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COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **Asian investors bet on US real estate**
  亞洲投資者押注美國房地產

  Why is the level of Asian capital into U.S. commercial real estate recovering so aggressively? There is too much capital chasing few investment opportunities and real estate has become a particularly enticing investment alternative globally as investors search for yield in relation to risk.

- **U.S. Commercial Real Estate Recovery Strengthens In Q3 2014**
  美國商業不動產持續復甦

  The U.S. commercial real estate market strengthened strongly across all property types in the third quarter of 2014 (Q3 2014), with the office sector delivering its best performance in eight years.

- **World Class Properties Plus World Buyers Equals Prices Out of This World**
  世界級的指標地產遇上世界級的實力買家等於前所未有的成交價

  Foreign buyers are showing an insatiable appetite for world-class core real estate investments and dropping bags of money on some of the biggest properties in the U.S.

- **Lowest Cap Rates in History, Global Liquidity, Raise Fears of U.S. Commercial Property Inflation**
  史上最低的資本利率與全球資產的流動性，提高美國商業不動產膨脹的恐懼

  Capitalization rates in the commercial real estate industry are now at their lowest levels in history. They are about 50 basis points below levels in 2007 prior to the financial crash.

- **Downtown L.A. real estate is drawing N.Y. investors' interest**
  洛杉磯市中心的商業物產吸引著紐約客投資

  New York investment in the county has surpassed $4.4 billion since the beginning of 2012, when local real estate experts noticed a surge in interest from New Yorkers. That's equivalent to buying 12 U.S. Bank Towers, the tallest building in the West.

- **Economists Predict Steady CRE Growth Ahead Despite Undercurrents of Global Turmoil**
  經濟學家預測：儘管全球經濟動盪，商業不動產市場仍將穩定成長

  The latest Urban Land Institute/EY Real Estate Consensus Forecast is slightly more optimistic than the previous survey in April regarding commercial property transaction volume and pricing, multifamily fundamentals and returns on institutional CRE properties.

RETAIL
購物商場

- **Domino's Pizza is hot again**
  連鎖比薩店Domino’s上季度增添 160 家店面

  Customers are back -- so much so that the company added 160 stores in the last quarter alone. Profits are up 16%, according to Domino's latest earnings report.

- **Meet Five Below, America’s Fastest-Growing Teen Retailer**
  Five Below是成長最快的青少年專屬零售店，商品只賣五元內

  As incomes stagnate or fall for the majority of Americans, a store where everything costs $5 or less is booming. Its promise? “A store that every kid in America could afford.”

- **Amazon Plans to Open Its First Brick-and-Mortar Store**
  網拍龍頭亞馬遜計劃開設首間實體商店

  The Wall Street Journal on Thursday reported that Amazon.com will open its first physical store in New York in time for the holiday shopping season. A number of online-only retailers have experimented with physical stores of late, showing the enduring value of brick-and-mortar locations. They include eyewear retailer Warby Parker, Bonobos, Birchbox, and Rent-the-Runway.

- **Retail booming in California’s Inland Empire**
  零售業在加州InlandEmpire地區蓬勃發展

  Now the Inland Empire, loosely defined as California’s Riverside and San Bernardino counties, is attracting retail and housing investment as before. And its economy could grow by some 4.2 percent annually through 2020, which would be the fastest rate in California.

- **Westfield San Francisco Centre pioneers new mall concept: Bespoke**
  「量身訂製」- 舊金山Westfield購物中心的全新概念

Co-working offices. Pop-up shops. A plug-and-play hackathon venue. A bouldering wall. The latest tech space? No — a San Francisco shopping mall. This week, Westfield Corp. announces the spring launch of Bespoke — 35,000 square feet of co-working, demonstration and event space to be built out within Westfield San Francisco Centre, set amid the mall's 200 traditional retailers and restaurants.

