%. The capitalization, or cap, rate is determined by dividing the annual net income of a property by its price. That essentially tells an investor what the building yields on an annual basis, the same way a bond's yield is its interest rate. As the amount that an investor is willing to pay for a building rises, the cap rate falls. In other words, falling cap rates means rising values.

Just 10 months ago, cap rates on storage space were near 7%—and were as high as 9% during the commercial real-estate downturn in 2009—and were generally several percentage points higher than cap rates on most other types of commercial real estate, according to data from Green Street Advisors.

But that changed with the Acadia-Storage Post deal and a few other transactions, where the cap rates were similar to those on trophy office skyscrapers and upscale apartment buildings.

"I was surprised by the valuation that was apparently paid for it. We've entered unchartered territory for self-storage valuations," within the last couple of years, said Terrell Gates, chief executive of Virtus Real Estate Capital, an Austin, Texas-based private-equity real-estate investor, adding he thinks on the surface the valuation appears too high.

Bruce Roch, chief executive of Storage Post, disagrees and says the company still has ample room to raise rents in the future. "We're not at market level [rents]. We're getting them there now," he said. The Storage Post acquisition, announced in late December, is expected to be completed by the end of March.

Last August, when CubeSmart completed a $560 million deal to acquire 22 properties from Storage Deluxe Inc. in a deal with approximate 5.7% cap rate, some thought it was a fluke.

But the Acadia deal proved it "wasn't an aberration" said Marc Boorstein, a principal at MJ Partners Real Estate Services.

Self storage had long been a sleepy market that counts about 55,000 properties nationwide that are mostly operated by mom-and-pop landlords. The sector became more popular over the past few years after catching the eye of a growing number of private-equity investors and entrepreneurs who, armed with cheap financing and dwindling options for high-yielding investments, started bidding up properties.

Self storage owes its growing appeal to a perception among investors that the industry is recession-proof because people need storage in times of personal upheaval, natural disasters or a move. The industry also has pop-culture cache with the popular reality TV series "Storage Wars" that debuted on the A&E Network in 2010.

Self-storage landlords were pinched by drops in demand during the recent recession but remained stable with few defaults. Self-storage now enjoys record-high occupancy rates of around 90% as people are more apt to keep the discretionary expense during the economic recovery. Landlords also have been raising rents 5% or higher over the past couple of years on existing tenants.

Mr. Boorstein said a big selling point for Acadia's portfolio was that it was 92.8% occupied, and many of the properties are in densely populated areas. The investors "feel like they have a lot room for rental rate growth," he said.

He also said self-storage operators benefit from low competition because there is very little supply, and future supply is being added at a conservative pace. There are roughly 200 self-storage facilities currently under construction or renovation nationwide, compared with the 2,600 facilities that were developed during the market's heyday between 2003 and 2007, according to Mr. Boorstein.

Until there is another wave of development that saturates the market, high valuations for self-storage properties are likely to stick for a while even as investors face slower revenue growth. Landlords aren't expected to be able to raise rents at a such a rapid clip of 5% and higher on existing tenants. Also, private and smaller landlords will likely struggle against the REITs for tenants because of weaker Internet advertising.

"Rent growth is nearing peak levels. Consumers have been willing to pay, but at some point they will simply refuse high rent prices," said Paul Adornato, an analyst at BMO Capital Markets. "We are getting concerned that valuations are getting stretched," he said.

Some investors have a more-ominous view. "The prices investors are paying for self-storage are not tenable long-term," said Mr. Gates, of Virtus Real Estate Capital, adding that recent deal valuations suggest there is little risk between owning a self-storage asset versus and an investment-grade bond. He said it is getting more difficult for his firm to invest in self storage at a good price.

He said many investors often are surprised by how expensive it is to run a self-storage facility and take the endeavor lightly. They think "this is an easy deal, anybody can run a self storage property," Mr. Gates said.

