COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL
市場概括

- **[The Changing Face Of Chinese Overseas Investments]**

  中國海外投資者展現新面貌，政治因素不再是交易失敗主因

  As Chinese investment in the United States is on the rise this year, a few new elements are worth noticing from the past deals in 2013. More private firms invested; more local jobs were created; and politics was no longer the common denominator of deals that failed.

- **[Investors May Flirt With Riskier Real Estate Strategies In 2014]**

  2014 或是投資者轉投風險係數較高地產項目的一年

  Other trends predicted for the new year include that multifamily properties might fall off of investors' must-have lists, construction investment could pick up and foreign investors are expected to continue to scoop up trophy properties in the U.S.

- **[14 Predictions We Like for 2014]**

  2014 商業地產市場走勢的 14 大預言

  Real Estate Prognosticators See CRE Recovery Continuing To Accelerate in 2014

RETAIL
購物商場

- **[Buena Park's "Koreatown" Shopping Center Readies for Kickoff]**

  據一韓語報紙報導，Buena Park 的韓國購物商場將於 1 月 10 日開業

  A new Korean-American shopping center in Buena Park is expected to officially launch on Jan. 10, according to Korea Herald Business Daily, a Korean-language newspaper.

- **[Milpitas: Developers Plan $100M Asian-themed Mall]**

  一間大型亞洲主題購物中心將落戶北加南灣區城市 Milpitas，將帶進幾百家小商戶并建造新酒店

  A big enclosed Asian-themed shopping center is planned for a portion of the prominent McCarthy Ranch Marketplace here, a project that would bring hundreds of small merchants to the retail complex and construct a new hotel in the South Bay city.

- **[Target Tests Small Store for Urban Shoppers as Young People Pick Cities]**

[Over Suburbs](#)

Target 嘗試在城裡開小型便利店以迎合年輕人離開郊區的趨勢

The discount retailer, which has long focused on large stores in suburban markets, completed a lease last week on its smallest store yet, a 20,000-square-foot location in Minneapolis, a test store for a new format called TargetExpress.

- **Sonic Plans To Make Its Drive-Ins A Common Sight In Southland**

  連鎖快餐品牌 Sonic 計劃進軍南加州城市區并因地制宜變更原有店面設計

  Sonic has recently been opening smaller prototype stores around its Oklahoma home base, which executives say have been better suited to rural communities. But the new setup is also proving to be well adapted to urban areas and regions with pricey real estate such as Southern California.

- **Local Krispy Kreme Franchisee Plans Major Expansion**

  連鎖多納圈店 Krispy Kreme 將於未來七年在南加本地增開 20 家新店

  Krispy Kreme Doughnuts Inc. on Tuesday announced that its longtime Southern California franchisee plans to develop 20 new doughnut shops in the region in the next seven years.

- **J.C. Penney to Close 33 Stores and Cut 2,000 Jobs**

  連鎖百貨公司 J.C.Penney 將在全國範圍關閉 33 間店面并裁員 2000

  In yet another sign of its deep slump, J. C. Penney Company said on Wednesday that it would close 33 stores across the country and shed about 2,000 jobs.

- **Albertsons Sets 26 Store Closures**

  連鎖超市 Albertsons 將在 2 月 20 日前在全國範圍關閉 26 間店

  Albertsons, Boise, Idaho, said Wednesday it has scheduled 26 store closings across the country by Feb. 20, the day its fiscal year ends.

FINANCING
貸款與資金

- **When It Comes To CRE, Banks Prefer to Lend, Not Lease**

  銀行業鼓勵商業地產貸款，但同時其業內在縮小規模

  CRE Expected To Be a Top Driver of Loan Growth in 2014 Even as Banks Continue To Shrink Their Footprints

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

  消費者市場利率：房貸、基本利率、等等

The Changing Face Of Chinese Overseas Investments

中國海外投資者展現新面貌，政治因素不再是交易失敗主因

By Zhang Yuwei (China Daily USA)

As Chinese investment in the United States is on the rise this year, a few new elements are worth noticing from the past deals in 2013. New York-based research firm Rhodium Group released a new report noting three interesting observations about Chinese investment in the US last year. More private firms invested; more local jobs were created; and politics was no longer the common denominator of deals that failed.

Overall, Chinese investment in the US doubled in last year, driven by large-scale acquisitions in food, energy and real estate, according to Rhodium. Among them private firms started to take off in investment - accounting for more than 80 percent of transactions and more than 70 percent of total value.

David Riedel, president of New York-based Riedel Research Group, said investment in these sectors will continue to grow this year.

"These are all sectors that are important to China and where opportunities to learn best practices and benefit from experience in the US will be valued," noted Riedel.

The pick up by private firms in comparison with State-owned enterprises, according to Riedel, reflected the commitment of the Chinese government that focuses on development driven by the private sector.

"This is a healthy development from the perspective of the broader Chinese economy," said Riedel. "External investments by private companies are less politically sensitive than investments from State-owned companies, which is critical to investment success in the US," he added.

The Rhodium report said that most failures of investment deals were related to commercial factors rather than politics. The Committee on Foreign Investment in the US, or CFIUS, that reviews foreign investments in the US - sensitive deals in particular - has failed past deals of Huawei Technologies, citing "national security" reasons.

Chinese investors have gradually accepted that the CFIUS review is a process on sensitive deals, and the filings with the agency increase as investments increase.

Last year, CFIUS approvals on China's auto parts maker Wanxiang buying the A 123 Systems for $257 million and meat producer Shuanghui taking over Smithfield for $4.7 billion were good omens to Chinese investors.

"It is a process issue. As long as you are transparent, you follow the procedure and follow the rules, and address the issue, then it should be okay," Wanxiang America President Ni Pin told China Daily after the deal was closed.

Wanxiang American employs some 6,000 people, more than 90 percent of them local hires, out of the 70,000 jobs created by Chinese investments in the US.

Riedel said liberalization of regulation to encourage external investment is likely a theme we will see continuing to grow this year and beyond.

"The government there is eager to provide alternative investment opportunities for Chinese companies and institutions as well as develop stronger ties with the rest of the world through strategic investment," he noted.

