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COMMERCIAL REAL ESTATE MARKET UPDATE

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  U.S. Bankruptcy Judge Kevin J. Carey, at a hearing today in Wilmington, Delaware, said he would approve guidelines that will govern the proposed sale, which would save about 4,000 employees' jobs.

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- **Fresh & Easy: Closing Stores To Up Appeal to Investors**

  Fresh & Easy 破產關店名單

  Privately-held Fresh & Easy Neighborhood Market, which operates 200 full-service grocery stores in California, Arizona and Nevada, filed for Chapter 11 bankruptcy court protection as it European-based owner Tesco prepares to sell the grocery store chain to Mexico-based Yucaipa Cos.

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- **Landlords Make A Play For Rapidly Expanding Tech Tenants**

  高科技公司發展迅猛，2013 上半年租用面積占全洛杉磯縣辦公樓四分之一

  Technology businesses represented about one-fourth of the 3.5 million square feet in Los Angeles County leases closed during the first six months of 2013

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- **As CRE Turns Corner, Banks Face Decision on How Hard to Compete for Loans**

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  It seems with every aspect of this recovery, it’s an uneven mix, largely reflecting what stage of recovery the individual bank's loan portfolio is in. Another batch is already starting to pull back as competition for deals has driven down yields and loosened credit standards beyond their comfort zones.

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Chinese Flock To California To Acquire Real Estate

中國大陸公司與個人湧入加州置業

BY Toh Han Shih (South China Morning Post)

Mainland Chinese companies and individuals are ramping up purchases of property in California, accounting for an increasingly significant share of real estate deals in the Golden State.

Property agents in San Francisco and Los Angeles fly in groups of Chinese investors, sometimes as many as 50 people in one group, to buy property, said Robert Pearce, a director of Blackfish, a company that markets United States real estate. The Chinese end up buying property as well as top brands like Chanel, he said, adding: "What do mainland Chinese have? Cash."

Chinese buyers accounted for 18 per cent of the US$68.2 billion that foreigners spent on homes in the US during the 12 months to the end of March, according to the US National Association of Realtors. That is up from 11 per cent in 2011, 9 per cent in 2010 and 5 per cent in 2009.

California is the second most attractive state for foreign buyers of US property after Florida, said an Asia Society report. At present, more than half the homes sold to foreign buyers in California go to Chinese nationals, estimates CNN Money.

California, with its historical ties with Asia, has the biggest Chinese population in the US and accounts for more investment deals from China than any other US state. This puts it in a position to lead the US in attracting Chinese investment, said Charlie Rosier, director of Blackfish.

The Chinese go to the US for their children to be near schools and universities, clean air, and the American lifestyle, "which continues to be highly aspirational for Chinese buyers", said Andrew Gates, international realty associate broker at auction house Sotheby's.

The number of documented Chinese investments in US real estate has increased from virtually zero five years ago, said the Asia Society report. A new trend is of Chinese property firms acquiring projects in California, said Gregory Karns, a partner at US law firm Cox, Castle & Nicholson.

Shanghai-based Greenland Group acquired a site in Los Angeles in July with a planned total investment of US$1 billion.

"These Chinese groups see a flattening of their [domestic] market, and are looking to the US and California for greater returns," said Karns.

Two Californian cities, Stockton and San Bernardino, have gone bankrupt, said Christopher Thornberg, founding partner of Beacon Economics, an economic consultancy, adding that the economy is otherwise resilient.

Investors In Rental Homes: 'It's A Business Not A Trade'

房屋價格失速和法拍屋數量劇減，投資者漸遠離房屋市場

By: Diana Olick (CNBC.com)

A potential stall in home price gains and a large drop in the number of distressed properties have some big investors pulling out of the single-family rental market.

They are getting out at the same time that billions of investor dollars continue to pour in.

"I think the investor market is largely past us," Doug Lebda, chief executive of Lending Tree told CNBC. "People were buying investment properties three, four, five years ago. What I hear is that's slowing now."

Recent reports that Oaktree Capital Group is selling about 500 of its homes added fuel to other reports that Och-Ziff Capital management is selling its homes as well. Both declined to comment on the reports. Carrington Mortgage Services stopped buying distressed homes late last year, claiming the market was "a bit too frothy."

Home prices are up over 12 percent from a year ago, according to CoreLogic, but still down 18 percent from their peak in 2006. Investors certainly played a role in putting a floor on home prices and then pushing them higher than many predicted.

Now, faced with higher mortgage rates and weak wage and employment growth, even usually bullish brokers predict home prices will stay flat through 2014.

Critics say without rising prices, the rental trade is a low-to-mid single-digit return proposition. Management of the homes can be as tricky as it is costly, and that alone lowers profit dramatically.

"Investors who were buying REO [bank-owned homes] four and five years ago have the added cushion of home price appreciation to augment returns. But if you've been buying REO or even new homes for rent in the past year or so, the embedded home price appreciation is limited," said a mortgage industry insider who did not want to be identified. "It is going to be very hard for investors to make money on rental fees alone. Looking at the dismal data for household formation, jobs and consumer income, it seems pretty obvious that 2013 may be the peak."

Institutional investors have poured a collective $20 billion into as many as 200,000 properties, or up to 12 percent of distressed home sales over the past 18 months, according to a report from KBW.

It is a tiny slice of the housing stock, to be sure, but investors who remain in the game say it will get larger and the potential for long-term profit is big.

"We don't see it as a trade; we see it as a business," said Justin Chang of California-based Colony Capital. Colony owns over 15,000 homes and is buying at a rate of about 1,000 homes per month. "There is plenty to buy," added Chang.

The number of homes in the foreclosure process was down 34 percent in August year-over-year, according to Lender Processing Services. That still represents more than 1 million homes, while more than 2 million homeowners are behind on their mortgages.

"We're looking at the multiple listing services, we're still looking at REO from the banks, we're looking at short sales, we're even buying some traditional houses now where people are just putting them on the market," said Laurie Hawkes, president and COO of Arizona-based American Residential Properties, a publicly traded real estate investment trust. "We think that if you get a reasonable cost of capital, both debt and equity, you can actually not only create a very attractive return on a current basis, but in today's market, the house price appreciation that we think is still in the market is extraordinary."

American Residential has already bought 80 portfolios of rental homes from smaller aggregators, according to Hawkes, who said that while Arizona is "fully invested," the company is now setting its sights on Georgia, the Carolinas, Indianapolis and Chicago.

"I think soon there will be consolidation from potentially other players who might have had private equity, who can't make it work, whether it's the Carringtons or others in the universe who have decided this isn't for them because they aren't going to make the commitment to the operations or they couldn't make it work," said Hawkes.

The Best Investment Opportunities May Be Right Here In The U.S.

各項指標顯示美國正提供最佳投資機會

By: Fred Wu, Ph.D. (CoStar)

It is sometimes said that the grass is always greener on the other side of the fence. However, for U.S. investors in commercial real estate, the best opportunities may be right here at home, rather than in the fast-growing Asia Pacific region or the troubled Eurozone.

This, at least, seems to be the case for real estate traded in the public stock markets.(1)

Exhibit 1 compares the implied cap rates(2) of publicly traded real estate firms in the U.S., Europe, and Asia for the 2005-13 period. It is interesting to note that U.S. cap rates have generally been higher than those in either Europe (excluding the PIGS nations)(3) or the Asia Pacific region (excluding Japan),(4) except for a brief period after 08Q3 when the U.S. mortgage crisis initially hit and the Asian market went into an even bigger panic.

Currently, U.S. cap rates are about 0.4 percentage points higher than those in Europe. Combined with the generally higher growth rate here in the U.S., this suggests that CRE stock market pricing in the U.S. is more attractive than that in Europe.