Macy's Eyes Growing Sales With Strong Multi-Channel Integration

梅西百貨將投資 9 億著眼實體、網絡、移動設備等多銷售渠道整合

Source: ICSC.org

Macy's Inc.'s sales grew faster than the chain had expected in 2012, due in part to increased growth in online sales. And it expects the positive trend to continue through 2013 as it focuses energy and capital on interlinking its mobile, online and physical store networks, executives said.

"2012 was another great year in our company's evolving story of growth. The numbers reflect our success in pursuing the right strategies, and executing them with conviction in every part of the business," said Terry J. Lundgren, chairman, president and CEO, in a press release. "We again added more than $1 billion in top-line sales growth in 2012. Comp sales rose by 3.7 percent for the year, on top of increases of 5.3 percent in 2011 and 4.6 percent in 2010."

Sales for the year were $27.6 billion, a 4.9 percent increase compared to 2011. Same-store sales grew 3.7 percent in 2012, beating the retailer's expected 3.5 percent growth. Sales at the retailer's e-commerce sites macys.com and Bloomingdales.com grew 41 percent in 2012 compared to 2011 and added 2.2 percentage points to the retailer's overall same-store sales growth for the year.

Operating income grew to $2.6 million in 2012, up from $2.4 billion in 2011. Net cash provided by operating activities was $2.261 billion in fiscal 2012, compared with $2.093 billion in fiscal 2011.

In fiscal 2012, the company opened a total of seven stores and closed eight stores.

Macy's Inc. expects same-store sales to grow 3.5 percent in 2013. It expects to spend $925 million this year on improving its omnichannel sales capabilities and in opening new Macy's stores in Victorville, Calif., and Gurnee, Ill., as well as a Macy's Men's Store in Las Vegas. The company will also open a new Macy's store in Bay Shore, N.Y., to replace a previous location. Bloomingdale's will open a new store in Glendale, Calif., and a new Bloomingdale's Outlet store in Rosemont, Ill.

"Going into 2013, we are accelerating progress in omnichannel strategies at Macy's and Bloomingdale's to bring together our efforts in stores, online and mobile in a manner that satisfies emerging shopping patterns and capitalizes on the strength of our inventory regardless of where the customer demand occurs," Lundgren said. "And we are engaging shoppers in a manner that engenders loyalty and builds our business with each individual customer."

Retail Landlords cheer Office Depot, OfficeMax Merger

購物商場房東歡迎兩大辦公用品零售商 OfficeDepot 和 OfficeMax 的兼併案，因預見其更強勁的表現

By KRIS HUDSON(WSJ.com)

The U.S. shopping-center industry doesn't love the idea of an Office Depot Inc. merger with OfficeMax Inc., but landlords see it as preferable to the risks if the chains don't do something to bulk up.

Research firm International Strategy & Investment Group LLC estimated the combined company could close 300 to 400 stores. That would be painful for landlords but nothing like the hit they took when bookseller Borders Group and electronics chain Circuit City liquidated.

No one is pointing to a similar fate for the office chains, but the lesson is on the mind of OfficeMax Chief Executive Ravi Saligram, who said he looked at what happened to both chains and knew his employer had to change.

"This is not about incremental progress," the CEO said.

Landlords see the benefits of a deal that would produce a stronger combined company.

"Both companies have had their issues, and we certainly think that a combination makes for a stronger business," said Drew Alexander, chief executive of Houston-based Weingarten Realty Investors, which counts 23 Office Depots and 11 OfficeMaxes in its 292 U.S. shopping centers. "We see this, on balance, as being a good thing for the industry and an opportunity for us."

The $1.19 billion merger would create a retailer with roughly 2,500 stores around the world. Both companies have closed a number of stores as competition increases and sales move online, and they expect $400 million to $600 million in annual cost savings eventually from the deal.

Many of the two chains' stores compete in the same markets, making them an obvious target for cost cuts. Mr. Saligram declined to comment on the opportunity for store closures as a result of the merger.