Among the total of 82 deals - 44 acquisitions and 38 greenfield projects - several big deals account for most of the value of the total investment. The top six transactions, sorted by Rhodium - Shuanghui-Smithfield, CNOOC-Nexen US, Sinpec-Mississippi Lime JV, Fosun-Chase Manhattan Plaza, General Motors Building (40 percent stake acquired by group led by Soho China CEO Zhang Xin), and Sinochem-Wolfcamp Shale - account for more than 80 percent of total combined value.

Investment from last year also marked a noticeable increase in the real estate market.

In California, the Chinese are the third-largest foreign buyers of real estate, after Mexicans and Filipinos, according to Realtor.org.

In February, China's largest residential developer Vanke teamed up with Tishman Speyer, whose properties include New York City's Chrysler Building and Rockefeller Center, to build a luxury condominium project in San Francisco. The investment for the project totaled $620 million, with Vanke's $175 million and Tishman's $75 million.

"More and more of the high-end deals are going to international buyers, many of which are coming from China. This is a growing market so it makes sense to do everything possible to tap into the needs of this demographic," said Sally Forster Jones, an agent with Coldwell Banker International in Los Angeles.

The Rhodium report said the outlook for Chinese investment will be positive this year because of the strong economic reforms set out by the Chinese government.

"The ongoing reforms of the Chinese economy to focus on services, advanced manufacturing, healthcare and alternative energy are a significant change in the development model for China," noted Riedel.

"Turning away from large-scale, lower value-added manufacturing requires more strategic investment in developed markets around the world as the lessons to be learned and the connections to be developed are more critical to success," he added.

Investors May Flirt With Riskier Real Estate Strategies In 2014

2014 或是投資者轉投風險係數較高地產項目的一年

BY ARLEEN JACOBIUS (Pension & Investment)

Other trends predicted for the new year include that multifamily properties might fall off of investors' must-have lists, construction investment could pick up and foreign investors are expected to continue to scoop up trophy properties in the U.S.

"Looking ahead, I would fully believe investors would take advantage on value added and opportunistic strategies instead of focusing on core," said Brad Morrow, senior private markets consultant in the New York office of Towers Watson & Co. The riskier strategies appear to be a better opportunity because of the risk-return spread between them and core.

Mr. Morrow does not expect a wholesale switch of capital out of core for value added and opportunistic real estate. Instead, he expects investors to begin using riskier strategies with a little more return potential "at the margins."

As for the real estate markets, Jim Sullivan, managing director, REIT research, of Green Street Advisors Inc., a Newport Beach, Calif.-based research firm, said real estate market projects are "tied at the hip with any investor's view of interest rates."

One camp's view is that interest rates might go up because the economy will be recovering at a robust pace, Mr. Sullivan explained.

"A higher cost of capital is bad for real estate investing but a robust economy is great for real estate," he said. Another view is that if interest rates go up unaccompanied by strong economic growth, it will be bad for real estate because it is an industry that is capital intensive, Mr. Sullivan said.

Multifamily is out, malls are in

Meanwhile, multifamily real estate investments may no longer be the darling of real estate investment community in the coming year.

Apartments — and the multifamily sector as a whole — have been extremely strong for several years, but it won't be as hot going forward, Mr. Morrow said.

The net operating income might start to come down as new multifamily development projects that are in the pipeline are completed, he said. Indeed, there might be oversupply of multifamily properties in certain markets.

“I don't see the growth opportunity we've seen in the past,” Mr. Morrow said. “Apartments might become less desirable.”

It could be a completely different story in the apartment real estate investment trust sector, Mr. Sullivan said.

Apartment REITs were red hot in 2011 and 2012, but underperformed the rest of the public markets in 2013, he said.

“Our view is the market overreacted to the decelerating growth,” Mr. Sullivan said. “Apartment REITs look cheap going into 2014.”

There will be a similar story with mall REITs, he added. In 2013, the mall sector significantly underperformed as investors anticipated a decline in consumer spending and a tax increase.

As a consequence, high-quality malls look cheap in the public real estate market, Mr. Sullivan said.

“Investor angst in relation to investor spending is legitimate but the mall sector was overly discounted,” he said.

One really big-picture item in 2014 is that the pace of new construction is starting to pick up.

“The commercial real estate party … usually ends not because of the lack of demand but because of excess new supply,” Mr. Sullivan said.

New construction, which had been at generational lows, is starting to change “in a pretty meaningful way,” he said.

The pace is picking up the quickest in multifamily, industrial and niche strategies such as student housing and data centers.

“The good news is that there is demand to meet the new supply,” he said.

The increasing supply is not enough to ring any alarm bells, but it is the first time in two or three years that observers will be watching out for oversupply.

Fundraising

One trend that sprouted in 2013 and might take firm root in 2014 is an increase in co-investments in real estate. While co-investments are fairly common in private equity, real estate deals have not been large enough for co-investments.

Real estate managers that can't raise a large blind pool closed-end fund are looking to new ways to raise capital including seeking co-investments.

Managers may be more open to it in 2014 as fundraising continues to be a challenge, said David M. Sherman, president and co-chief investment officer of Metropolitan Real Estate Equity Management, Carlyle's newly acquired real estate fund-of-funds business, and head of the real estate fund of funds group in Carlyle Group's solutions subsidiary.

“Managers that need to stretch the remaining equity in a fund may co-invest, even if their deal sizes are manageable, during the latter half of a fund's lifecycle,” Mr. Sherman said. “A manager of a new fund may seek co-investment because fundraising is going slowly. Some managers utilize co-invest in between fund raises.”

A big theme in 2014 is expected to be continued investment by foreign investors in U.S. real estate, said P.J. Yeatman, head of private real estate for CenterSquare Investment Management, a Plymouth Meeting, Pa., real estate manager. In a flight to quality, foreign investors have been buying up trophy assets in the U.S., leading to the overpricing for these properties, Mr. Yeatman said.

“We (the U.S.) became the flight-to-quality market,” he said.

These investors consider U.S. core real estate to be akin to fixed income, Mr. Yeatman said. What's more, many of these buyers purchase properties on the basis of “perception,” he added. “The perception is that New York is a fortress and it is worth paying anything for New York real estate,” Mr. Yeatman said.

He added: “I don't expect (foreign purchases of U.S. property) to stop” in 2014.

Astute investors will begin investing in value added and opportunistic real estate in order to sell into the overheated core market.

“The smart money will recognize the arbitrage opportunity between creating income streams to sell into the overheated market vs. buying income streams,” Mr. Yeatman said.