For Asia Pacific, the comparison is initially less clear. On the one hand, the U.S has higher cap rates, by about 1.3 percentage points. On the other hand, the Asia Pacific region has a higher growth rate.

However, the fact that Asian investors are buying more CRE properties in this country than ever before seems to suggest that, on balance, CRE stock market pricing in the U.S. is still more attractive than that in Asia.

Finally, the countries that make up the PIGS nations do now provide the highest cap rates, at one percentage points above the U.S. average. But there are very good reasons for more generous cap rates. The ongoing economic troubles faced by those countries have made their CRE markets a more suitable playground for investors in distressed properties, rather than typical CRE investors.

Footnotes

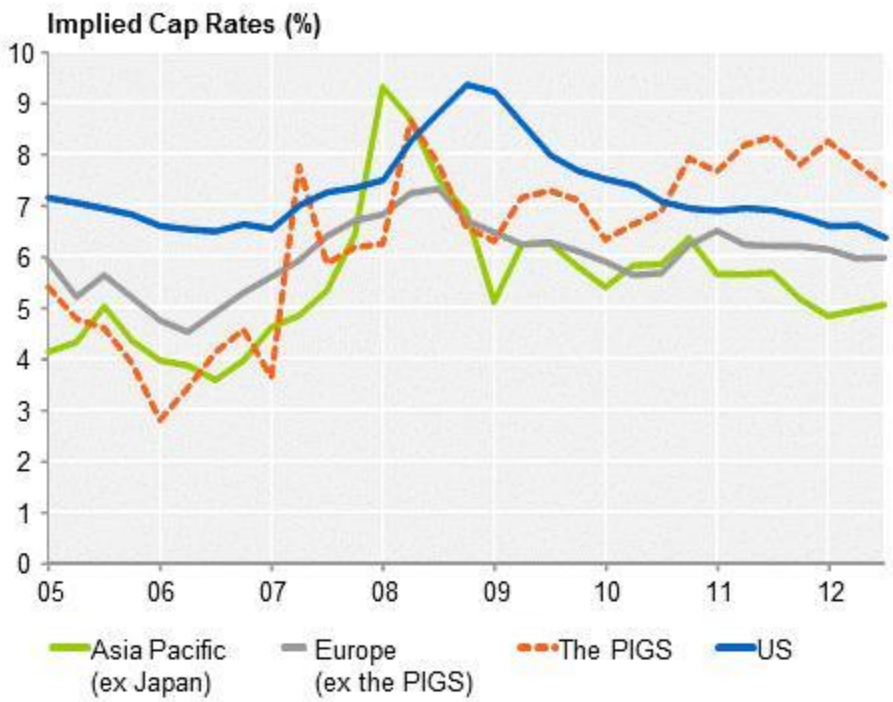
(1) The data includes both equity REITs and real estate operating companies. The result is similar if we include only equity REITs.

(2) All cap rate series are value-weighted.

(3) Our European sample includes the firms headquartered in European countries, except those making up the PIGS.

(4) Japan is not included because its economy is at a different growth stage than economies in the rest of Asia, and its sample size is small.

EXHIBIT 1: IMPLIED CAP RATES IN DIFFERENT COUNTRIES



Source: SNL Securities; PPR
As of 13Q2

$100-Million Complex To Replace Former Chinatown Fixture

價值 1 億的複合建築將取代洛杉磯唐人街的舊建築

By Roger Vincent (LA Times)

After a decade of delays, a $100-million real estate development in the heart of Chinatown is getting underway as the changing neighborhood catches a wave of investment sweeping through downtown Los Angeles.

Work began this month on the Blossom Plaza apartment and retail complex that will take over the space formerly occupied by Little Joe's, an Italian restaurant and bar that was once a beloved fixture on North Broadway. The eatery has been closed for 15 years, and its shabby-looking building and parking lot have long been considered a blight on the community's main thoroughfare.

On Oct. 21, developer Forest Cit y Enterprises will start demolishing Little Joe's to make way for a five-story project that will link Broadway with the elevated Chinatown Metro Rail station above North Spring Street to the east.

The complex, with an ethnic flair, will be the latest addition to a growing number of new businesses. A large-scale apartment building over ground-level shops is nearing completion a few blocks away on Broadway at Cesar Chavez Avenue. It stands next to the sculpture of dueling gold dragons that spans Broadway and marks the entrance to Chinatown, just across the 101 Freeway from downtown, in the shadow of Dodger Stadium.

"There is more to Chinatown than you think of it, as a tourist trap," said Blossom Plaza architect Scott Johnson.

Young people are moving in, and the neighborhood has a burgeoning art gallery scene. The Los Angeles State Historic Park next to Chinatown is the site of numerous fairs, gatherings and concerts.

The six-story Jia Apartments, occupying a full city block, will include a Starbucks, marking the first Chinatown outlet of a national coffeehouse chain. A Wal-Mart Neighborhood Market opened nearby last month.

The new additions, although not universally embraced, are the most recent indications that Chinatown is moving beyond its reputation as an ethnic enclave struggling to remain vibrant, real estate industry observers said.

"There are several promising signs of activity," said Michael Woo, a former Los Angeles City Council member who is now dean of the College of Environmental Design at Cal Poly Pomona. The decidedly non-Chinese Starbucks is one of them, he said.

"I'm sure some old-timers think it's a bad sign," Woo said, "but there are probably more who think it's a good thing."

The San Gabriel Valley long ago surpassed Chinatown as the heart of the region's Chinese-American community.

Investment by non-Chinese investors such as Wal-Mart represents an "upward trajectory," Woo said, but also "raises some unsettling questions about community identity and ... the future of ethnic Chinese" in Chinatown.

Forest City — which Woo called "a reputable developer with a national reputation" — picked up the pieces of a project approved a decade ago that another developer had failed to start.

The 2011 demise of the city's redevelopment agency, which had selected Forest City, based in Chicago, to take over the project, added more complications. But now it's full speed ahead, the new owners say.

The neighborhood that is now Chinatown has a rich history as one of the earliest parts of Los Angeles to be settled.

The city's birthplace near Olvera Street is nearby. The new Blossom Plaza site is nestled next to Capitol Milling Co., which is believed to have been founded in 1831 and ground wheat into flour well into the 1990s. The now-vacant milling plant is also regarded as a prime site for redevelopment.

"Chinatown is where Los Angeles was started," said Kevin Ratner, head of Forest City's Los Angeles office. "It has an incredibly rich history and is really poised to move up to the next plateau."

Blossom Plaza will have 237 residential units, including 53 apartments where rents will be reduced for low-income tenants.

It will also house 175 parking spaces open to the public and a landscaped courtyard next to the Metro Rail stop.

Among the ground-floor shops will be chef-driven restaurants that won't necessarily serve Chinese food, Ratner said.

SEC Issues Fraud Warning On U.S. Investor Visa Program Used To Fund CRE Projects

證監會提醒通過商業地產項目移民的投資者謹防詐騙

By Randyl Drummer (CoStar)

The federal Immigrant Investor Program, known as the EB-5 visa program, which allows foreign nationals to obtain green cards in exchange for investing in U.S. job-creating ventures, has emerged as an increasingly popular alternative financing source for commercial real estate projects. However, as with any highly successful financing program, the fledgling program can be vulnerable to those with criminal intent.

The U.S. Securities and Exchange Commission (SEC) and U.S. Citizenship and Immigration Services (USCIS) this week jointly issued an alert cautioning investors about potential scams in the program, and supporters and skeptics alike are calling for tighter oversight of the program.

Along with issuing a warning to potential investors, the SEC stepped up its enforcement action by bringing fraud charges against Marco and Bebe Ramirez and three companies they own for fraudulently raising and then stealing funds from foreign investors under the guise of an investment opportunity to create jobs and a path to U.S. residency.