Some landlords expressed optimism about finding new tenants for closed office-supply stores. Even though big-box centers across the U.S. still are struggling with vacancies lingering from the liquidation of retailers such as Borders, Circuit City and Linens N' Things, the industry's average vacancy rate has declined in recent years.

In the fourth quarter, the average vacancy for big-box centers in the top 60 U.S. markets was 6.1%, down from a recent high of 7.4% in the first quarter of 2010, according to real-estate research firm Reis Inc. But it still exceeds

the 4.5% vacancy rate notched in the headier times of 2008. A primary factor helping the industry of late is scant new construction of retail space, which means there are fewer new centers to compete for tenants.

In turn, expanding big-box retailers such as Ross Stores Inc., DSW Inc., Bed Bath & Beyond Inc. and TJX Cos.' TJ Maxx and Marshalls are moving into many recently vacated storefronts. A few landlords also have added tenants such as health clubs and medical clinics in big-box space.

Optimistic landlords see adding tenants paying higher rents than the average of $11 to $13 a square foot per year paid by the office-supply retailers. DDR Corp., which counts 65 Office Depot and OfficeMax stores in its 454 shopping centers, said the office-supply stores' rent is 30% less than the average in its best centers.

"In most cases, we do not expect to see rent rolldowns," ISI analysts Samit Parikh and Steve Sakwa wrote in a research note distributed to the firm's clients on Feb. 19.

Southern California Malls Target Asian Shoppers

農曆春節之際南加州購物中心主攻亞裔消費者市場

By Tiffany Hsu (LA Times)

The arrival of the Lunar New Year this month seems to have sparked an epiphany for area shopping centers: Asian and Asian American consumers have a growing pile of money and want to spend it where they're welcome.

So in the Year of the Snake, malls around the Southland are hustling harder to make themselves more appealing to the demographic.

Desert Hills Premium Outlets, Ontario Mills and the Outlets at Orange are partnering on a "Snaking through Southern California" initiative to lure Chinese shoppers to their malls. Simon Property Group, which owns the centers, says it's attempting to market to Asian consumers with multilingual messaging and Lunar New Year decorations.

Many stores in South Coast Plaza now have Asian employees to cater to the influx of moneyed tourists from China, Japan and South Korea who flock to the upscale mall. The center also has a language-assistance program and maps in Asian languages.

Westfield Santa Anita in Arcadia, a city where more than half the population is Asian/Asian American, is hosting its first-ever Lunar New Year festival Saturday afternoon. Free activities include a lion dance, Chinese calligraphy demonstrations and a Year of the Snake photo booth for families.

The San Gabriel Valley center hung a 120-foot, 600-pound red-and-gold dragon installation above its indoor carousel. Decorators brought in a Chinese pagoda as well as kumquat trees for good luck.

Even after the holiday, Westfield plans to continue tweaking the Santa Anita mall -- currently home to Nordstrom, AMC Theatres, Macy’s and more -- to better suit its Asian American clientele.

This summer, Hai Di Lao, a hot-pot restaurant chain based in China's Sichuan province, is to open its first U.S. location at the center. Beijing-based eatery MeizhouDongpo is also scheduled to move in, in early 2014.

The mall already offers some store directories in Chinese.

The revamps could have a major economic payoff. Government projections peg 2013 as a record year for Chinese tourism to the United States. A report from Nielsen this past fall showed Asian American buying power surging over $1 trillion within five years, from $718.4 billion in 2012.

Hotels Still In Good Place Of The Recovery Cycle–Host Hotels CEO Has A Suite Outlook, Despite Sequester

酒店板塊仍在復甦階段，新建造項目較少

By: Matt Twomey(CNBC New)

While hotel operators are fretting the impact of sequestration, the CEO of Host Hotels and Resorts— which owns many of the inns the big chains operate — says the recovery from a few brutal years is looking strong.

