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COMMERCIAL REAL ESTATE MARKET UPDATE

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INDUSTRIAL
工業倉庫

Don't Look Now But Warehouse Demand Off to Strongest Start Since 2008

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Congress Looks at REIT Tax Exemption

國會重新審視房地產投資信託基金的免稅條款

By A.D. PRUITT (WSJ.com)

A powerful congressional committee is examining the tax exemption that real-estate investment trusts have enjoyed for decades as part of its comprehensive review of the tax code.

The House Ways and Means Committee has been re-examining the tax code looking for ways to boost economic growth by closing some loopholes, simplifying the code and reducing the tax burden on the middle class.

The Fairer Tax?

REIT dividends are subject to higher income taxes

REITS	REIT DIVIDENDS	REGULAR CORPORATIONS	CORPORATE DIVIDENDS	ALL DIVIDENDS
Generally pay no corporate taxes as a long the companies pay **90%** of their taxable income as dividends	Subject to a top tax rate of **39.6%**	Pay a nominal tax rate of **35%**	Subject to a top tax rate of **20%**	Subject to medicare tax of **3.8%**

Source: Tax Policy Center — The Wall Street Journal

The committee is looking at the REIT tax exemption along with all other tax rules.

"Like all other aspects of the code, it is reasonable to expect that REITs would be included in any top-to-bottom review of the code," said a spokeswoman for the Ways and Means committee, whose chairman is Dave Camp, (R., Mich.). "The chairman has long made it clear that everything is on the table."

Since they were established in 1960, REITs haven't had to pay corporate taxes on their income as long as at least 90% of their taxable income is paid as dividends. The tax savings from this exemption, which have allowed them to pay more in dividends, has been one of their main selling points.

Industry officials and analysts say it is unlikely that REITs will lose their tax exemption because it doesn't result in a major loss of revenue to the Treasury. They point out that REIT dividends are taxed at a higher rate than other corporate dividends, 39.6% versus 20%.

REITs paid $29 billion in dividends to shareholders in 2012, according to the National Association of Real Estate Investment Trusts. If the 195 REITs lost the tax exemption and dividends were taxed at the same lower rate as other corporations, the amount gained would largely be offset by the amount lost from the lower tax rate on dividends, industry officials say.

Industry officials also note that the first REITs were established to give individuals an easy way to invest in income-producing real estate. If they lost their tax exemption, they would likely pay lower dividends and act more like other companies. "REITs are a creation of the tax code, so it's no surprise that all parts of the tax code would subject to a review," said Tony Edwards, general counsel of Nareit.

Industry officials say a major change in REITs' tax status would send shock waves through the real-estate world. "It would be a major issue," said Tom Gallagher, a tax attorney with Cozen O'Connor. "You've got an entire industry…predicated on the idea that you will not have any level of tax imposed on those entities."

In an editorial earlier this month, Mr. Camp and Sen. Max Baucus (D-Mont.) said a key component of tax reform would be a level playing field for employers. "The current U.S. corporate tax rate is the highest in the world. Yet in recent years, some of America's largest corporations have paid zero tax," they wrote.

REIT tax rules are coming under review at a time when some analysts and investors are raising concerns over nontraditional real-estate companies converting to REITs. There are seven companies, including gambling operator Penn National Gaming, PENN +0.19% that are either evaluating or have started the process of REIT conversion, according to a recent report by Jefferies LLC.

Real-estate industry officials are worried that Congress will scrutinize REITs more closely if members perceive that companies whose main business isn't real estate are abusing the exemption.

"I'm not a fan of sticking real-estate companies in a trust so you don't have to pay corporate tax," said activist hedge fund investor William Ackman of Pershing Square Capital during a recent real-estate conference sponsored by New York University. "If you push the envelope too much, it will lead to a crackdown on REITs in general."

Tough Economy Drives More Retail Entrepreneurs To Franchises

經濟不景氣促使更多新開店者選擇加入特許經營連鎖店而非自立門戶

Source: ICSC.org

Independent retailers are the darlings of would-be Main Street revivalists everywhere. But in a post-recession economy marked by a slow and uneven recovery, not every entrepreneur has the courage to go it alone. “Probably five years ago, we did a deal with a guy who had been selling custom auto parts out of his car but [who] wanted a retail location,” said Allison Lynch, vice president of asset management at Los Angeles–based Watt Cos. “It was his first retail lease. But in the last few years, we’ve seen far fewer tenants like that — people with truly new business models.”

Indeed, entrepreneurs getting their start in retail are increasingly focused on taking what can seem to be a safer bet: buying an established franchise. “The true mom-and-pops with one or two stores or restaurants are leaving, and more of the franchise nameplates that we are all familiar with are coming in,” said Michael V. Pappagallo, COO of Kimco Realty Corp. “You see the individual businessperson growing, but with franchise concepts, rather than putting out a shingle for Joe’s Haircuts.”