In the complaint unsealed this past Tuesday in U.S. District Court, Southern District of Texas, the Commission alleges that the Texas couple and their companies raised at least $5 million by making false promises that investor capital would be invested as part of the EB-5 program. The SEC alleges that instead of investing the money into job-creating enterprises, the couple diverted the funds to other undisclosed businesses, for their personal use, and, in at least one case, used investor funds to make Ponzi-like payments to an existing investor. According to the complaint, the couple started by targeting investors in Mexico, and more recently solicited investors in Egypt and Nigeria.

The federal court has granted the agency's request to freeze the assets and accounts of the Ramirezes and their companies, USA Now LLC, USA Now Energy Capital Group LP, and Now Co. Loan Services, effectively halting their ability to raise or spend funds.

"Through their investment scheme, the Ramirezes abused a program intended to attract foreign capital to create U.S. jobs," said David R. Woodcock, director of the SEC's Fort Worth Regional Office. Efforts to reach the couple of their representatives were unsuccessful.

The SEC and the USCIS, which regulates U.S. immigration policy, also Tuesday issued a joint investor alert about the program, with the SEC taking "emergency enforcement action" to stop allegedly fraudulent securities offerings made through EB-5.

In recent weeks, Congress and FINRA have also announced investigatory actions.

A group of congress members representing the Inland Empire in California, including Reps. Ken Calvert, R-Corona; Duncan Hunter, R-Alpine; Raul Ruiz, D-Palm Desert and Mark Takano, D-Riverside, sent a letter last month to House Judiciary Committee requesting a hearing to address EB-5 loopholes and abuses. Sen. Patrick J. Leahy, D-Vt., the program's original author, has requested amendments to streamline and improve the program.

Under U.S. securities law, any individual who receives a fee or commission for connecting a developer with investors must have a broker/dealers license. The number of unlicensed individual raising capital has drawn scrutiny from the SEC and FINRA (Financial Industry Regulatory Authority).

Business owners apply to USCIS to be designated as "regional centers" under EB-5 rules offering investment opportunities in "new commercial enterprises" that may involve securities offerings. A foreign investor in a project that meets the criteria is eligible to apply for conditional lawful permanent residency.

However, the foreign investors are not guaranteed a permanent visa, and the fact that a business is designated as a regional center by USCIS does not mean that any government agency has approved or expressed a view on the quality of the investments offered by the business, according to the alert.

In the enforcement action, the SEC alleged that the accused falsely promised investors a 5% return on their investment along with an opportunity to obtain an EB-5 visa and allegedly pitched investors even before USCIS had designated the business as a regional center.

The SEC also claim the defendants told investors their money would be held in escrow until USCIS approved the business but instead spent the funds for personal uses. The end result: investors did not obtain even conditional visas as a result of their investments, according to the SEC's complaint.

"Even though investors provided the Ramirezes with at least $5 million, none of them have ever received conditional visas, let alone green cards," said David Peavler, associate director of the SEC's Fort Worth Regional Office. "Instead, the Ramirezes opened a restaurant and purchased other assets for themselves and their employees."

In another case, the SEC and USCIS halted an alleged $156 million investment fraud in which an individual and his companies used false and misleading information to solicit investors in the "world's first zero carbon emission Platinum LEED certified" hotel and conference center in Chicago.

According to the complaint, the individual falsely claimed that the business had secured all building permits and that the project was backed by several major hotel chains. The defendants promised investors that they would get back any administrative fees they paid for their investments if their EB-5 visa applications were denied.

However, the defendants allegedly spent more than 90% of the administrative fees, including some for personal use, before USCIS made a decision on the visa applications.

Despite the abuses, many developers around the country are successfully using EB-5 to raise huge amounts of capital in projects ranging from a few investors to pools of 100 or more investors.

Proponents have estimated that between $3 billion and $4 billion in direct foreign investment could be raised annually as new regional centers are formed to take advantage of the innovative visa program as a source of low-cost financing and promote it to foreign investors as a valuable investment tool, said Kate Kalmykov, a Greenberg Traurig, LLP attorney with extensive experience working on EB-5 immigrant investor matters.

Like many government programs, EB-5 attracts a few bad-faith actors that can harm the reputation of everyone, Kalmykov said.

“It's important to have government and industry oversight so the program continues and remains viable, and foreign investors feel confident investing in the United States," Kalmykov said. "EB-5 is a wonderful tool because it brings foreign investment into the U.S., it's a job creation program, and offers investors a streamlined way to immigrate to the U.S. without an employer or family sponsor."

One of the weaknesses of the program is what happens after the investment funds are raised, she said.

Currently, there's no follow up by USCIS to monitor how funds are being used. Setting regular milestones for capital raisers to report back to the immigration agency on the status of a project -- along with site visits by the agency to make sure the projects actually exist as proposed -- would likely increase compliance and serve as a tool to prevent fraud, Kalmykov said.

New York City developers such as The Durst Organization and Extell Development are increasingly using the program for capital raises of up to $75 million for such projects as the International Gem Tower project in Manhattan.

"Large companies like Extell have a huge advantage over the mom-and-pop businesses. We bring legitamacy to what we're doing," said Shalom Segelman, senior vice president of international affairs for Extell's New York Regional Center. "It's a question of scale."

"We have developers like Extell, contractors like LendLease and Tishman building the projects, and quality bank financing behind them," Segelman said. "If a bank undewrites a mortgage for $300 million, they do their due diligence for our investors. It's a lot more safe than some guy who's raising $5 million for a corner store."

Health Care Tenants A Perfect Fit For Some Centers

醫療保健業正興起，地段優越且易進行品牌推廣的商場更能因此獲利

Source: ICSC.org

Health care operators provide a rich pool of potential tenants for shopping centers. But only properties that offer visibility, traffic access and branding opportunities will reap the rewards of the impending expansion of the U.S. health care industry, which is being driven by the Affordable Care Act, hospital decentralization and improved technology, said participants in an SCTLive web seminar on Thursday titled “Health Care Tenants Heal Troubled Centers.”

“Health care systems are looking for access to new patient bases, and they want to locate in the areas where people gather,” said Bob Gilbert, president of Columbia, Md.–based MedStar Ambulatory Services. Gilbert emphasized that firms such as his are not necessarily seeking to open shop in areas populated heavily with baby boomers and older consumers, but rather to locate to where they can draw new, well-insured younger customers. Medical tenants that require spaces measuring between 4,000 and 6,000 square feet are expanding most right now, according to Gilbert. Medical tenants usually seek four or five parking spots per 1,000 square feet of operating space, he said. They are also looking for cheaper locations, he said, though not necessarily ones with high vacancies. “We tend to look at retail centers that are being repurposed,” said Gilbert. “We’re still price-sensitive, because our prices are fixed for 90 percent of our patients.”

When trying to lure a health care tenant to a retail center, a leasing agent should learn to translate real estate jargon into health care jargon, advises Chad Pinnell, senior vice president of Columbus, Ohio–based Equity Inc., which advises hospitals and medical practices on their real estate needs. For example, demographics are less important to medical tenants than “payer mix” — which refers to the way patients pay for medical needs: by HMO, say, or through Medicare or Medicaid.

Health care tenants benefit landlords through long-term leases and relatively good credit, observed Robert Nadler, central regional president at Kimco Realty. Many regional dental clinics, dialysis centers and chiropractor offices are currently operating, Nadler said, and over time they will consolidate into national chains, making it easier for leasing agents to find tenants.

Appropriate retail co-tenancies are also crucial for attracting successful medical tenants, Pinnell said. Locating a health care clinic in the same retail center with a sporting-goods store and a vitamin store would encourage more cross-shopping, because consumers needing health care for sports-related injuries have a propensity to shop for sports equipment and nutritional supplements, Pinnell said. And anchors are less likely to take a dim view of co-existing with a health care center these days, now that they have seen the benefits of operating near health clubs, Nadler said.