"The reality is that while we all would have liked to see stronger GDP growth over the last few years, the benefit ... is that new construction is still very low in the sector. It's still at levels that are less than 50 percent the long-term average," Ed Walter told CNBC's Squawk on the Street.

The result has been an opportunity to invest more in current assets, and Walter says Host, the country's largest real estate investment trust, has sunk more than $1 billion into existing hotels in the past two years alone. Under current conditions, he said, "it makes sense to buy new assets or invest in our existing assets."

"Until we see new supply accelerate above the long-term averages, which are slightly above 2 percent a year, I think the cycle's going to be extended," he said.

On Thursday Host reported a 9 percent fourth-quarter revenue increase to $1.75 billion and a 27 percent jump in funds from operations to $308 million, exceeding analyst expectations. Higher room rates and improving occupancy were credited.

Marriott CEO Arne Sorenson, after an earnings report that also beat predictions, on Wednesday told CNBC that the looming threat of sequestration — the automatic government spending cuts that will take effect March 1 if no deal is cut — was the sole reason for a darkened outlook. "We know it will not be good for our business," he said.

Walter said he too is concerned about the fiscal drama playing out in Washington, but noted that "the first six weeks of this year have been very strong. Revenue per available room growth ... was up over 9 percent. And we look at our group bookings for the last three quarters of the year, our group revenues are projected to be up 8 percent."

Host, which has 103 properties in the U.S. and 15 more abroad, saw fourth quarter per-room revenue jump more than 17 percent in Los Angeles and Seattle as well as double-digit growth in Hawaii and San Francisco, and Walter credits a West Coast comeback.

"I think you've got a combination of the economy in California recovering ... and international travel," he said. "There are a lot of travelers coming in from Japan, China and India, and a lot of those are coming to the West Coast."

Are REITs Overexposed To The Big Box Office Supply Chains?

兩大辦公用品零售商的合併對不動產投資基金營利的影響

By Brad Thomas (Forbes)

It's being reported by CNBC.com that OfficeMax (OMX) and Office Depot (ODP) are in merger discussions and although the possible consolidation appears likely, it's too early to speculate on store closure options.

Notwithstanding the fact that OfficeMax's 900 retail stores and Office Depot's 1,700 stores would provide twice the customers of the combined entity, the cannibalization – stores too close to one another – could lead to reduced wages and a reduction in overall store count.

It is plain to see that the brick and mortar model is under significant pressure due to online shopping. Even more, the office supply sector is worse off with Staples (SPLS) and these two companies going head-to-head not only with online retailers, but with each other. Simply said, the field for office supply retail is currently significantly saturated.

In a recent Forbes.com article Abram Brown explains:

A shift to Web sales and massive real estate footprints have hurt them. Office Depot today has about 1,700 stores and employs 39,000; OfficeMax has about 900 and 29,000. Of course merging would allow the two to reduce costs related to those stores and employees. Synergy estimates from analysts range from $350 million to $700 million.

The consolidation strategy makes sense as the combined company could boost the infrastructure needed to make a run at Staples. These combined two smaller brands operate around 2,632 stores with total revenues of approximately $19.24 billion while Staples operates around 2,281 stores with annual revenue in excess of $25 billion.

So Here We Go Again

Just two weeks ago I wrote a Forbes.com article, Barnes & Noble Should Start Thinking Outside of the Big Box, explaining the most critical element for transitioning from the "big box" to "thinking outside of the box". As I wrote:

It's clear to see that the Barnes & Noble storefront is under attack and in addition to downsizing its larger "big box" stores the company must continue thinking "outside of the box". Amazon and Apple will continue to serve their customers more efficiently and Barnes & Noble must find a stronger model that delivers more than a comfy couch, a great book, and a grande vanilla latte. The answer lies in the adaptability of the digital storefront as well as the more efficient retail storefront. Perhaps Barnes & Noble can successfully navigate both worlds but in the words of Bill Gates, Barnes & Noble must "innovate or die".