Franchises in Kimco’s portfolio of nearly 900 properties include Chipotle, Dunkin’ Donuts, Massage Envy and Subway. “The franchise construct has been a way for these individuals to get into business or increase their existing footprints,” Pappagallo said. “They’re working with proven concepts and a proven playbook.”

Franchises will grow at a slower pace this year than last year, according to IHS Global Insight, but they will nonetheless outpace other business sectors. The number of franchises will increase by 1.4 percent this year, to 757,055, the firm predicts. That would be just shy of last year’s 1.5 percent gain.

Many such tenants have something in common, Pappagallo says: A subscriber to Amazon Prime could not order their products or services online with free shipping. “People are focusing on businesses that are as far from the Internet as you can possibly get,” he said. “This is any sort of food offering — whether it is full service, limited service or fast food — and any of the personal-service concepts, like nail salons, fitness clubs and massage centers. In our portfolio, that’s where there seems to be much more of a bias in terms of who is filling the small spaces.”

White House Endorses Online Sales Tax Measure

白宮支持各州對網店徵稅

By Bernie Becker (The Hill)

The White House on Monday endorsed legislation that would give states greater authority to tax Internet retailers located outside their borders.

Jay Carney, the White House press secretary, told reporters that the proposal would correct an unfair advantage currently held by online outlets, who are only required to collect sales taxes from customers in states where they have a physical presence.

The Senate is expected to take a procedural vote on the bill, called the Marketplace Fairness Act, on Monday.

“This administration has carefully considered the legislation, and our team has met with a broad array of people on the issue,” Carney said. “And we have heard overwhelmingly from governors, mayors and the business community on the need for federal legislation to level the playing field for our businesses and address sales tax fairness.”

The Supreme Court ruled more than two decades ago that companies only have to collect from in-state customers, but also said that Congress could weigh in on the issue.

With that in mind, retail groups have long pushed for legislation like the Marketplace Fairness Act, saying it would close a loophole that gives online retailers a leg up on them.

Supporters also say that customers are already supposed to pay taxes on online purchases when they file each year, and that the proposal could give billions in extra revenue to struggling state and local governments. The bill would also exempt small businesses with less than $1 million in out-of-state sales.

“Because these out-of-state companies are able to cut corners and play by a different set of rules, the cities and states lose out on funding for K-12 education, police and fire protection, access to affordable health care, and funding for roads and bridges,” Carney said Monday.

A full three-quarters of the Senate – 75 lawmakers, in all – backed the online sales tax proposal when it was voted on as an amendment to the chamber’s budget framework last month. That vote was nonbinding, but supporters said it showed their proposal was gaining momentum.

The bill is now bypassing the tax-writing Finance Committee on its way to the Senate floor. Several senior Finance members – including the panel's chairman, Sen. Max Baucus (D-Mont.), and ranking Republican, Sen. Orrin Hatch (Utah) – have expressed opposition to the legislation.

Influential conservative groups like Grover Norquist's Americans for Tax Reform and Heritage Action have also slammed the bill, saying it would be an unfair burden to force businesses to play tax collector for states where they don't benefit from any services. The online retailer eBay is also an opponent.

Still, the issue does not break down cleanly along partisan lines. Several leading GOP governors, who have to balance their budgets each year, have endorsed the proposal, and top Republican sponsors in the Senate are also former state officials.

Top opponents – including Baucus and Sens. Ron Wyden (D-Ore.) and Kelly Ayotte (R-N.H.) – come from states without a sales tax.

Scams Blocking Chinese Investors' Path To U.S. Green Cards

中國投資者來美投資移民拿綠卡的熱潮遭遇詐騙

By Don Lee and Frank Shyong (LA Times)

Jianwei Li and two other wealthy Chinese businessmen thought they had a sure thing when they wired $1 million each to a California firm that had promised to build a fine Chinese restaurant in the Bay Area city of San Bruno.

The project had an alluring budget with multiple lucky 8s — $5,888,888 — and the three investors were assured it would create enough jobs to obtain the real prize: a U.S. green card.

Months passed and nothing happened. When Li's friends cornered the project developer one evening at a karaoke bar, the man, identified in court papers as Sammy Lee, apparently devised a fantastic escape.

"He went to the bathroom, fell to the ground and said he was having a heart attack," said Edward Lau, a San Francisco lawyer who won a default judgment this year against Lee and his associates. "The ambulance came and took him to the hospital. But [the hospital] said he was never admitted. He kind of woke up and left the scene."

Li and his co-investors had fallen victim to a fast-growing scam — fraud in the government program that gives wealthy people a pathway to U.S. citizenship as long as they are willing to pay. For a minimum $500,000 investment, a foreign investor can get a conditional green card. The card can become permanent if the project creates 10 jobs within two years.

Little-known or used for many years, the number of these EB-5 visas, as they are known, has taken off recently, nearly doubling each year since 2009, in large part because of demand from wealthy Chinese. The program is likely to approach its annual cap of about 10,000 this year.