As for the bumpy rollout of the Affordable Care Act and the way it could affect health care tenants' expansion plans and credit, panelists advised shopping centers against taking a wait-and-see approach. "Act now," Nadler insisted. "Expenses are only going to get higher for these operators." The U.S. health care sector is projected to hit some $5 trillion in sales by 2025, and becoming a trustworthy partner to some of these operators now could pay off handsomely in the future, said Clay Marsh, M.D., a senior associate vice president for health sciences research at Ohio State Medical Center, in Columbus. "We have a good crystal ball for the growth of the health care industry," he said. "It's not like retail."

Pop-Up Stores Raise a Question for Landlords

對於房東而言，節日期間入駐的臨時店鋪是否利大於弊

By MAURA WEBBER SADOVI (WSJ.com)

As the holiday season approaches, temporary stores selling Halloween, Thanksgiving and Christmas merchandise are sprouting up in malls across the country. But whether pop-up stores are a positive or negative trend for retail landlords is an open question.

The issue took on new significance when home-furnishing retailer Crate and Barrel said it would operate pop-up stores for the first time in its roughly 50-year history. The temporary stores, which will be much smaller than a typical Crate and Barrel store, are set to open this and next month in Las Vegas, Des Moines, Nashville and Albany, N.Y.

Small retailers, artists and craftsmen have long operated pop-up stores, kiosks and carts to sell seasonal products in malls. But as a rising number of large retailers embrace pop-ups, some landlords and analysts worry the trend is another sign of a declining need for permanent retail space.

The pop-up concept "has tremendous cost advantages for the retailer without the financial risk," said Burt Flickinger III, a managing director with the Strategic Resource Group, a consulting firm that specializes in consumer goods and retail. He said pop-ups, along with the growth in Internet shopping, are sparking a "retail revolution that's making land-based retail less relevant every year."

A spokeswoman for Crate and Barrel declined to discuss its strategy except to say these temporary stores were a good way to test markets.

For retail landlords, pop-ups can help fill a void. Crate and Barrel recently leased 6,700 square feet in the Town Square Las Vegas mall. Jamiesen Mapes, Town Square's marketing director, said he would prefer to sign tenants to long-term leases because they provide predictable cash flow. But with just over 80% of the mall's 900,000 square feet of retail space occupied, the mall is willing to consider leasing space on a short-term basis, he said. Besides, Crate and Barrel's short-term lease eventually could turn into a permanent one. "You want to fill [the space] permanently but if it's sitting vacant it isn't doing you or your center any good," said Mr. Mapes.

But there is a downside to pop-ups. Retail tenants, especially large ones, often get bargain rates when they rent for the short-term, which could prompt long-term tenants to ask for discounts, too. Mr. Flickinger estimates shopping centers in hard-hit retail markets such as Las Vegas might offer discounts of as much as 40% on rents to bring in a brand name retailer on a short-term basis. Crate and Barrel and a spokesman for the mall declined to comment on the terms of the lease.

Crate and Barrel isn't alone. Toys "R" Us Inc. also plans to open about 200 temporary stores this holiday season, an initiative that it started in 2009.

Short-term retailers have been around for decades and the concept has grown popular for a range of reasons. Malls bring in seasonal retailers to boost holiday sales and add to the festive atmosphere while retailers use pop-ups to gain a presence in expensive markets such as Manhattan.

Some analysts say they expect the growth of pop-ups to slow as retail occupancies rise. Overall retail vacancies in 63 major U.S. markets stood at 6.8% in the third quarter, down from a recessionary peak of 7.7% in the first quarter of 2010, according to CoStar Group Inc., a real-estate research firm. "The pop-up idea probably peaked in 2010 because that's when you had the most real estate available for it," said Cedrik Lachance, an analyst with Green Street Advisors Inc. "As more of the space is leased, it becomes more difficult for retailers to find pop-up locations."

But Christina Norsig, chief executive of PopUpInsider LLC, a brokerage firm that specializes in short-term leases, says there is a place for pop-ups even in an improved economy. "It serves a lot of purposes," said Ms. Norsig. "Not every idea can stand alone in permanent space and pop-ups generate revenue between leases and turn the lights on."

Large Shopping Malls Are Recovering From the Downturn

受網路商城影響較小，大型封閉式購物中心比其他類商場更快復甦

By ROBBIE WHELAN (WSJ.com)

Large enclosed malls are recovering from the downturn faster than strip shopping centers, a sign that malls are being hurt less by online retailing.

The vacancy rate of U.S. malls in the third quarter declined to 8.2% from 8.3% in the second quarter, according to new statistics released by Reis Inca real-estate data firm. Mall vacancy was 8.7% in the third quarter of 2012, said Reis, which tracks the top 77 markets in the U.S.

But the improvement hasn't been as strong with shopping centers—typically open-air retail strips that face parking lots. The average national vacancy rate for neighborhood and community shopping centers held steady in the third quarter at 10.5% from the previous quarter, down from 10.8% in the third quarter of last year.

The national average asking rent at shopping centers was $19.25 per square foot, up just 1.5% from the recession low of $18.97 in 2011. The average asking rent for malls in the largest 77 U.S. markets rose to $39.77 per square foot in the third quarter, up 1.4% from the same quarter last year, according to Reis Inc.

Malls are recovering faster because people go to them for high-end retail, entertainment and dining. People are more likely to go to shopping centers, on the other hand, for basic consumer needs that they can also satisfy online, real-estate economists and executives say.

"If you're more of a middle-income or lower-income household, you'll probably be looking for deals online, and that directly translates into why malls are doing better," said Victor Calanog, Reis's chief economist.

Both malls and shopping centers were clobbered by the downturn. Mall vacancy rates are now falling partly because there has been little to no new mall development since 2006, Mr. Calanog said.

South Carolina-based Edens, which owns 114 centers, is making up for the contraction and closings of other tenants by focusing on fitness center operators like LA Fitness International and eateries such as Chipotle Mexican Grill Inc. and Le Pain Quotidien.

"We basically replaced those type of retailers with things that people can't buy on the Internet, or people aren't comfortable buying on the Internet," said Terry Brown, Edens's chief executive.

Malls, meanwhile, have seen an influx of luxury retailers. Aventura Mall, a 2.5-million-square-foot mall partly owned by Simon Property Group LP, the country's largest mall operator, has done deals recently with Louis Vuitton and Cartier, according to Donald Soffer, whose company co-owns and manages the property.

To be sure, some traditional mall tenants also have been hurting. A July report by ICSC Research and PNC Real Estate Research said that of the 390 apparel-type store closings announced in the second quarter of 2013, 63.1% were concentrated in just five retailers, all mall staples. The retailers included Casual Male XL, Hot Topic, Torrid, Nordstrom Rack and Jones Group Inc., parent of clothier Jones New York and Nine West shoe stores.

But other brands are expanding in malls. The Japanese clothing store Uniqlo, for example, announced this week that it would open 10 new U.S. stores over the next two months, and 20 more in 2014.

"We call it retail Darwinism—it happens all the time that the shops that were once mighty but are now weak. Something new and exciting always comes along," says Michael Glimcher, chief executive of Glimcher Realty Trust.

Web Stores Turn To The Mall

Amazon、Apple 等網店逐漸轉型實體店

By Carolyn Cummins (The Sydney Morning Herald)

THE growth in office and shop-front leasings, as evidenced by the global internet giants Amazon and Apple, is an indication that at the end of the day, clicks turn into bricks and mortar.

Its the age-old desire to connect with customers face to face.

Retailers still prefer to show their wares on a hanger rather than on a website.

For Amazon and social-media groups, such as Facebook and LinkedIn taking office space across town, as well as Wotif, among others, it signals that the business of clicking is now so busy that it has turned mainstream and needs traditional city addresses.