Another huge investment opportunity will be European real estate debt, said Joe Valente, managing director and head of real estate research and strategy in the London office of J.P. Morgan Asset Management (JPM).

Some €400 billion ($546.7 billion) of distressed European assets will be coming to the market, Mr. Valente estimated. “Half will be in core European markets where investors don't have to take macro risk,” he said.

As for the year just ended, one of the big surprises was that the capital markets rebounded stronger than many real estate investors expected.

“I expected it to be strong, but it was stronger than I had expected,” said Gary M. Tenzer, Los Angeles-based principal at real estate investment banking firm George Smith Partners Inc.

Even though prices were at very high levels, in many cases around the pre-financial crisis levels, cap rates were very low, he said, noting that investors were chasing yield.

14 Predictions We Like for 2014

2014 商業地產市場走勢的 14 大預言

By Mark Heschmeyer (CoStar)

Commercial real estate firms are moving into the New Year with a renewed sense of optimism - a positive outlook not seen for the past seven or eight years.

While many in the industry predicted a recovery in 2013, they did so with a sense of nagging worry over slower than expected job growth and concerns that the political brinkmanship in Washington could threaten the nation's credit rating and pitch the economy into stagnation or, even worse, recession.

Much of those concerns have ebbed as the two parties came to terms in December over next year’s budget. In addition, the Federal Reserve has established a clear path for rolling back the so-called quantitative easing steps taken in years past to bolster the economy. By spelling out its path for reducing debt purchases, the Fed has taken out much of the guesswork for when those financial supports will end.

Given the overhanging sense of dread seems to have disappeared from most forecasts, experts are predicting a better year in 2014.

CoStar News has encapsulated Following 14 outlooks for 2014 from forecasts offered by respected industry participants and observers. We’ve sorted them alphabetically by the firm making the forecast.

Cassidy Turley: Impact from Rising Rates

If the big economic story of 2013 was policy vs. housing, this year doesn’t promise much in the way of variety. Policy vs. Housing, Part II will see the same threats to economic growth as we continue to struggle with dysfunction in Washington and, most likely, more political brinksmanship that may undermine confidence in the economy. But, while the challenges will be the same, the underlying fundamentals will be slightly stronger. Perhaps the biggest difference is that by the middle of 2014, economic growth should be strong enough for inflation to start to be a possibility once again. This is actually a good thing. The timetable could vary, but we anticipate the Fed raising interest rates by the end of the second quarter-likely in May or June. So long as interest rates don’t move too far too fast, the impact on the overall economy will be minimal. But there will be one. This could slow the housing recovery and it will certainly have an impact on commercial real estate pricing as the price of borrowing becomes more expensive. But that is assuming the underlying economic fundamentals have heated up to the point of warranting such a move-which is ultimately a good thing. A stronger economy may bring higher interest rates, but it will also bring higher earnings, lower unemployment, greater consumer spending and-for landlords-better rental rate growth and NOI. In the meantime, look for the first big political squabble (over the debt ceiling once again) to start up again in late January.

CBRE: Office Market Recovery Poised To Accelerate

The office market recovery is poised to accelerate in 2014, as an improving economy should result in increased office-using employment according to CBRE, the world's largest commercial real estate services and investment firm. The growth in office-using occupations, particularly in high-tech industries, is expected to increase demand for office space. The U.S. office market vacancy rate will continue to decline next year, falling by 80 basis points (bps) to 14.3% by the end of 2014, Steady improvement in the office market is expected to continue in 2015, with the vacancy rate forecasted to dip another 80 bps to 13.5%. CBRE forecasts that office rents will increase by 3%, on average, in 2014, and rise another 4.4% in 2015, as vacancy levels fall steadily toward the "equilibrium" level over the next two years.

Cornell Univ. and Hodes Weill: Big Money Will Continue To Rule

Institutions are significantly under-invested in real estate and are poised to allocate significant capital to new real estate investments. The weight of this capital can be expected to have broad implications for the industry, including transaction volumes, fund raising, lending activity and property valuations. The supply of capital may sustain current valuation and financing metrics (including capitalization rates and the cost of debt capital), according to Cornell University's Baker Program in Real Estate and Hodes Weill & Associates, which co-sponsor the Institutional Real Estate Capital Allocations Monitor.

Deloitte: Steady Growth but Not Enough To Spur Much New Development

CRE fundamentals continue to improve across all property types, including vacancy, rent, and absorption levels, according to Deloitte's real estate forecast. However, demand is yet to increase enough to drive development activity, except for multifamily and hotel construction, which continues to be robust. These same sectors, which were the first to grow and recover after the recession, may see some tapering off in fundamentals as new supply comes to the market. Overall, it appears that fundamentals will continue to improve at a moderate pace, in line with the macroeconomic situation.

DTZ: Business Tenants Keep Bargaining Clout

The U.S. economy will continue to expand at a moderate rate, which will lead to more job growth and a related increase in demand for occupational space, reports global property services firm DTZ. However, with the expected moderate job growth, vacancy will only trend down slowly. Occupiers will remain in good bargaining positions over the next two years and occupancy costs will increase in line with inflation. They will continue to receive concessions as landlords compete to increase their properties' net operating income. Occupiers will gravitate to the most affordable markets and continue to reduce their costs through more efficient internal space build-outs.

EY: Private Equity Funds Getting Hands Dirty

Having emerged from the global recession and its aftermath, the real estate private equity sector is finally positioned for growth in 2014, according to a global market trends outlook in real estate private equity published by EY (Ernst & Young). Strategies being deployed by different PE firms and even funds to take advantage of this growth opportunity differ, as fund managers seek to differentiate themselves in a hotly competitive fundraising environment. But EY sees fewer opportunities in the future for fund managers to capitalize purely from the financial structuring side of their investments. The funds that come out ahead of the competition in this next phase of growth will have one thing in common: an 'old school' asset management approach that realizes maximum investment value by working closely with service providers to fill buildings and manage real estate.

Freddie Mac: The Emerging Purchase Market

Led by a resurgent housing sector, 2014 should shape up to be better than 2013 with a quickening recovery pace leading to more job creation. Freddie Mac expects single-family home sales and housing starts to be at their highest levels since 2007, and expect multifamily transactions and construction to post gains as well. The big shift ahead will occur as the single-family mortgage market begins transitioning from a rate-and-term refinance-dominated market, to a first purchase-dominated market. The emerging home-buyer purchase market should gather momentum in the coming year.