Along with that rapid growth have come delays, weak oversight and increasing amounts of fraud that often have left millions of investors' dollars sitting in bank accounts as well as lives and businesses in limbo.

The North American Securities Administrators Assn., an advocacy group, now ranks EB-5-related scams as one of the top new threats to investors.

Overall, EB-5 visas are a small part of the 140,000 immigrant visas allotted annually on the basis of employment. But given the nation's budget crunch and continued high unemployment, lawmakers have called for expanding the EB-5 program.

Other advanced countries aggressively use immigration policies to further their economic goals.

Canada, Australia and Britain have investor-visa programs similar to the EB-5. Portugal and Ireland, hard hit by the Eurozone debt crisis, offer residency papers for big property purchases. And Spain, suffering from a glut of unsold homes, is considering giving visas for house purchases of as little as $210,000.

"The underbelly is that once people started to see growth in this program, we started to see a lot more fraud," said Muzaffar Chishti, a director at the Migration Policy Institute, a nonpartisan think tank based in Washington.

Chishti is wary about a ramp-up of EB-5 visas.

"Any program that has a growth rate like that should be scrutinized … especially when we have seen some pitfalls," he said.

Behind the EB-5 boom is one huge source: China. For various reasons, such as better education for their children, 60% of the nation's millionaires are thought to be considering emigration, according to the Hurun Report, a Shanghai publication focused on Chinese wealth.

About 80% of the 7,641 EB-5 visas issued in the last fiscal year went to Chinese investors and their immediate families, according to the U.S. Citizenship and Immigration Services agency, which oversees the program. Officials said China's soaring demand could soon trigger a quota for any one country.

In the U.S., the EB-5 program has become a popular alternative to bank financing and bond sales by pooling investments from multiple individuals through so-called EB-5 regional centers.

The EB-5 program has "tremendous potential" to create employment, said Patrick J. Leahy, (D-Vt.), the chairman of the Senate Judiciary Committee, which has oversight of immigration.

In Southern California, EB-5 investors were behind the Marriott Hotel at L.A. Live and contributed $96 million toward projects in San Bernardino, creating about 4,000 jobs, city officials said.

But there is little regulation of how promoters market visas to would-be immigrants. A number of projects have been shut down for failing to meet the government's standards for job creation. In many cases, developers have allegedly misrepresented their projects to investors or have misspent the funds collected.

One of the largest and most recent cases involves a proposed convention center and hotel project near Chicago's O'Hare International Airport and a 29-year-old named Anshoo Sethi. The former pharmacy technician raised more than $145 million for the project from 250 investors, most of them Chinese, according to federal court papers.

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Foreclosure Activity Plunges In California With New Laws In Effect

新法律促進加州法拍屋急劇減少

By Alejandro Lazo (LA Times)

New California foreclosure actions posted a sharp plunge in the first quarter to levels not seen since the last housing boom.

Lenders filed 18,567 mortgage default notices on California houses and condominiums during the first three months of the year. That was a 51.4% drop from the previous quarter and a 67.0% drop from the first quarter of 2012, according to real estate firm DataQuick.

The filing of a notice of default is the first step in California's formal foreclosure process.

The firm reported the numbers Tuesday. It attributed the drop to rising home prices, a stronger economy and government interventions designed to curtail foreclosures.

In particular, a series of new laws backed by state Atty. Gen. Kamala D. Harris that place new regulations on foreclosure practices appears to have played a big role in the sharp reduction, DataQuick reported.

"It appears last quarter's drop was especially sharp because of a package of new state foreclosure laws -- the 'Homeowner Bill of Rights' -- that took effect Jan. 1," John Walsh, DataQuick president, said in a news release. "Default notices fell off a cliff in January, then edged up."

Once lenders adjust to the new regulations, the numbers could pick up again, Walsh noted.

Default notices remained more prevalent in California's cheaper neighborhoods, according to DataQuick. And most of the loans going into default were between 2005 and 2007.

Among the state's biggest counties, loans were least likely to go into default in the affluent San Francisco, San Mateo, Santa Clara and Marin counties. Loans were most likely to go into default in the less-affluent Riverside, San Bernardino, Solano and San Joaquin counties.

The number of homes taken back by lenders through the foreclosure process also fell dramatically last quarter. The total number of trustees deeds filed on homes fell 35.7% from the previous quarter and 55.1% from the first quarter of 2012. A lender records a trustees deed on a property after it's been foreclosed upon.

Massive Hollywood Development Project Clears Hurdle

洛杉磯市批准了位於好萊塢中心備受爭議的價值 **6** 億多的兩棟摩天大樓建造計劃

By HOWARD FINE (Los Angeles Business Weekly)

Los Angeles city planners on Thursday unanimously approved a controversial $664 million development plan with two huge skyscrapers in the heart of Hollywood.

After a marathon hearing Thursday, the nine-member Planning Commission approved the project by Millennium Partners and Argent Ventures LLC, both of New York.