In a television program on pay TV called Cupcake Wars, the contestants, who are bakers, all say they are online catering businesses. The prize at the end of each episode is $US10,000 and, to a tee, the winners all say they would use the cash to lease a shopfront or, in some cases, expand their number of stores.

Aspirations of a being in a mall or on a neighbourhood strip are high, despite the other issues of the poor retailing market rise of the internet.

Apple is a prime example of a company that wanted to embrace customers with interconnectivity. The group, which has product made for selling on the internet, now leases some of the best locations in the world.

The debate still rages about buying clothes online, but again, as a fashion designer with only a website gains popularity, they start to look for an outlet to display their wares.

This demand for a counter, cash register and front door, that isn't in a person's back room, kitchen or garage is reshaping the tenant mix for retail landlords.

These maybe in the form of a short-term pop-up shop in a mall, or the new marketplaces, where a variety of clothes, bags and accessories are displayed on racks, to resemble a local market.

Many malls, such as Westfield Sydney, have embraced this new format. Again, talking to the stall operators, they have websites, but are looking to make the leap to traditional shops.

The demand from internet retailers for bricks and mortar has also been a fillip for the troubled suburban shopping strips.

These short-term-leased stores give the retailer the chance to show their stock, while gauging popularity from customers, but not be tied to a long rental cost.

It also helps landlords to keep cash coming in and make the property look busy and popular.

Google is said to be looking at shop fronts in the United States to showcase new products and allow cross-sales of television software with other Google products.

Recently the Finnish electronics company Nokia, opened a pop-up shop for two weeks at 399 George Street, the former site of the EB Games branch.

Its aim was to launch and promote the Nokia Lumia 925 smartphone, whose features include low-light photography.

The store featured a giant, ethereal moonscape that allowed consumers to test the Nokia photographic features under man-made moonlight.

Last year, according to a report in the Inside Retail magazine, a temporary store by Nike in Sydney was created to celebrate the 2012 London Olympic Games, but the Sydney pop-up was only open to the public during British retail time.

The magazine's report says Nike witnessed a 33 per cent increase in its national conversion rate, with 12 per cent of the store's 2000 visitors buying product.

Tesco's Fresh & Easy Wins Approval of Sale Procedures

破產法庭批准 Fresh ＆ Easy 出售其在美業務的方案，有望保住四千員工的工作

By Michael Bathon (Bloomberg)

Fresh & Easy Neighborhood Market Inc., the U.S. supermarket chain owned by Tesco Plc (TSCO), won court approval of procedures for a Nov. 19 auction with the lead bid from an affiliate of billionaire Ron Burkle's Yucaipa Cos.

U.S. Bankruptcy Judge Kevin J. Carey, at a hearing today in Wilmington, Delaware, said he would approve guidelines that will govern the proposed sale, which would save about 4,000 employees' jobs.

All potential buyers must submit an offer by Nov. 15. The company would hold the auction if it receives a competing qualified bid, followed by a Nov. 21 hearing to seek court approval of the auction winner.

Under the proposed deal, a Tesco affiliate would lend the Yucaipa unit $120 million to help fund the acquisition, according to court papers. Tesco would get warrants to buy as much as 10 percent of the equity in the reorganized chain. Fresh & Easy would get 22.5 percent of the equity in the reorganized chain if the Yucaipa affiliate's offer prevails.

The Yucaipa buyer also has offered to take on some of Fresh & Easy's liabilities. The liabilities are valued at about $130 million in court papers and may exceed $200 million, according to Lisa Laukitis, a lawyer for Fresh & Easy.

Yucaipa has agreed to take over about 150 of the markets along with its production facility in Riverside, California, where the company produces meals under the Fresh & Easy brand. The company operates 167 stores in the western U.S.

Tesco Debt

Fresh & Easy said it owes $738 million to Cheshunt, England-based Tesco, the U.K.'s biggest retailer. The unit never made a profit and lost an average of $22 million a month in the 12 months ended in February, according to court papers.

The supermarket chain sought bankruptcy protection Sept. 30 listing debt of as much as $1 billion and assets of as much as $500 million in a court filing.

Fresh & Easy blamed its failure on the economic downturn that began in 2008, especially falling real estate prices in California, Nevada and Arizona. To build the chain quickly in 2006 and 2007, the height of the U.S. real estate boom, Tesco spent $610 million.

The case is In re Fresh & Easy Neighborhood Market Inc., 13-bk-12569, U.S. Bankruptcy Court, District of Delaware (Wilmington).

7-11 Rebrands to Target Health-Conscious Millennials

連鎖便利店 **7－11** 將出售新鮮蔬果食品以追隨健康生活潮流

By Suzanne LaBarre (FastCoDesign)

Fetid with grease, a wrinkled hotdog rotating endlessly underneath a dessicating heat lamp. The slime green nozzle of a Slurpee machine, clenching and then heaving its bowels into the bottomless maw of a Big Gulp. Sound familiar? All of these iconic hallmarks of the 7-Eleven experience might soon be a thing of the past, thanks to a new store redesign that attempts to emphasize healthier living.

The refresh--which will eventually see a new logo and new look come to 7-Eleven's 50,000+ retail stores--was created by Dublin, Ohio-based WD Partners, who were tasked to "reposition and rejuvenate [7-Eleven]'s stores in order to better capture the millennial and female demographics." As opposed to the truck drivers, old ladies in housecoats, and kids on BMX bikes who were, perhaps, 7-Eleven's previous target demographics.

This healthier (and, dare we say, much cleaner) focus extends itself to the overall design of the stores. Gone are the dusty, crusty red and green stripes that have been ubiquitous in 7-Elevens for decades. Instead, the new store interiors have granite flooring, white tiles, green furniture, and clearly marked stations labeled in a serif black plain font with twee, onomatopoeic signage, such as "Sip. Sip. Sip." hanging above the coffee decanters.

That's not to say that 7-Eleven is wholly turning its back on the past. Pay attention, and you'll notice from the photos that there's still a pour-your-own Big Gulp station underneath a sign reading: "Slurp. Slurp. Gulp." Nothing like transcribing the sounds of someone noisily chugging 1.2 liters of frozen gelatin syrup in 16-inch-tall cups to really appeal to healthy-living millennials, is there?

Fresh & Easy: Closing Stores To Up Appeal to Investors

Fresh & Easy 破產關店名單

Source: ICSC.org

Privately-held Fresh & Easy Neighborhood Market, which operates 200 full-service grocery stores in California, Arizona and Nevada, filed for Chapter 11 bankruptcy court protection as it European-based owner Tesco prepares to sell the grocery store chain to Mexico-based Yucaipa Cos.

According to documents filed with the Court, "Many of Fresh & Easy's leases are substantially above market relative to its competitors. Given Fresh & Easy's geographic focus on California, Nevada and Arizona, the effect of the real estate market correction was especially pronounced. Additionally, Fresh & Easy's retail format has been unsuccessful in obtaining a sufficiently broad customer-base. As a result, Fresh & Easy incurred annual operating losses each year since 2006."

As part of the filing, the company has asked the court to cancel leases on 34 locations.