Grant Thornton: Huge Boost Ahead for Industrial Markets

U.S. companies will bring production, customer service and IT infrastructure back home, reports tax-advisory firm Grant Thornton. The reshoring trend is real and about to dramatically reshape the U.S. economy. More than one-third of U.S. businesses will move goods and services work back to the U.S in the next 12 months, which means that as much as 5% overall U.S. procurement may return home. The Grant Thornton LLP "Realities of Reshoring" survey found that even IT services, one of the first business functions to move offshore, are likely to return within a year. The trend could provide an enormous boost to domestic manufacturers, retailers, wholesalers/distributors and service providers.

Jones Lang LaSalle: Pent Up Retail Demand Will Drive Investment

Total retail investment is expected to increase upwards of 20% in 2014, according to Jones Lang LaSalle, as pent up demand that was not satisfied in 2013 fuels investments and investors look to balance their portfolios. The retail market will continue to turn around despite store closings and consolidation. Vacancy rates are projected to inch downward driven by power center popularity, while rents are expected to increase albeit slightly for the fourth consecutive quarter. JLL also expects the number of retail property portfolios coming to market, which combine a broad spectrum of B and C retail assets, will increase as REITs look to sell assets and recycle capital in the year ahead.

Kroll Bond Ratings: Multifamily Resurgence in Conduit CMBS

The Federal Housing Finance Agency (FHFA) has begun to implement strategies to reduce the multifamily footprints of the two GSEs it oversees. As a result, Kroll Bond Rating Agency expects we will see a gradual decline in Fannie and Freddie's securitized market share, which could revert to levels not seen since before the run-up to the CMBS market peak. At the peak of market in 2007, the conduit market's share of the $36 billion securitized multifamily loan market was just over 78%. As the financial markets spiraled, that trend reversed and the GSEs became the primary source of loan production, dominating securitized new issues with more than a 95% market share.

Nomura: Muted CMBS Loan Maturity Risk

Based on the performance of loans maturing in 2012 and 2013, the investment bank Nomura estimates that 84% of loans maturing in 2014 will pay in full, a decline of just 3% from 2013 levels. Similar to 2013, Nomura expects the balance of loans rolling to delinquency to decline over the coming year, influenced by muted maturity risk and fewer term defaults resulting from improving CRE fundamentals. Most of the loans maturing in 2014 have 10-year terms and were underwritten prior to the sharp rise in property values that began in 2005. However, 15% of maturing loans have 7-year terms and were underwritten at the market peak. This set of loans has an increased risk of default at maturity.

PKF: U.S. Hotel Investors Poised To Do Well in 2014/2015

After a slight deceleration in growth during the last half of 2013, PKF Hospitality Research, LLC (PKF-HR) is forecasting very strong gains in revenues and profits for the U.S. lodging industry in 2014 and 2015. PKF projects national revenue per available room (RevPAR) to increase 6.6% in 2014, followed by another 7.5% boost in 2015. Concurrently, hotel profits should enjoy growth of 12.8% and 14.5% respectively over the next two years.

PwC US and ULI: Investor Activity Continues To Expand Beyond Core Markets

The U.S. real estate recovery is set to continue into 2014, with investors increasingly looking beyond some of the traditionally popular markets to secondary markets in search of higher yields, according to the latest Emerging Trends in Real Estate 2014, co-published by PwC US and the Urban Land Institute (ULI). The predicted growth in secondary markets will be driven by investors searching for returns as opportunities in core markets become harder to find and the most sought-after properties become more expensive. The move into secondary markets is underpinned by the anticipated increase in both debt and equity capital during 2014.

Transwestern: More Opportunities in Sale-Leasebacks and Net Lease

The cost of capital for owner occupants is on the rise, thanks to increasing interest rates. To cope with higher costs, owner-occupants are increasingly looking at selling their owned real estate as one strategy to generate funds for operating expenses, company expansion or retiring debt. This scenario presents an excellent sale-leaseback opportunity for investors looking to acquire real estate that comes with a long-term tenant in place. The lending environment is expected to bring more net-lease properties to market, as well. As interest rates increase, a larger number of office, industrial and retail buildings are projected to be marketed for sale.

That's 14 predictions for 2014. We look forward to covering these and many other major trends in commercial real estate in the year ahead. Here is a bonus prediction from CoStar's Property and Portfolio Research group:

CoStar: 2014 Best Year of Office Occupancy Gains in Recovery Cycle

Heading into New Year, office employment has been growing at the fastest rate since the start of the recovery, with the sole exception of early 2012. But there are two key differences between today's market and that of the past few years. First, the office market now has far less under-utilized "shadow" supply space, which will drive a higher level of net absorption as more office-using tenants expand. Second, with the demand outlook improving and new construction still at bay in most markets, the 2014 occupancy gains in US office markets should be the best of the entire recovery and should tip the scales toward greater rent growth during 2014 than in the past few years. However, developers have already shown their willingness to break ground at the first sign of improvement. This has already happened in Boston, Houston, Silicon Valley and most recently, San Francisco. As developers ramp up new supply, the office occupancy gains are likely to slow in 2015 and certainly by 2016. Investors should enjoy the benefits of occupancy gains in 2014, which are expected to be the best in the current recovery cycle.

Buena Park's "Koreatown" Shopping Center Readies for Kickoff

據一韓語報紙報導，Buena Park 的韓國購物商場將於 1 月 10 日開業

By Jane Yu (Orange County Business Journal)

A new Korean-American shopping center in Buena Park is gearing up for an official launch in coming weeks.

No date has yet been set, according to Bryan Sung of Ace Realty Co., who oversees the leasing activities for the shopping center, called Village Circle on Beach.

The center has a dozen or so tenants lined up, including a number that are expected to open next week, with most focused on Korean-American customers. The area around the center has been dubbed Orange County's "Koreatown" in the ethnic press.

Operations effectively began in late 2013, when Japanese discount goods chain Daiso opened. Los Angeles-based Open Bank started its first OC branch there in December.

A list of soon-to-come businesses includes Seoul-based cosmetics store The Face Shop; 85°C Bakery Café, a Taiwanese bakery chain; and Korean grocer H-Mart.

H-Mart will be the largest tenant, taking up about 32,500 square feet, and will be the third Korean-oriented supermarket in the intersection of Beach and La Mirada boulevards, adding to the concentration of businesses catering to the ethnic community in North Orange County.