The project calls for two towers of up to 55 stories, with up to 492 apartments and condominiums, a boutique hotel with 200 rooms and office and retail space next to the iconic Capitol Records building north of Hollywood Boulevard on Vine Street. The taller of the two towers would be nearly 600 feet, more than twice the height of the Capitol Records building.

Millennium Partners co-founder Philip Aarons said his company and Argent Ventures were pleased with the unanimous vote.

"We spent a long time crafting our plans for a transit-oriented, mixed-use development with the guiding principle being to honor and preserve the Capitol Records Tower," Aarons said.

The project next goes to the City Council's Planning and Land Use Committee and then on to the full council.

But the plan's prospects for Council approval were dealt a big blow Thursday when Hollywood Councilman Eric Garcetti, a candidate for Los Angeles mayor, came out in opposition to the plan.

In testimony submitted to the Planning Commission, Garcetti sided with the plan's numerous critics who have said the towers would be out of scale with the Hollywood landscape.

Councilman Tom LaBonge, whose district also includes part of Hollywood, has also come out against the project. Both have said in the past they were willing to talk with Millennium Partners about a compromise.

In a statement released Thursday afternoon, Millennium Partners Principal Mario Palumbo said, "We put forward the plan that we think works best for the site. We have discussed this project with Councilmembers Garcetti and LaBonge on a number of occasions over the last five years and are happy to continue those discussions."

Pacoima Shopping Center Intended To Boost Rookie Entrepreneurs

Pacoima 購物中心試圖用主打小店主的露天市場與購物綜合商場提振周邊社區經濟

By Roger Vincent (LA Times)

At a busy but nondescript intersection in Pacoima, a real estate developer is trying to help revive the San Fernando Valley neighborhood with an open-air market and retail complex aimed at small entrepreneurs.

The complex on Van Nuys Boulevard at San Fernando Road will be called Zocalito of Pacoima, said developer Cary J. Lefton, chief executive of Sherman Oaks developer Agora Realty & Management Inc.

Zocalito will have walkways and plazas similar to small towns in Mexico when it opens in the fall. The concept has been successful at his company's larger Latino-oriented Plaza del Valle shopping center in Panorama City, Lefton said.

He hopes the new operation will become a template for developments in other neighborhoods where unpolished mom-and-pop operators seek to break out on their own.

The project is being built as a launching pad for first-time restaurateurs and shopkeepers, he said.

"We're looking for maybe someone who works in the back of a restaurant and trying to give them a helpful hand to get in their own business."

The help will not come as a direct subsidy; monthly rents will be above the market average at $2.50 to $6 a square foot. The advantage for tenants, the developer said, is that Agora will build the small restaurant spaces to meet city regulations. The spaces will have commercial-grade electrical and sewer systems and required food service fixtures such as grease interceptors that trap grease before it can flow into the city sewer system.

Lefton calls it a "plug and play" concept that will enable new businesses to rapidly hook up their equipment and hang out an "open" sign. They'll share the complex with two or three national brand tenants that should help draw foot traffic, he said.

Avoiding the upfront costs of preparing a small restaurant to meet building and safety codes can be a lifesaver for entrepreneurs launching on a financial shoestring, said Lefton, who has seen start-ups burn through all their capital trying to set up shop and fail before they can even open their doors.

The 18,000-square-foot Zocalito will have seven restaurant slots. Its 14 shops will be able to easily expand if a tenant's business takes off. At Plaza del Valle, for example, Milo's Pet Shop has grown from 200 square feet to 2,000 square feet since it opened a decade ago, Lefton said.

Zocalito's design is intended to invite people waiting for a bus to come inside, where there will be public restrooms and quick snacks for sale, said the project's architect, Alan Pullman, of Studio One Eleven. There will be mature trees, landscaping, seating and a play area for kids.

"A zocalito is a small public square," Pullman said.

Tesco Explores Options For Fresh & Easy Exit

英國零售巨頭特易購的執行長來美研究旗下超市品牌 **Fresh & Easy** 因虧損退出美國市場的方法

By Graham Ruddick (The Telegraph)

The retailer is understood to have held talks with rivals Aldi and Trader Joe’s about selling Fresh & Easy, however a break-up of the business is considered the most likely option.

Tesco, the world’s third-largest retailer, opened Fresh & Easy in 2007 but it has been dogged by the financial crisis and criticism over its offering.

Mr Clarke effectively put the business up for sale in December when he initiated a strategic review of Fresh & Easy and hired Greenhill to advise Tesco.

Mr Clarke has pledged to update the market on the progress of the strategic review on April 17, when the retailer posts its full-year results.

Tesco has invested more than £1bn into the California-based chain and faces a loss of hundreds of millions of pounds upon leaving the US business.

The options for Tesco include selling Fresh & Easy to a rival, selling off a stake in the business, or closing the business and disposing of the assets piecemeal. Tesco has already started to sell Fresh & Easy refrigeration units, and the retailer’s 220 East Coast stores and distribution centre could be attractive to property developers.