Tenant	Address	City	State	Landlord
Fresh & Easy Neighborhood Market	750 N Gilbert Rd. Ste. 104	Gilbert	AZ	Sperry Van Ness
Fresh & Easy Neighborhood Market	4240 W Bell Rd. Ste. 120	Glendale	AZ	Sperry Van Ness
Fresh & Easy Neighborhood Market	5802 W. Olive Ave.	Glendale	AZ	ASR Owner LLC
Fresh & Easy Neighborhood Market	9124 East Apache Trail	Mesa	AZ	Red Mountain Asset Fund I LLC
Fresh & Easy Neighborhood Market	1849 W Greenway Rd., Ste. 100	Phoenix	AZ	Albertsons LLC
Fresh & Easy Neighborhood Market	3434 W Greenway Rd.	Phoenix	AZ	Weingarten Nostat, Inc.
Fresh & Easy Neighborhood Market	13215 North 7th Street	Phoenix	AZ	Arizona State Land Department
Fresh & Easy Neighborhood Market	21246 E Ocotillo Rd.	Queen Creek	AZ	WDP Town Center LLC
Fresh & Easy Neighborhood Market	1342 E. Hatch Rd.	Ceres	CA	Brookmat, Corp.

.	Fresh & Easy Neighborhood Market	3375 Port Chicago Hwy Ste. 51	Concord	CA	CP6OC LLC
.	Fresh & Easy Neighborhood Market	12975 Palm Dr.	Desert Hot Springs	CA	Peter and Lili Weng
.	Fresh & Easy Neighborhood Market	12975 Palm Dr.	Desert Hot Springs	CA	Wilkins Family Partnership LP
.	Fresh & Easy Neighborhood Market	12975 Palm Dr.	Desert Hot Springs	CA	Frank J. Martin, Trustee of The Martin Trust
.	Fresh & Easy Neighborhood Market	14135 Main St. Ste. 301	Hesperia	CA	TNP SRT Portfolio 1 LLC
.	Fresh & Easy Neighborhood Market	16672 Beach Blvd.	Huntinton Beach	CA	GGF Huntington LLC
.	Fresh & Easy Neighborhood Market	78-130 Calle Tampico	La Quinta	CA	Highland Development Company
.	Fresh & Easy Neighborhood Market	1930 W. Cleveland Ave.	Madera	CA	Newman Development Group of Madera LLC
.	Fresh & Easy Neighborhood Market	23920 Ironwood Ave.	Moreno Valley	CA	Ironwood Community Plaza LLC
.	Fresh & Easy Neighborhood Market	15727 Downey Blvd.	Paramount	CA	ROIC Paramount Plaza LLC
.	Fresh & Easy Neighborhood Market	4401 Mack Rd.	Sacramento	CA	Buzz Oates Management Services
.	Fresh & Easy Neighborhood Market	1631C East Highland	San Bernardino City	CA	Shiekh S. Ellahi
.	Fresh & Easy Neighborhood Market	1328 Saratoga Ave.	San Jose	CA	Ross Dress For Less, Inc.
.	Fresh & Easy Neighborhood Market	2306 Almaden Rd.	San Jose	CA	Joseph P. Kovalik
.	Fresh & Easy Neighborhood Market	591 Country Club Dr.	Simi Valley	CA	Wood Ranch Center LLC
.	Fresh & Easy Neighborhood Market	1356 S Mary Ave.	Sunnyvale	CA	De Anza Properties
.	Fresh & Easy Neighborhood Market	9151 Aubrey Cir.	Villa Park	CA	John & Hillary Thomas
.	Fresh & Easy Neighborhood Market	Boulder Hwy & Russell Rd	Las Vegas	NV	Boulder Village LLC
.	Fresh & Easy Neighborhood	4810 W. Ann Rd.	Las Vegas	NV	CVS 2989 Las Vegas LLC

	Market				
.	Fresh & Easy Neighborhood Market	317 N. Nellis Blvd.	Las Vegas	NV	Stewart and Nellis Partners LLC
.	Fresh & Easy Neighborhood Market	6100 Vegas Dr.	Las Vegas	NV	LV (Vegas- Jones) LLC
.	Fresh & Easy Neighborhood Market	6685 E. Lake Mead Blvd.	Las Vegas	NV	Wood Investments
.	Fresh & Easy Neighborhood Market	2950 E. Desert Inn Rd.	Las Vegas	NV	WEC 98G 24 LLC
.	Fresh & Easy Neighborhood Market	10 N. Eastern Ave.	Las Vegas	NV	RA4 Las Vegas Fremont LLC
.	Fresh & Easy Neighborhood Market	598 N. McCarran Blvd.	Sparks	NV	Silver State Station LLC

Wal-Mart, Target Roll Out Smaller Urban Store Formats to Do Battle with Dollar, Drug Store Rivals

沃爾瑪、塔吉特等大型連鎖超市瘦身與便利店爭市場

By Randyl Drummer (CoStar)

The latest growth strategy at Wal-Mart stores is to get bigger by getting smaller.

After building the world's largest retail platform by opening superstores in every major U.S. market, Wal-Mart is doubling down on a strategy of opening new stores that are a fraction of the chain's traditional size, targeting densly populated urban areas where demographics increasingly show more people prefer to work and live.

The Bentonville, AR-based retailer is aggressively expanding its Neighborhood Market stores, which average 38,000 to 40,000 square feet -- a fraction the size of Wal-Mart's traditional 180,000-square-foot "Supercenters."

Bill Simons, president and CEO of Wal-Mart, said the company plans to open more than 200 more Neighborhood Market stores in the U.S. over the next 18 months, bringing the total to more than 500.

"We continue to roll out this format aggressively throughout the country, opening more sites in the second quarter than in any other quarter in our history," Simon said. "In fact, we opened 12 stores in just one day this (past) quarter."

Moreover, the retailer has signaled it may green light an even smaller format called Walmart Express, with stores that range in size from 10,000 square feet to 12,000 square feet. Wal-Mart has built 20 Express stores in a pilot phase that has "performed very, very well for us," Simon said, adding that the retailers plans to share more details about its plans for the smaller format at its Oct. 15 meeting for the investment community.

Both concepts compete directly against a rising number of grocery stores, drug stores and dollar discount stores that have added groceries to their offerings to reach shoppers looking for value and convenience.

The giant retailer's smaller formats are part of a multichannel strategy to stock products purchased at its bricks-and-mortar stores as well as quickly deliver products ordered online.

In part to support that rapid product delivery strategy, Wal-Mart this week announced plans to open two new online fulfillment centers, an 800,000-square-foot facility in Fort Worth, TX, and a 1 million-square-foot center scheduled to open in early 2014 in Bethlehem, PA, that will be its largest ever.

"Increasingly, access is becoming more important to customers. And we believe we have an opportunity today through multiple formats to take our brand closer to the customers," Simon told investors at the recent Goldman Sachs Global Retail Conference.

Express stores sized as high as 15,000 square feet have tested and delivered very well against competing formats, offering shoppers groceries, pharmacy items and fuel at competitive prices against dollar store, drug store and grocery rivals, he said.

While not a new concept - Wal-Mart has been opening typical grocery store sized markets since 1998 - Neighborhood Markets is now one of the fastest-growing formats in retail, with 60% growth and mid-single-digit comparable sales over the last couple of years, Simon said.

Target: Also Testing Smaller Format, But Proceeding Cautiously

Fellow discount retailer Target has been more deliberate in the national rollout of its smaller-format CityTarget stores. Although only two have opened so far in 2013, for a total of seven, the company sees immense promise in the new smaller format.

The seven stores are located in Los Angeles, Chicago, Seattle and Portland and range from 80,000 to 100,000 square feet. In addition to the CityTarget locations, Target operates a total of 1,530 general merchandise stores and 251 SuperTarget larger-box stores.

Target Chairman, CEO and President Gregg Steinhafel said at a meeting with investors in August that company executives continue to be pleased with the results in these stores.

"Sales have essentially met our expectations and the mix of home and apparel has been better than expected," he said.

Retail analysts at Valuentum Securities Inc. have said they're "big fans of the City Target concept."

"If trends towards re-urbanization in the U.S. remain intact, we think CityTargets could take off, particularly since the brand is so familiar and liked by current middle-upper income suburban dwellers," the firm said in a research note. "Some of the CityTargets we've seen simply interact with the urban consumer that drive less and may make more frequent trips than the megastores in the suburbs."