Construction for the 7.4-acre shopping center began in early 2012.

Milpitas: Developers Plan $100M Asian-themed Mall

一間大型亞洲主題購物中心將落戶北加南灣區城市 **Milpitas**，將帶進幾百家小商戶并建造新酒店

By George Avalos (Oakland Tribune)

MILPITAS -- A big enclosed Asian-themed shopping center is planned for a portion of the prominent McCarthy Ranch Marketplace here, a project that would bring hundreds of small merchants to the retail complex and construct a new hotel in the South Bay city, developers said Friday.

The $100 million project would create a 260,000-square-foot Asian retail center with potentially hundreds of small shops in the enclosed shopping complex, a 240-room hotel, and an underground parking garage for about 820 vehicles.

"It would be the only project of its kind in the United States -- a large enclosed Asian-themed mall," said Jim Kessler, a development adviser for Canada-based Torgan Group, the owner of the McCarthy Ranch retail complex. "There are other Asian-oriented tenant projects, but not of this scope and concept, with small units, a lot of owners."

Whereas most malls have a single corporate owner, with some exceptions for flagship stores, the new Milpitas mall will sell spaces for shops much the way residential developers sell condominiums. Some merchants will buy their own spaces, while others will lease them from realty investors.

Scheduled to open in 2017, the center will be named Pacific Mall Silicon Valley. It is expected to have 200 to 300 stores offering everything from clothing and consumer electronics to health food and cosmetics. The multilevel facility also will have a food court.

Retail units at the mall will range in size from 145 square feet to 2,800 square feet.

"There will be no large stores in the mall," Kessler said. "It is really geared toward entrepreneurs and small business people."

The mall is modeled on the Pacific Mall in Toronto, which Torgan Group developed. The backers hope it will become a major regional draw for the Bay Area and Northern California.

"People are known to drive all the way from Buffalo to go to the mall in Toronto," Kessler said. "That mall has become one of the top 10 tourist attractions in Canada."

Milpitas officials believe the new complex could be a game-changer for the city.

"This project is very important for Milpitas," said Sheldon Ah Sing, the city's senior planner. "It is in a gateway location for the city."

The Milpitas Planning Commission approved the project this week and the City Council will consider the matter within the next several weeks. If all goes well, the developers intend to begin construction in the spring of 2015, Kessler said.

The first stage of construction will bulldoze much of the southern section of the McCarthy Ranch retail center. Among the buildings that will be leveled are those once occupied by now-defunct retailers Borders books, Sportmart and Western Warehouse. The developers also intend to tear down an existing Best Buy store. Best Buy will likely relocate to a smaller space at McCarthy Ranch as part of an overall corporate strategy to shrink its retail footprint nationwide.

The new mall hopes to tap into the growing Asian population in the Bay Area.

"Asians have become the dominant demographic in that part of the Bay Area, and in Asian communities, culturally, Asian retailers want to own their real estate," said Tom Nelson, a vice president with Colliers International, a commercial realty firm. "I've traveled in Asia, and this is how retail is done there."

Like its sister mall in Toronto, the Milpitas mall will include a large cultural center that will feature Asian-themed events on a regular basis.

"You could have stage shows and other attractions at the cultural center," Kessler said. "The presentations could have themes related to China, Taiwan, Thailand, The Philippines, Singapore, India and Pakistan."

Michael Messinger, a principal owner with San Jose-based Meacham Oppenheimer, a commercial realty firm that specializes in retail projects, says the new mall will face a lot of competition for the growing number of Asian consumers in the region.

"A lot of Asian centers are operating in the Bay Area," he said. "There are only so many retail dollars that shoppers have to spend."

Target Tests Small Store for Urban Shoppers as Young People Pick Cities Over Suburbs

Target 嘗試在城裡開小型便利店以迎合年輕人離開郊區的趨勢

By ELIZABETH A. HARRIS (New York Times)

Target wants to be a bigger part of city living, by experimenting with going smaller.

The discount retailer, which has long focused on large stores in suburban markets, completed a lease last week on its smallest store yet, a 20,000-square-foot location in Minneapolis, a test store for a new format called TargetExpress.

The store will be about a fifth the size of Target's smallest format stores to date, and would allow the company to open more locations in dense urban markets, like New York, where 100,000 square feet is hard to come by.

John D. Griffith, executive vice president for property development at Target, said that as more people, and especially young people, opted to live in cities rather than suburbs, Target wanted to remain convenient.

"Many of them grew up with a Target experience," Mr. Griffith said. "Now, they show up at their cool little bungalow they're redoing, they're five miles from downtown, and yet, Target is a little bit of an effort to get to."

Minneapolis, where Target is based, is seeing just this sort of influx, he said.

The first TargetExpress will be in the most urban of spaces, at the base of an apartment building called the Marshall, which is under construction near the University of Minnesota campus. The test store is scheduled to open July 27, in time to greet students arriving for the fall semester.

This location not was only chosen for the built-in market of students, ready to buy dorm decorations and school supplies every year, but because it is less than 10 minutes from Target's sprawling headquarters in downtown Minneapolis.

"It's in our backyard," Mr. Griffith said. "Why not test it where you can go in and tweak it to death until it's perfect? Makes it easier."

This is not a new playbook. When Walmart opened its first small-format store, which was 15,000 square feet, in summer 2011, it chose a spot in Gentry, Ark. Gentry is about 30 minutes from the Bentonville, Ark., where the company is based.

Even the name, TargetExpress, will sound familiar to some.

Walmart's smallest stores are called Walmart Express. And small locations of Tesco, the British supermarket chain, are called Tesco Express.

Mr. Griffith said Target was not bothered by the similarities, and thought the familiar word would help customers understand what the new stores are.

The TargetExpress test store will stock a mix of grocery and pharmacy items, and a small selection of basic clothing, like socks, home décor and electronics. Until now, Target's smallest format has been CityTarget, stores that range from about 80,000 to 125,000 square feet. Its biggest stores, called SuperTarget, are about 174,000 square feet. The company has about 1,900 stores, roughly 1,800 of them in the United States.

The announcement was made at a difficult time for Target. Foremost in consumers' minds may be the enormous data breach during the holiday season in which information like credit card numbers and mailing addresses was stolen from 70 million to 110 million Target customers. The company said last week that after the news became public, the week before Christmas, its sales declined.