A spokesman for Tesco said: “We don’t comment on speculation. We’re carrying out a strategic review, as announced in December, and will update in April.”

Tesco’s arrival in the US was the most ambitious part of Sir Terry Leahy’s international expansion drive while chief executive. In his book, Management in 10 Words, Sir Terry said he would accept responsibility if Fresh & Easy failed.

“If they [the critics of Fresh & Easy] are proved right, it will have been my responsibility as CEO and a clear example that goals are easy to set, incredibly difficult to achieve and must carry a clear accountability,” he wrote.

Shares in Tesco have rise by almost 15pc since Mr Clarke announced the review of Fresh & Easy.

The shares have been supported by an improvement in Tesco’s UK performance, with the company reporting a 1.8pc increase in like-for-like sales over the vital Christmas trading period.

Analysts at Deutsche Bank have forecast that Tesco will report a fall in annual profits from £3.84bn to £3.43bn for the year to the end of February.

Demand For Space In U.S. Strip Malls Still Weak In First Quarter

第一季度社區街邊購物商場的需求仍然較弱

By Ilaina Jonas (Yahoo Finance)

NEW YORK (Reuters) - Limited supply of new U.S. strip malls helped offset weak demand for space in the first quarter, easing the national vacancy rate to 10.6 percent from 10.7 percent the prior quarter, according to a report released on Thursday.

With retail sales struggling to recover and muted demand for space, new construction for neighborhood strip centers remained near record low levels during the quarter, according to the report by real estate research firm Reis Inc.

Regional malls, where department stores typically book-end smaller specialty stores, continued to improve in the first quarter, but top-tier malls drove the lower vacancy rate and higher asking rents. Others continue to suffer from soft U.S. consumer demand and competition from online retailers.

The data adds to recent evidence that without a stronger labor recovery, the rebound of the U.S. economy continues at a glacial pace, rather than gaining momentum.

"Until the economy begins to create more and better jobs, retail sales will remain listless, demand will remain at low levels, and the vacancy compression will be slow and tedious," Reis economist Ryan Severino said.

The total square feet of U.S. neighborhood strip centers - shopping centers typically anchored by grocery stores or drug stores - rose by only 0.04 percent, or 873,000 square feet, in the first quarter, according to preliminary figures.

It was the fourth-lowest amount of space added since Reis began tracking the sector in 1999. The rise was smaller than the 1.231 million square feet added in the fourth quarter and was less than half the amount added a year ago.

The small amount of space added helped offset an anemic demand for space. Retailers soaked up only a net 2.726 million square feet of space, about the same as the prior quarter but down from a year earlier.

"It is somewhat heartening that demand did not collapse under the weight of tax increases and rising gasoline prices, but averting a collapse is not equivalent to surging demand," Severino said.

Still, it was enough to ease down the vacancy rate and eke out an increase in average rent by 0.3 percent. Asking rent at the end of the quarter was $19.18 per square foot per year. Effective rent, which strips out free rent and other costs landlords incur to attract tenants, was $16.63 per square foot.

Since the United States began to drag itself out of recession, the national vacancy for neighborhood strip centers is just half a point below the 1990 all-time high of 11.1 percent that was also reached in 2011. Vacancies remain well above their 2005 low of 6.7 percent.

Large regional malls continue to fare better. Their vacancy rate fell for the sixth straight quarter, down 0.3 points to 8.3 percent, the steepest decline in a decade. Average asking rent rose 0.4 percent to $39.46 per square foot per year, its best increase since 2008.

Reis attributes the higher rents and lower vacancies to the country's top-tier malls that attract the most traffic, with stores that rack up the highest sales per square foot.

The results for both strip centers and regional shopping centers reflect the income divide between the most affluent areas of the country and the rest, Severino said.

Affluent metro areas remain the tightest markets in the country. The top nine strip centers with the lowest vacancy rates are in California or the New York City suburbs.

Top-performing malls tend to be in stronger economic areas away from competitors. That bodes well for real estate companies that own malls and shopping centers, such as Simon Property Group Inc (SPG.N), General Growth Properties Inc (GGP.N), Taubman Centers Inc (TCO.N), Kimco Realty Corp (KIM.N) and Equity One Inc (EQY.N), which have centers in denser metro areas and wealthier suburbs.

Don't Look Now But Warehouse Demand Off to Strongest Start Since 2008

工業倉庫需求繼續強勁增長

By Randyl Drummer (CoStar)

After closing out 2012 with its strongest level of absorption since the beginning of the recession, the U.S. warehouse market picked up right where it left off, posting an equally strong start to 2013, thanks to increases in trade and manufacturing and growing momentum from the housing recovery.

A survey of transaction data by CoStar's Property & Portfolio Research (PPR) shows warehouse supply and demand at its strongest levels in at least five years.

Demand remained widespread as 43 of the top 54 U.S. markets posted positive net absorption for industrial space, according to an analysis of preliminary first-quarter data by Rene Circ, director of U.S. research/industrial research for PPR.