Solving Logistics Issues Key to Success

The added distribution and logistics capabilities provided by Wal-Mart's newly announced fulfillment centers also are seen as a direct response to competition from e-commerce behemoth Amazon.com.

Wal-Mart' plans to work with its suppliers around the country and use its expanded fulfillment network to deliver U.S. orders faster and at lower cost. The company said in a release it is "uniquely positioned to ship online orders from stores and many of its more than 130 distribution centers, all leveraging its world-class transportation network."

"With our dedicated online facilities and 4,100 stores within five miles of two-thirds of the U.S. population, we gain a significant advantage by being positioned in the most important location - close to our customers," said Joel Anderson, president and CEO of Walmart.com.

Through the Walmart Express pilot program, "We're learning a lot about servicing and constructing small stores that's actually helped us become more efficient in operating and building the Neighborhood Markets as well," added Simon.

Just as importantly, noted Target CFO John Mulligan, the smaller store formats expand the list of potential store sites, particularly in supply-constrained urban areas.

"As we can get the stores smaller, the number of real estate options becomes much broader for us," Mulligan said. "If we can find sites, we'll open more CityTargets."

Landlords Make A Play For Rapidly Expanding Tech Tenants

高科技公司發展迅猛，**2013** 上半年租用面積占全洛杉磯縣辦公樓四分之一

By Roger Vincent (LA Times)

Los Angeles may not have the biggest collection of technology businesses in the country, but it does have some of the coolest ones and they are expanding quickly.

The region's deeply rooted entertainment industry is wielding new technology to create computer games, dramas for online video services such as Netflix Inc., wacky monologues for YouTube and amusing mobile phone applications people use to pass the time.

"We have the fun, sexy tech," said real estate broker Hayley Blockley, who helps negotiate leases with entertainment companies and other creative firms. "We make very little hardware compared to other markets."

L.A. County was the fifth-fastest-growing high-tech center the U.S. as measured by job growth from 2010 to 2012, brokerage CBRE group said.

But unlike in Silicon Valley and Seattle, where technology companies drive the office rental market, the tech industry is a comparatively small — but highly sought after — kind of tenant in the Los Angeles area.

Landlords love tech companies because they are expanding more than conventional corporations and they are flush enough to pay some of the highest rents in the region. Silicon Beach in Santa Monica and Venice commands prices that exceed monthly rents in the showy skyscrapers of downtown L.A.

Tech tenants represented about one-fourth of the 3.5 million square feet in Los Angeles County leases closed during the first six months of 2013, CBRE said. In August, comedy video website Funny or Die said it would rent more than 20,000 square feet in West Hollywood.

The bulk of Los Angeles office users are in financial services and insurance businesses, the brokerage said.

In Orange County, high-tech tenants are seeking nonconventional "creative" office space but have limited options because of short supply. The demand for such space has driven up office rental rates in Irvine, the Angel Stadium area of Anaheim and parts of south Orange County.

Across the country, firms involved in software development, mobile and social media technologies, and information and technology services are driving job creation, CBRE Group said.

These firms have added jobs five times faster than the national average, producing 366,000 new high-tech services jobs at a 17.4% growth rate, while total nonfarm jobs in the U.S. grew 3.4% from 2009 to mid-2013.

The high-tech services sector was responsible for 1 out of every 4 new office-using jobs, CBRE Group Inc. said, significantly affecting office occupancy and rental rates in many markets such as San Francisco's SOMA neighborhood south of Market Street, Redwood City and New York's Midtown South.

In addition to Silicon Beach, Los Angeles County has tech clusters in Playa Vista, El Segundo, Culver City and Hollywood. Rents are more expensive in some of those markets than others, but each has status in the tech world.

Real estate cachet counts in tech, certainly more so than it does in businesses in which competition for top employees is less intense.

"With a virtual 'war for talent' taking place every day, tech companies are going to great lengths to enhance the employee experience and attract, retain and nurture fresh talent," architecture firm Gensler said in a recent report on workplaces.

Tech firms are "very concerned" where their employees are located, analyst Colin Yasukochi of CBRE said. "They need to have an environment that fosters creativity and innovation, because innovation is key to the tech industry."

Some companies, including Microsoft Corp. and Google Inc., have manufactured creative campus environments out of whole cloth. Other tech firms choose locations with built-in appeal such as Santa Monica, where employees can surf before bicycling to work and choose from a wide array of bars and restaurants after hours.

As downtown Los Angeles' reputation as a 24-hour neighborhood grows, it stands to become another significant tech center in the region, real estate observers said.

Firms "looking for that urban aesthetic are coming downtown, trying to find diamonds in the rough," said broker Blockley of Jones Lang LaSalle's downtown Los Angeles office. So far, most have passed on the financial district where banks, law firms and other time-honored companies have reigned for generations.

That pattern stands to change because the financial district has the highest "walkability" score downtown, Blockley said, and the kind of tech firms thriving in Los Angeles are getting bigger much faster than most mature white-collar firms.

Companies that provide the social media we click to on our computers, create comedies we watch on tablets or make television commercials that catch our eyes while we ride the bus have room to grow as video display mechanisms grow more cheap and plentiful.

"Our appetite as users of content has not yet peaked," Blockley said. "And we'll continue to be exposed to that content on a 24-7 basis."

REITs Turning to Office Properties for Future Growth

房地產投資信託基金增持辦公樓板塊

By Mark Heschmeyer (CoStar)

The nation's equity REITs are selling more property this year than they are buying compared to the past couple of years. In fact, they have already become net sellers of industrial properties.

Notably, however, the REITs are pivoting their investment strategies to increase their office property holdings at a faster rate than they are selling them. The spread has almost doubled so far this year compared to last year.

The pattern signifies what is happening across the REIT investment spectrum this year, according to Dennis Duffy, managing director of Landauer Valuation & Advisory Services, a division of Newmark Grubb Knight Frank in Washington, DC. Increasingly, Duffy said, REITs are turning to invest in office property as they 'harvest returns' by selling other property types in the current low cap rate environment.

"The trend is being precipitated by the desire for secure yield," added Duffy. "Suburban office acquisitions are now considered 'value-add' properties, in many cases. Alternatively, CBD office properties offer secure, stable cash flows. And, especially regarding suburban office buildings, REITs do not want to sell at prices lower than historical acquisition basis. They will tend to hold and re-tenant buildings more often than institutional owners."

John F. Myers, managing director at Cassidy Turley in Bethesda, MD, is seeing the same trend.

"REITs are looking to bolster the quality of their portfolios. They are selling industrial (because it is a seller's market) and buying into office where they can be all-cash buyers and leverage the asset at a later date, thereby allowing them to make cleaner offers more certain to close," Myers said.

According to analysis using CoStar COMPs, last year, REITs acquired twice as much property as they sold. This year, the difference between their buying and selling activity has been cut in half. While the pace of acquisitions is almost even with last year; the pace of REITs selling properties is up almost 25%.

However, analyzing REIT sales activity by property type, the reverse is happening in the office sector. Office property purchases are up nearly 37%, while office sales are holding even.

Capital Markets Conducive To Investment Trends

Jason Bates, vice president of investments at Parkway Properties in Orlando, explained that current capital market trends are conducive to the strategy.

"REITs have generally felt comfortable paying today's market prices given the stability of the assets and the cost to replace these assets," Bates said. "Generally, REITs are still buying below replacement cost and are able to finance them effectively," Bates added. "In addition, REITs are generally able to buy without financing contingencies, which is attractive to many sellers. This is because the debt market has still been very discerning of the borrower when making asset specific loans."

The trend is also logical from a long-term fundamental perspective for REIT's, added Tyler Boyd, market research analyst at Voit Real Estate Services in Roseville, CA.