But Target also had trouble elsewhere. A costly expansion in Canada dragged down third-quarter earnings, which dropped 46 percent from the year before. In an earnings call in November, Gregg W. Steinhafel, Target's chief executive, said sales and profits in Canada had not met expectations, but that now that the stores were open — Target opened 124 Canadian stores in 2013 — the company could focus on improving operations.

Mr. Griffith said that while the Canadian expansion was not where the company wanted it to be, it need not affect the testing of the TargetExpress in the United States.

"Domestic Target is what pays the bills," he said.

Sonic Plans To Make Its Drive-Ins A Common Sight In Southland

連鎖快餐品牌 Sonic 計劃進軍南加州城市區并因地制宜變更原有店面設計

By Tiffany Hsu (LA Times)

The slushies and skating carhops at Sonic Corp.'s drive-ins are a relative rarity in Los Angeles County, where 12 scattered units are overwhelmed by hundreds of McDonald's and dozens of Burger Kings.

But Sonic, based in Oklahoma City, hopes to become a major player in Southern California, home to quick-service rivals such as Carl's Jr., Wienerschnitzel and Fatburger.

By 2020, the company — and its popular Cherry Limeade, tater tots and chewable ice — plans to have 300 California units up and running. The chain has opened 60 restaurants in California in the 24 years it has been in the state.

Expansion in Los Angeles, a city ever-hungry for the next hot fad, will be tricky — especially for an operation whose "style hearkens back to yesterday," in the words of one executive.

"There's this question of how to be retro and still be cool," spokesman Patrick Lenow said. "A whole new generation is out there that frankly doesn't know what a drive-in is."

Sonic traces its roots to a small root beer stand in Shawnee, Okla., in 1953.

Since then, Sonic has grown to some 3,500 outlets in 44 states. Nearly half are in Oklahoma, Texas, Tennessee, Arkansas and Louisiana.

The company, which has tripled its franchise sales team in the last six months, hopes to be in all 50 states by the end of the decade.

In the next year, at least two new stores are set to open in Los Angeles County. Sonic executives, who said they're looking for franchisees already running multiple fast-food outlets, said they are in talks with several potential partners in Southern California.

Sonic has about 150,000 employees throughout its system. The planned California expansion could add an additional 50 workers per restaurant, executives said.

Among the possible initial sites for new Sonic units: near Los Angeles International Airport, Culver City and Palm Springs, executives said.

"In this part of the country, we're a 60-year-old start-up," Lenow said.

Sonic has recently been opening smaller prototype stores around its Oklahoma home base, which executives say have been better suited to rural communities. But the new setup is also proving to be well adapted to urban areas and regions with pricey real estate such as Southern California, said Bob Franke, Sonic's senior vice president of franchise sales.

The smaller-scale eateries generally have 12 to 16 parking stalls, compared with some units in Texas and elsewhere that have as many as 30. The new buildings are 20% smaller than Sonic's older 1,900-square-foot structures.

The streamlined design represents a roughly 15% reduction in property and building costs, Franke said.

For a year and a half, Sonic has also tested technology that it intends to put into all new units. Instead of seeing a menu board when pulling into a stall, customers will be able to order via an interactive screen. They can also pay using a smartphone.

The company hopes to someday use the same technology to enable patrons to place orders online or by phone ahead of arrival before they arrive.

But Sonic says its best competitive advantage in the crowded Los Angeles market will be its food.

Its menu — hot dogs, snacks, burgers and more — is available all day long. Sonic boasts that customers are able to create more than 1 million flavor combinations of its drinks, which together with desserts make up 40% of the chain's sales.

"They're very profitable sectors, which makes us attractive to franchisees," Lenow said.

On the Nasdaq exchange, where it trades under the SONC ticker, Sonic has been on a two-year tear, soaring more than 190%. On Monday, the stock closed down 2.4%, or 47 cents, to $19.25 a share.

In its first quarter, which ended Nov. 30, Sonic said its net income rose 27% to 14 cents a share, or $8.2 million, from 11 cents, or $6.1 million, a year earlier, helped in part by a $500,000 tax ruling. Revenue ticked up less than 1 percent to $126.7 million. Sales at Sonic outlets open at least a year increased 2.2%.

The company said after the market closed Monday that it expects up to 15% earnings-per-share growth in the 2014 fiscal year, though it warned that "the macroeconomic environment and its impact on consumer confidence" might affect results.

Sonic says that it avoids deep discounting, which makes its food more expensive than others in the fast-food industry. Lenow said the company is "trying to elevate the food to the quality of fast casual" — a sector that includes investor darlings such as Chipotle Mexican Grill and Panera Bread Co.

Quick-service restaurants such as Sonic represent a growing sector of the U.S. restaurant industry, which experienced flat foot traffic overall last year, according to research from NPD Group Inc.

But customer visits to quick-service eateries were up 1% for the year that ended in September compared with a year earlier, according to NPD. Fast-casual establishments enjoyed an 8% boost in patrons.

NPD is projecting a slightly better year for all restaurants in 2014, with quick service continuing to outpace the rest of the industry.

"We're not looking to mess with what works," Lenow said. "But consumers are more adventurous now than ever before."

Local Krispy Kreme Franchisee Plans Major Expansion

連鎖多納圈店 Krispy Kreme 將於未來七年在南加本地增開 20 家新店

By DEBORAH CROWE (Los Angeles Business Journal)

Krispy Kreme Doughnuts Inc. on Tuesday announced that its longtime Southern California franchisee plans to develop 20 new doughnut shops in the region in the next seven years.

Great Circle Family Foods of Long Beach has signed a new development agreement with the Winston-Salem, N.C. company. Great Circle has been developing and operating Krispy Kreme stores for the Winston-Salem, N.C. restaurant company since 1998, and was Krispy Kreme's first big franchisee west of the Mississippi.

"We are thrilled to be growing our business in Southern California," Great Circle Chief Executive Roger Glickman said in a statement. "This commitment for an additional 20 stores is a reflection of our success with the Krispy Kreme brand, our outstanding, system-leading same store sales growth, and our confidence in the small factory shop model."

Great Circle Family Foods now operates 11 shops in Southern California, far below the more than 30 outlets it had at the height of Krispy Kreme's domestic and international expansion spurt in the early to mid-2000s. The parent company, whose stock was once a Wall Street darling, fell victim to overly aggressive growth expectations. Great Circle suffered along with it, suing the company in 2005 and filing for Chapter 11 reorganization in 2008.