And even among the laggard markets, combined negative absorption is just 3.4 million square feet, down from the previous quarter.

Also during the first quarter, developers completed work on just 13 million square feet of new warehouse space, with 38 million square feet under construction.

"Speculative new construction is still not a threat to the ongoing recovery as it is still heavily concentrated in markets that also have strong demand, such as the Inland Empire, Phoenix, and more recently Memphis," said Circ.

Warehouse vacancy among the the top U.S. markets fell by another 20 basis points during the first quarter to 8.2%, the lowest reading since June 2008 and a 2.2 percentage-point improvement from the depth of the recession.

Rents were up 1% in the quarter and 2.6% year over year, with rent growth spreading beyond the big-box warehouse market, according to Circ's preliminary analysis. Most regional and super-regional distribution hubs showed strong first-quarter results, while Detroit continued to benefit from the ongoing recovery of the auto industry.

Other experts have also made note of the strenghtening performance in the industrial sector.

"Housing has emerged from its recessionary slump and is once again driving demand for both warehouse and flex product," said Jason W. Tolliver, vice president of research, Cassidy Turley. "The manufacturing sector continued to expand in the first quarter, although the pace of growth seems to be slowing. Despite this, factory hiring has continued and this bodes well for future CRE demand."

"The industrial market is enjoying a recovery in line with historic trends," said Robert Bach, national director of market analytics for Newmark Grubb Knight Frank. "The leasing market is performing better than the investment market, only because it's harder for investors to source industrial product to match their appetites."

NGKF's Bach forecasts that the vacancy rate will continue to tighten at a steady pace of about 10 to 20 basis points per quarter -- "a pretty good rate of improvement for a 14-billion-square-foot behemoth of a market" with the recovery staying the course and construction levels co-existing with continued gradual tightening in vacancy rates and slow rental rate improvement.

And in a more optimistic forecast than six months ago, industrial vacancy rates are expected to continue declining, reaching 12.2% by the end of 2013 and falling below 11.5% by 2015, according to the ULI/E&Y Consensus Forecast. Warehouse rental rates are expected to show growing strength, with an increase of 2% anticipated for 2013, and 3% percent in 2014 and 2015.

Industrial REITs will gain an even stronger capital advantage among developer as institutional buyers bid up the price of existing warehouse assets, according to recent research from Citi. Still, improving occupancy should give landlords enough pricing power to uniformly push rents.

How to Renegotiate Your Lease When You Can't Afford the Rent

付不起房租時，如何與房東重新協商租賃合約

By Karen E. Klein (Bloomberg Businessweek)

Question: My 1,800-square-foot business is in its ninth month of a three-year lease. Since a much bigger competitor, 14,000-square-feet, opened half a mile from us, our customer base dropped 30 percent. I'm not making enough for rent and need to renegotiate my lease amount and terms. How should I go about doing this?—V.A., Limerick, Pa.

Answer: Many small businesses found themselves locked into leases they could no longer afford when the economic downturn hit in 2008. "This situation started to come up daily over the past four or five years" in the commercial real estate sector, says Kirsten J. Day, senior counsel at Perkins Coie. "It's abated in some areas recently, but it's still not uncommon to see something like this happen."

This is a tough situation for a small business owner, particularly if you've put up a large security deposit or signed a personal guarantee. You do have some options, but keep in mind that a lease is a binding legal contract. If you default on the rent, your landlord can likely terminate the lease and seek damages against you in court, Day says. You will need to show some clear benefit to the landlord in order for her to grant you even temporary rent relief or let you out of the lease.

Arrange to talk to your landlord in person or at least over the telephone, rather than sending a letter or e-mail. If you have an institutional landlord, meet with your property management company and try to get it to advocate for you. "This is one of those dire situations where body language and establishing trust are really important," says Jim Thomas, a director at Minor & Brown in Denver. (He has blogged about getting out of a lease.)

Before meeting, prepare financial documents that demonstrate your inability to pay the current rent, decide what you want to do with your business (move, or stay and fight?), and research your landlord's situation and local market conditions. Talk to a commercial real estate agent about current rates and availability in your area, says Julie Vieillemaringe, a Los Angeles-based broker with ANR Asset Management Brokerage. "If there is little [available] on the market, and rates have risen, you may have good luck reducing the term or having the landlord take back the space."

If the market is softer and the landlord isn't sure she'll be able to get another tenant quickly, she'll be less likely to let you out of the deal. But she may be more motivated to give you rent relief, rather than having your business fail, particularly if you make the case that you're doing everything you can to turn your business around and you're willing to revise the rent upward if things improve after a few months.

Once you have good information, there are several options you can pursue, according to commercial real estate attorney John A. Logan of Laff Campbell Tucker & Gordon in Greenwood Village, Colo.:

• Negotiate a lease “buy-out” in which you would move out and pay a sum representing the landlord’s costs and commissions, as well as several months of rent and expenses until the property is re-leased.