STC 資產管理 MANAGEMENT
Lic. No. 01299442

It's clear to see that Staples is not the enemy. It's Wal-Mart, Best Buy (BBY), Target (TGT), Costco (COST), and Amazon (AMZN). Collectively the office supply chains are under attack and are going head-to-head not only with online retailers but also with the larger discount stores.

So are the Landlords Exposed? After all, many of the larger Real Estate Investment Trusts (REITs) own sites that are leased to the major office supply tenants. Could the cannibalization lead to store closings that could impact the revenues of the major shopping center REITs?

Shopping Center REITs	Ticker	ODP	OMX	SPLS	Total
Kimco Realty	KIM	38	35	56	129
Weingarten Realty Investors	WRI	23	11	11	45
Cedar Realty	CDR	0	0	5	5
DDR Corp.	DDR	0	51	33	84
Equity One	EQY	9	0	6	15
Urstadt Biddle	UBA	0	0	4	4
Source: SNL Financial					

Kimco Realty (KIM), the largest shopping center REIT in the nation, has a combined 129 leases with the top three office supply chains. Over 46% of the office chain sites are leased to Staples so even if Kimco lost all of its leases with the smaller chain, the company would have over 70% occupancy in its office supply inventory. Remember, Kimco has a diversified portfolio of over 900 properties so the impact to store closings would be negligent.

Like many REITs since the recession, Kimco has recovered a significant amount of lost occupancy, especially in the box and mid box portions of their portfolios. The company has replaced the tenant bankruptcies in their top tenant lineups with higher quality retailers, including, Bed Bath and Beyond, Dick's Sporting Goods, PetSmart, and Whole Foods. The tenant upgrades reflect the strong focus shopping center REITs are placing on asset quality today.

Shopping Center REIT	Ticker	M-Cap	Current	Div-Yld
Kimco Realty	KIM	8.877	21.77	3.86
Weingarten Realty Investors	WRI	3.678	30.27	4.03
Cedar Realty	CDR	0.372	5.46	3.67
DDR Corp.	DDR	5.341	16.95	3.19
Equity One	EQY	2.821	23.74	3.71
Urstadt Biddle	UBA	6.580	20.75	4.82
Source: SNL Financial				

Weingarten Realty Investors (WRI) has 69 leases tied to the office supply sector. With 23 of the leases with Office Depot, Weingarten could possibly be moderately impacted since 33% of the store count is subject to the "cannibalization effect". However, Weingarten has been actively pruning-off assets in secondary markets so it appears the company should be in a much better position to weather the storm and get the dark spaces leased up sooner.

DDR Corp. (DDR) has the biggest concentration risk. With over 51 OfficeMax leases and 33 Staples leases, DDR has considerable exposure and many of the sites are in secondary markets. I am concerned that DDR could become vulnerable to the impact of store closures (60% of the office supply leases are with OfficeMax) and possibly impact future cash flows.

Other REITs with less significant exposure to the office supply chains include Cedar Realty (CDR), Urstadt Biddle (UBA) and Equity One (EQY).

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	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.28	0.29	0.47	0.28	0.19	-0.03
Money market, annual yield	0.48	0.48	0.53	0.47	-0.02	-0.36
Five-year CD, annual yield	1.27	1.27	1.44	1.27	-0.03	-1.38
30-year mortgage, fixed	3.70	3.81	4.26	3.54	-0.36	-1.47
15-year mortgage, fixed	2.99	3.05	3.51	2.93	-0.36	-1.42
Jumbo mortgages, $417,000-plus	4.17	4.18	4.72	4.04	-0.44	-1.92
Five-year adj mortgage (ARM)	2.90	3.06	3.33	2.83	0.10	-1.33
New-car loan, 48-month	2.65	2.50	4.36	2.49	-1.01	-4.17
Home-equity loan, $30,000	4.87	4.94	4.95	4.57	-0.16	-0.34