The companies in 2006 settled litigation, and Great Circle today is Krispy Kreme's third largest domestic franchisee.

Krispy Kreme, which had 812 predominately franchised shops in 23 counties as of Sept. 30, has set a goal of 900 international stores and more than 400 domestic shops by the end of fiscal 2017.

J.C. Penney to Close 33 Stores and Cut 2,000 Jobs

連鎖百貨公司 J.C.Penney 將在全國範圍關閉 33 間店面并裁員 2000

By ELIZABETH A. HARRIS (New York Times)

In yet another sign of its deep slump, J. C. Penney Company said on Wednesday that it would close 33 stores across the country and shed about 2,000 jobs.

The company said in a statement that the closings and resulting job cuts would save about $65 million a year.

One of the oldest retailers in the nation, J. C. Penney has undergone considerable management and investment turmoil in the last few years. It fired one chief executive, Ron Johnson, and then brought back his predecessor, Myron E. Ullman III. It tried a new retail strategy, which alienated core customers, and reverted to its old strategy. Its stock has plummeted nearly 80 percent in the last two years.

In Wednesday's announcement, Penney said it was closing "underperforming" stores. But some analysts and industry experts said that with 1,100 locations and such extensive difficulties, shedding 33 stores would not be enough to move the needle on the company's performance.

"The hole is too deep," said Burt P. Flickinger III, managing director at the Strategic Resource Group, a consumer industry consulting company that specializes in retailing. "This is a warning shot across the bow to landlords to try to provide accommodations or concessions, like on common area maintenance charges or lease reductions."

The news comes on the heels of what appears to have been a disappointing shopping season for many major retailers.

Several have already lowered their profit forecasts and reported holiday-season sales that were either fairly static or represented slight growth over the previous year. Just last week, Sears Holdings, another retailer that has been struggling for years, released terrible holiday results, saying that sales at it Sears stores in the United States dropped 9.2 percent during the holiday shopping season compared with the same period the previous year.

Penney released a two-paragraph statement last week saying it was "pleased" with its performance, but little else, sending its stock down on the assumption that it was keeping quiet because sales reports were dismal.

In a note to vendors on Wednesday, Mr. Ullman elaborated slightly. He said that "the holiday season was certainly an interesting one, with a compressed calendar, winter snowstorms and challenging mall traffic." Despite that, the company emerged "in good shape," he said, and sales at its website, jcp.com, "continued to be robust."

Some industry watchers were not convinced.

“It must have been a train wreck under the Christmas tree,” Mr. Flickinger said, citing a lack of concrete information and a difficult season for retailers over all.

The announcement of store closings and the heightened expectations for a difficult holiday season may cast a shadow over some investor optimism in November, when the company announced its third-quarter earnings. Though the losses were bigger than expected — it reported an adjusted net loss of $457 million for the three months that ended Nov. 2 — its online sales rose 24.5 percent during that period.

And sales at stores open for at least a year rose just under 1 percent in October, the first such rise in nearly two years.

Despite the closings, which the company said should be completed by early May, Penney said it still intended to open a new store in Brooklyn.

“As we continue to progress toward long-term profitable growth, it is necessary to re-examine the financial performance of our store portfolio and adjust our national footprint accordingly,” Mr. Ullman said Wednesday in a statement. “While it’s always difficult to make a business decision that impacts our valued customers and associates, this important step addresses a strategic priority to improve the profitability of our stores and position J. C. Penney for future success.”

By closing stores, Penney said it expected to incur estimated pretax charges of about $26 million in the fourth quarter of its 2013 fiscal year and about $17 million in future periods.

Penney is not the only retailer to announce store closings recently. Last week, Macy’s said it would close five stores and layoff about 2,500 employees. But the retailer also said it would open eight new Macy’s or Bloomingdale’s locations, and with new positions being added in areas like its online operations, it expected its work force to stay roughly level.

That same day, Macy’s announced that in stores open at least a year and online at Macy’s and Bloomingdale’s websites, its holiday sales grew 3.6 percent in November and December over the same period the year before.

Sears Canada, which still operates a catalog sales operation in addition to 181 department stores, said on Wednesday that it would eliminate 1,628 jobs. Most of the loss, 1,345 positions, will come from outsourcing its three call centers to IBM over the next nine months. And 283 people were let go immediately in what the company described as a “reorganization and simplification of its logistics organization.”

Sears Canada laid off a similar number of workers last year and will be left with about 20,000 employees after the latest reduction.

Albertsons Sets 26 Store Closures

連鎖超市 Dollar General 針對低價消費者，成為沃爾瑪的強勁對手

Elliot Zwiebach (Supermarket News)

Albertsons, Boise, Idaho, said Wednesday it has scheduled 26 store closings across the country by Feb. 20, the day its fiscal year ends.

The closings include 13 stores in the chain's Southern California division, including 11 in California (Canyon Country, Chula Vista, Huntington Beach, Long Beach, Monrovia, Moorpark, Ontario, San Diego, Valencia, Whittier and Woodland Hills) and two in Las Vegas; two in its Southwest division (one each in Phoenix and Albuquerque); seven stores in the Pacific Northwest (five in Washington, including two in Tacoma, two in Vancouver and one in Bothell; and stores in Albany and Pendleton, Ore.); two Acme Markets in Westtown and Exton, Pa., where leases were expiring; and two Shaw's units in Medford and Webster, Mass.

Christine Wilcox, the chain's spokeswoman, said the closings follow the company's ongoing review process.

"These are stores we identified as being underperforming and, despite our best efforts, we determined we couldn't position them for future profitability," she said.

Albertsons reviews stores quarterly, she added, "and there are no plans to close additional locations at this time."

The California, Northwest and Southwest divisions are part of Albertsons LLC, while the Acme and Shaw's stores are part of New Albertsons Inc. Both LLC and NAI are part of AB Acquisition, the parent company.

Albertsons closed 13 stores in its Florida division last April and six Shaw's in New Hampshire in August.

When It Comes To CRE, Banks Prefer to Lend, Not Lease

銀行業鼓勵商業地產貸款，但同時其業內在縮小規模

By Mark Heschmeyer (CoStar)

As 2014 kicks off, many U.S. bankers say it's high time to start growing everybody's commercial real estate portfolios - except for their own, that is.