• Ask for smaller space or lower rent, and persuade your landlord that your business will remain viable, if you can get it. A landlord will be reluctant to give you a break if she suspects you’ll go out of business in a few months, anyway. “There is little incentive for a landlord to take this route,” Logan warns. “They have a contract with the tenant and unless there is a compelling reason for them to do so, they don’t need to change the terms.”

• Find a tenant to sublease part of the space your business now occupies and help you pay rent. Make sure your lease allows for subletting and consider hiring a commercial broker to locate a suitable—and financially sound—candidate.

• Find a substitute tenant to take over your lease—again, assuming that your lease permits this. You may still be ultimately responsible for the performance of the lease, but if you get a viable tenant, that would allow you to move further away from your large competitor.

Facility Closures & Downsizings: HUD To Close Several Multifamily Field Offices; Layoff more than 1,000

美國房屋管理局重整佈局縮減規模

By Mark Heschmeyer (CoStar)

The U.S. Department of Housing and Urban Development is planning a series of restructurings and changes within its Office of Multifamily Housing Programs and the Office of Field Policy and Management (FPM). The changes, which include consolidating multifamily hubs nationwide and closing 16 smaller offices, affect approximately 900 of the departments' 9,000 employees. The entire restructuring process is expected to take approximately two and a half years.

"The current organizational model for HUD is not sustainable from a financial and a service delivery point of view," said Maurice Jones, HUD's Deputy Secretary. "We are reviewing every aspect of our operation to determine if we have the right people in the right places and we're determining where we can be even more efficient, to get the most value out of our limited resources. We're in a different budget environment and we're at a point where we must make some extremely tough choices."

HUD's Multifamily Office provides mortgage insurance to HUD-approved lenders to facilitate the construction, substantial rehabilitation, purchase and refinancing of multifamily housing projects as well as administering a number of project-based rental assistance programs.

The office's restructuring plans include streamlining multifamily's organization's headquarters and field operations. The plan is expected to generate up to $40 million to $45 million in annual savings once fully implemented.

A key component of the multifamily plan will be consolidating its field employees from 50 offices around the country into 10 offices that will report to five multifamily hubs that will be in New York, Atlanta, Chicago, Fort Worth and San Francisco, with satellite offices in Boston, Jacksonville, Detroit, Kansas City, and Denver.

"Multifamily is one of HUD's core programs, and this is its first major restructuring since 1998," said Marie Head, deputy assistant secretary for Multifamily Housing Programs. "We have to change in order to be nimble and keep pace with the marketplace by leveraging technology, reducing our footprint as appropriate, and enhancing customer service in ways that will help ensure that we perform as a 21st century institution. In today's budget climate, we must also look for every opportunity to increase our operating efficiency, but we also have to keep in mind the impact of these changes on our employees. We will be doing all we can to move forward on the plan in a way that offers workers as much flexibility as possible."

HUD's Office of Field Policy and Management is also trimming costs. It is closing 16 of its 80 field offices this year in a move that is estimated to save the agency between $110 million and $150 million over a 10-year period. The small offices that are closing are located in Camden, NJ; Syracuse, NY; Orlando, FL; Tampa, FL; Springfield, IL; Cincinnati, OH; Flint, MI; Grand Rapids; MI; Shreveport, LA; Dallas, TX; Lubbock, TX; Tucson, AZ; Fresno, CA, Sacramento; CA; San Diego, CA; and Spokane, WA.

"We looked at where our staffs are and where they need to be in order to make certain we can achieve the greatest possible impact on the people and the places we serve, especially given today's tough fiscal climate" said Pat Hoban-Moore, HUD's assistant deputy secretary for Field Policy and Management. "We can implement this realignment while still serving communities throughout the nation, effectively and efficiently. In addition, we will be focused on making sure staffs in the affected offices have full information on all of their options."

By closing offices and restructuring operations, HUD hopes to balance budget reductions and increasing workloads while giving the agency's staff the tools necessary to provide high quality service from the remaining office locations.

Who Is Buying All These Apartment Buildings Anyway?

誰在買賣公寓樓？近期資本激增，公寓樓投資市場持續白熱化

By: Mark Hickey (CoStar)