"If you look at the three (major) sectors of commercial real estate (office, retail, and industrial), office is the sector that has the least risk to dramatically evolve over the next 20 years," Boyd said. "Industrial continues to evolve towards the big-box, modern distribution age; and retail, as always, evolves with the consumer and has become a game of seeing which retailers can become the most e-commerce resistant.

"Office has actually evolved little over the last 50 years, other than relatively smaller floor plates and greener buildings," Boyd added. "This provides REIT's with the assurance that if they buy a newer, LEED building their income stream over the next 20 years should be fairly safe. Combine this with the fact that the office sector has been the last sector to recover from the recession, especially in the suburban and tertiary markets."

Brian Merzlock, real estate strategist for Williams Auction, a division of Williams, Williams & McKissick in Tulsa, OK, has noticed that REITS are particularly keen on medical or tech office space.

"Most REIT managing members are seeking high-end office space (as well as multifamily and retail candidates) - properties ideally located in 'money districts,' inside the beltways, or within walking distance to key metro linkages," Merzlock said. "Key indicators for most REITS include cap rates, NOI and low vacancy (below 15% to 20%).

"Another key factor to understanding the surge, is the thinning of the trees in the forest that is occurring with an increasing number of REIT mergers occurring where millions of square feet can be represented in one merger/acquisition… some of the largest recorded sales prices of late have occurred via mergers," Merzlock added.

Another driver of the current REIT investment pattern is that many REITs are in a realignment stage during which they are disposing of non-core assets, while striving to get back to core competencies and markets.

For example, that's the case for Tier REIT (formerly Behringer Harvard Real Estate Investment Trust I).

"I believe this trend is a result of REITs having capacity to grow after shoring up their balance sheets and feeling less uncertain about the direction of the economy," said Scott Fordham, president and CFO of Tier REIT. "Throughout 2013, prior to the [federal government] shutdown, the economic angst had waned somewhat and as a result, we, and I believe REITs in general, have been increasingly more comfortable underwriting rental rate growth in markets where new supply has been held in check.

"Provided the dysfunction in [Washington] DC, [politics] does not result in the economy losing its foothold on recovery, we believe we will be in a position to continue to underwrite rental rate growth and make investments that meet our return thresholds," Fordham continued.

This week, Tier REIT agreed to sell to an unnamed buyer 10 and 120 South Riverside Plaza in Chicago for a contract sale price of $361 million.

As CRE Turns Corner, Banks Face Decision on How Hard to Compete for Loans

商業地產回溫，銀行搶放貸款致利率過低及信貸標準過松

By Mark Heschmeyer (CoStar)

Legacy CRE loan portfolios for some of the largest national and regional banks have stabilized and their loan pipelines are growing with a mix of multifamily, REIT, conduit, investment real estate and owner-occupied deals. Bank executives also told investors this past week that some have begun to actively pursue construction and office property loans.

But as it seems with every aspect of this recovery, it’s an uneven mix, largely reflecting what stage of recovery the individual bank's loan portfolio is in. Some have just cleared up the messes in their portfolios from the Great Recession of 2007; others have already started growing that business - and pretty aggressively too; yet another batch is already starting to pull back as competition for deals has driven down yields and loosened credit standards beyond their comfort zones.

According to bankers, demand for commercial real estate loans is increasing not just for refinancings but also for purchases and development. At the same time, borrowers’ credit quality continued to improve in the third quarter that just ended.

“We’re seeing all cylinders hitting at this particular point,” William Henry Rogers, chairman, CEO and president of SunTrust, noted in his third quarter conference call with analysts. “We’re up 35% since the end of last year, 10.5% this quarter at around $5.5 billion. So I just think you’re going to continue to see good growth in the CRE portfolio, and a lot of that also has to do with the fact that the run-off is effectively over.

“Keep in mind that that 35% growth was against $1.2 billion, $1.3 billion or so in paydowns,” Rogers added. “We’re sort of starting to see that abate, and (then) we’ll see real growth.”

Not surprisingly, multifamily originations continued to be a big driver of CRE loan growth among banks in the third quarter. Astoria Financial, a Lake Success, NY-based bank was just one of many reporting evidence of that. It closed about $1.6 billion of multifamily/CRE loans last year and this week reported it was on target to do that again this year.

“The quality of third quarter multifamily/commercial real estate loan production remained strong, with loan-to-value ratios averaging approximately 42% at origination and debt coverage ratio is averaging approximately 1.76%,” Said Monte Redman, president and CEO of Astoria said. “So, it’s very strong credit.”

However, as many industry observers have been noting lately, multifamily could be peaking soon because the price points have changed, while single-family lending is becoming more attractive. That change opens up the possibility for renewed lending for single-family development and construction, said Kelly S. King, chairman, CEO and president of Branch Banking & Trust Co (BB&T).

"You've got a lot of factors going on the CRE market," King said. "Because of low levels of interest rates, you have a lot of portfolio moving out into conduit markets, so that's still pretty strong at these all-time low rates. As the economy recovers, you'll certainly expect to see more CRE activity. For example, though you've seen nothing in office and you've seen nothing at retail, which is a big part of the market, as the economy gets better, consumer demand goes up, you'll see those markets recover and that'll be good for us and everybody else," King added.

Bankers also made note of the increased flow of international investors coming back into the U.S. market.

Dominic Ng, chairman and CEO of East West Bank, said his bank has been adding "industry expertise" to make sure his bank can support foreign investors in doing deals here, particularly investors and business from China.

"We do a lot of real estate, and Chinese investors are coming to the U.S. and buying a lot of real estate, from hotels to office buildings and then single-family homes and so forth," Ng said. "And then you look at agriculture, biotech, bioscience, entertainment, film. These are the type of activities that Chinese companies are coming to the U.S. to look into, either in collaboration or as acquisitions."

Return of Good Times, Brings Return of Competition

While banks appear to have an appetite for increased CRE, they are not necessarily showing an appetite strong enough to take on additional risk at the extraordinarily low prices being offered in the marketplace these days.

"Nobody has ever seen it quite as intense as it is today in that space. It's just incredible," BB&T's King said. "It's the time to be patient. We think it will turn as we head into the next 12 to 15 months. But for right now, the differentiation between us and the marketplace is simply risk appetite. We're not going to jump out of the frying pan and into the fire. And we are concerned about some of the strategies that are in place in the marketplace, but we're going to stay the course."

Gene Taylor, chairman and CEO of Capital Bank Financial in Coral Gables, FL, noted the same concern.

"In commercial real estate, we are seeing conduit lenders offer premier financing for large projects for limited personal recourse, which is not a transaction structure appropriate for a bank balance sheet in our view," Taylor said.

"We are confident in our ability to drive strong originations and net portfolio growth remains the company's top priority. However, while we are going to complete aggressively to originate and retain our loans, we are not going to take on imprudent levels of interest rate or credit risk. I have been in banking for 40 years and I have seen what happens when banks cut corners on quality," he added.

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	0.24	0.24	0.31	0.24	-0.08	-0.05
Money market, annual yield	0.42	0.42	0.53	0.41	-0.09	-0.26
Five-year CD, annual yield	1.36	1.36	1.38	1.15	-0.01	-0.72
30-year mortgage, fixed	4.26	4.36	4.80	3.54	0.61	-0.23
15-year mortgage, fixed	3.36	3.47	3.84	2.80	0.29	-0.53
Jumbo mortgages, $417,000-plus	4.50	4.48	5.11	3.97	0.37	-0.88
Five-year adj mortgage (ARM)	3.50	3.60	4.16	2.80	0.34	-0.05
New-car loan, 48-month	2.97	2.96	3.17	2.42	-0.20	-2.92
Home-equity loan, $30,000	5.09	5.09	5.29	4.60	0.46	0.02