While projecting significant growth in CRE lending this year in most markets, banks continue to downsize their branch retail networks and streamline headquarters space.

SunTrust Bank's chairman and CEO William Henry Rogers, told his CRE loan originators: "Keep growing, I'll tell you when to stop," Rogers told analysts this past week on his fourth quarter earnings conference call.

Rogers said he's going to let his loan originators run a little bit for the next couple of years, and then the bank will take stock of its total portfolio size.

"The good news is other parts of our business are growing as well. So its percent of the pie will also be determined by how big the pie gets," Rogers said.

At the same time, Aleem Gillani, CFO of SunTrust Bank, on the same conference call said the bank is still rightsizing its own operations. The bank wants to cut $50 million a quarter in overhead out of its expense base.

"We're still making changes in our overall footprint and corporate real estate. And I think we'll be able to take dollars out of that space," he said.

For example, this past weekend, SunTrust moved more than 100 employees in the greater Washington, DC, area out of two separate buildings and three separate floors into one common space. In doing so, Gillani said the bank will be saving $100,000 a month in rent starting next month. And Gillani said he sees lots of opportunities for similar consolidation moves.

U.S. Banks Downsizing Space, Upsizing Lending

SunTrust Bank isn't the only bank to be looking at downsizings. U.S. banks have been steadily shrinking.

From Oct. 1, 2012 through last September (the last full quarter for which numbers are available) banks closed a net total of 958 branches; counted 25,472 fewer employees and had shrunk the value of bank premise and assets by $1.08 billion.

"We continue to optimize our distribution network. Banking center building square footage has declined about 4% from a year ago to 744,000 total square feet, even as we added two new, smaller banking centers in high opportunity markets," said James Smith, chairman and CEO of Webster Financial Corp. "The momentum continues at the start of 2014 as we recently consolidated two banking centers into a single new facility."

"I think you really have to look at this as at least a three year process," Smith said. "We're down around 744 [offices] right now. We were at one point at least 800. So we're making progress. We'll continue to make progress through this year and then as the leases come up, that will accelerate later this year and into next year."

Among its major accomplishments last quarter, Bank of New York Mellon touted the recent move of its New York Treasury and Trading operations from a leased building in downtown Manhattan to one of its owned properties.

"It's another example of how we're taking action to reduce the cost of our real estate footprint around the globe," said Thomas P. Gibbons, CFO of Bank of New York Mellon.

John Gerspach, CFO of Citigroup Inc., said: "We still have facilities that are just larger than we currently need based upon how we've been able to reduce headcount, and there are still facilities and leases that we need to exit."

"We are still in the process of rationalizing our branch network in the U.S.," Gerspach added. "Certainly throughout 2014 there is going to be repositioning cost that we take as we continue to streamline the operations."

Bullish On CRE Lending Prospects

Outside of their own real estate, U.S. banks remain fairly bullish on CRE growth prospects.

"Currently the strongest of our five organic growth engines is [our] real estate specialties group, which has contributed the majority of our organic growth in recent years," said George Gleason, chairman and CEO of the Bank of Ozarks.

In the past year and half, the bank has opened real estate lending offices in Dallas, Austin, Atlanta, New York City, and will be opening another new one next month in Los Angeles.

O. B. Grayson Hall, chairman, CEO and president of Regions Financial, said that last quarter Regions saw a potential upside in CRE loan growth of 4%. This past week in his earnings conference call, Hall upped that outlook to 5%.

"We believe that our commercial real estate portfolio, for the first time, is close to a stabilization point," Hall said. "The big thing I would say is we're seeing more diversified demand, both across lending segments and across markets. It's broader and more diversified than it was a quarter ago."

David J. Turner, CFO of Regions added that, "if you look at commercial real estate in particular, multifamily and the homebuilding portfolios look strong. We're sure comfortable with those going into 2014."

Big banks in big markets backing big deals has been and still is pretty much the formula for loan growth for most banks.

Joseph J. Depaolo, CEO and president of New York-based Signature Bank, noted a prime example of the trend.

“I'll give you some of the details,” Depaolo said. “One transaction was $209 million. It was composed of 86 buildings and we did 49 loans for purchasing the 86 buildings, for a total of $209 million. The other transaction was $241 million, where there were 36 buildings where we financed 29 loans to help our client purchase the 36 buildings. So there were two large transactions totaling $450 million.”

So hot now is the push to lend, that some pricing in those large markets is starting to attract notice, said Rene F. Jones, CFO of M&T Bank.

“The thing that does bug us a little bit is in some places, pockets, you just see (lending) behavior that, quite frankly, the loan pricing didn’t make sense - and it wouldn’t have made sense back in 2005 before we had the higher liquidity,” Jones said. “You see it in some of the smaller firms who were not necessarily accounting for those types of things.”

It is a factor that could dampen CRE loan growth, he said.

“If you go back maybe a year ago, maybe 1.5 years ago, all that during that period, [New York] was the one place where pricing was very, very rational. There were actually only a few players and the behavior seemed to be maybe the most rational in all of our footprint,” Jones said. “Now you’re seeing, again, the conduits are re-surging. You’re seeing insurance companies come in. And in the past quarter, it was a space where there were a lot of examples of just longer structures, seven years plus, and very, very thin pricing.”

Jones said M&T Bank has decreased its CRE loan portfolio in New York last quarter but has been expanding in surrounding markets, including Tarrytown, NY; Philadelphia and New Jersey. Overall CRE lending has picked up 2%.

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

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	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.24	0.24	0.30	0.24	-0.06	-0.07
Money market, annual yield	0.41	0.42	0.50	0.41	-0.09	-0.22
Five-year CD, annual yield	1.33	1.34	1.39	1.15	-0.01	-0.67
30-year mortgage, fixed	4.40	4.50	4.80	3.56	0.62	-0.50
15-year mortgage, fixed	3.47	3.57	3.84	2.80	0.38	-0.73
Jumbo mortgages, $417,000-plus	4.55	4.68	5.11	3.97	0.31	-0.94
Five-year adj mortgage (ARM)	3.64	3.73	4.16	2.80	0.60	0.05
New-car loan, 48-month	2.81	2.78	3.00	2.42	0.25	-2.36
Home-equity loan, $30,000	5.27	5.24	5.29	4.62	0.65	0.10