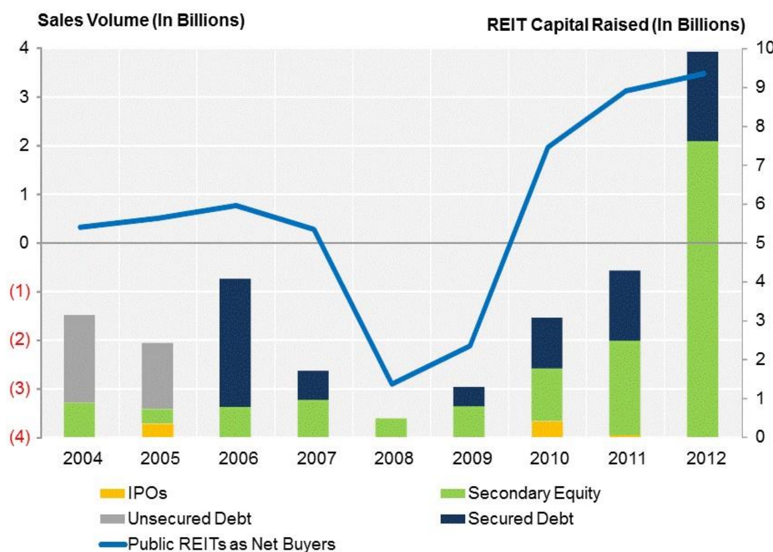
It's no secret that the apartment capital market has been white-hot lately. In fact, 2012 sales volume of $65.8 billion came close to the all-time high of $66.2 billion reached in 2005.

Private developers/owners were the most active buyers in 2012, with a combined 49% of all sales (by dollar volume), similar to their share of sales from 2005-2012. Institutional investment managers accounted for 19% of apartment property sales, about what they averaged from 2005-2012; however, public REITs have been more active of late, accounting for about 12% of all apartment sales, up from 9%.

And the story of who's selling is pretty much the same, except that public REITs accounted for far fewer dispositions in 2012 than they did from 2005-2012. In fact, public REITs were the largest type of net buyer in 2012 by a considerable margin, with a volume of $3.5 billion.

This trend is no doubt the result of a giant increase in capital offerings for REITs.

The chart below shows the capital offering for REITs on the right axis and trading volume on the left axis. From 2008-2009, public REITs were large net sellers, as their share prices dropped and they sold off assets to maintain their LTVs, accounting for 20%-25% of all apartment sales by dollar volume.



However, as REITs regained favor with investors, it became easier and cheaper for them to raise capital, and the amount of cash they had to put to work grew tremendously. In fact, capital raised in 2012 was a staggering 20 times larger than it was in 2008, though $3.4 billion of last year's total was the result of the Archstone/Equity Residential/Avalon Bay mega-deal.

This means that it's gotten pretty hard to outbid a REIT that has set its sights on buying an apartment property. Dividend yields are only in the threes, so it's okay for a REIT to pay a cap rate that's in the fours. It also means that REITs are doing a lot of development. After subtracting $3.5 billion in net buying and the Archstone

buyout from total capital raised, REITs are spending as much as $3 billion on building their own properties, which is not surprising when they can build to a 6% cap (or higher).

How long other investors will be competing with REITs depends on where public apartment REIT pricing is headed. Over the past three years the stock prices for REITs have had a compound annual growth rate of 28%, compared to 13% for the S&P 500. Is this perhaps a sector bubble, or just a bounce back from the recession?

If investors do fall out of love with public apartment REITs, capital offerings will decrease dramatically and the door will open wider for everyone else, especially those who want the higher-quality assets that REITs have traditionally favored.

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L.A., University Officials Sign USC Village Agreement, Project Will Bring $1.1 Bil. In Economic Benefits to South Los Angeles

洛杉磯市長簽署南加州大學城項目的同意書，這一宿舍與購物商場混合的地產項目將為洛杉磯帶來價值 10 億多美金的經濟利益

By Randyl Drummer (CoStar)

Los Angeles Mayor Antonio Villaraigosa signed an agreement formally clearing the way for USC Village, a retail and student housing complex to replace the aging University Village shopping center.

The Los Angeles City Council voted unanimously in December to approve the USC Specific Plan. USC Village will be the largest development in South Los Angeles, with the project and related construction expected to create 12,000 jobs, including 4,000 construction-related and 8,000 permanent positions. USC is already the largest private employer in Los Angeles.

Additionally, university planners estimate that USC Village will return $1.1 billion in economic impact while freeing up 900 housing units currently occupied by students. USC Village will also include up to 350,000 square feet of community-serving retail with a grocery store, retail shops and sit-down restaurants.

It will bring new businesses to the area, reduce community traffic and make more affordable housing available to local residents.

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

消費者市場利率：房貸、基本利率、等等

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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	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.27	0.28	0.47	0.27	-0.19	-0.07
Money market, annual yield	0.47	0.47	0.53	0.47	-0.02	-0.31
Five-year CD, annual yield	1.23	1.21	1.44	1.19	-0.14	-1.40
30-year mortgage, fixed	3.59	3.71	3.98	3.54	-0.38	-1.63
15-year mortgage, fixed	2.81	2.94	3.30	2.81	-0.40	-1.67
Jumbo mortgages, $417,000-plus	3.99	4.02	4.54	3.99	-0.55	-2.04
Five-year adj mortgage (ARM)	2.82	2.87	3.33	2.82	-0.13	-1.12
New-car loan, 48-month	2.42	2.58	4.36	2.42	-0.86	-4.11
Home-equity loan, $30,000	5.11	5.12	5.23	4.57	-0.44	-0.02