- **Restaurant industry rebounds as diners seek niche concepts**
  餐廳陸續入駐前零售店面，成為商場吸引顧客的重點

  Instead of peppering shopping centers with cookie-cutter chains, developers are looking for snazzy players with trendy street food and garden-to-table menus. In some cases, restaurants are taking over former retail locations – a pattern of growth reflecting the value developers are placing on restaurants as main attractions for their malls.

OFFICE

辦公樓

- **As Good As It Gets? Office Market Moving Into Sweet Spot In Recovery**
  辦公樓市場正在熱絡復甦中

  A serendipitous combination of falling vacancy, rising net absorption and a controlled supply of new office space is creating broad-based opportunities to increase rents and reap higher property incomes on their office property investments.

- **Office Development Reaches Highest Level Since Great Recession**
  辦公樓建設達到自經濟大蕭條以來的最高水平

  Developers are hustling now to get new product to the market, given the stronger absorption trends, particularly for newer, high-quality space". "But it will take a couple of years for all of this new development to materialize, meaning demand will continue to outstrip supply, which will keep upward pressure on rents."

MULTI-FAMILY

公寓樓

- **No Picket Fence: Younger Adults Opting to Rent**
  年輕的成年人口選擇出租公寓而非購買自住屋

  On a recent sunny afternoon, a half-dozen grinding and spinning cement trucks helped lay the foundation for what many real estate developers see as the most promising housing opportunity in post-recession America: apartment living.

- **Asian investors turn to U.S. apartment buildings**
  亞洲投資者轉向投資美國公寓市場

After snapping up luxury condos and commercial properties in New York and Los Angeles, Asian investors are now training their eyes on U.S. apartment buildings.

- **Southern California rents to keep climbing over the next two years**
  南加州租金將在未來兩年保持攀升的趨勢

  The average cost of an apartment in the region is projected to grow more than 8% over the next two years, making one of the nation's least affordable rental markets even less so.

FINANCING

貸款與資金

- **Big banks are chasing retail again**
  大銀行再次追逐商業地產借款業務

  Big banks are getting back into commercial real estate lending, after having severed ties to investors and developers at the onset of the recession. But the rules have changed, and they face a crowded field of new competitors, including private equity pools and community banks.

- **Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)**
  消費者市場利率：房貸、基本利率、等等

Asian investors bet on US real estate
亞洲投資者押注美國房地產
By Brian Ward (CNBC)

During the recession, foreign investment into U.S. commercial real estate (not unexpectedly) fell dramatically. Today, we are seeing a material rebound of cross-border investment dollars into real estate, with Asia, in particular, significantly increasing its overseas positions.

Though Asian real-estate investment has not surpassed its 2007 pre-recession height, research from Real Capital Analytics shows that, to date, 2014 Asian cross-border real estate investment has already reached 88 percent of the total in 2013.

Why is the level of Asian capital into U.S. commercial real estate recovering so aggressively? Two primary reasons are:

1. There is too much capital chasing few investment opportunities; this is the case for all asset classes, including real estate, stocks and bonds.

2. Real estate has become a particularly enticing investment alternative globally as investors search for yield in relation to risk. While the U.K. has been a favorite market for Asian capital, the U.S. is rapidly catching up.

Why Chinese money is flooding American markets

There are many contributing factors to the growth of Asian capital investment in the United States, such as the overall improvement of the U.S. economy and relative transparency of the U.S.'s political and monetary policies compared with certain Asian markets. The U.S. is on the forefront of a broader economic recovery, whereas, arguably, other regions across the globe are still struggling.

In Asia, for example, the starkest example of fundamental issues with supply and demand dynamics is the boom of so-called "ghost cities" in China, where construction has far outpaced the general population's ability to absorb real estate. As a result, China finds itself with massive residential complexes that are not occupied, though they have been sold — not as a place to live but as speculative investments for an emerging middle class.

In key Asian cities such as Singapore, Hong Kong, Beijing and Taipei, real-estate prices are extremely high by comparison to some of the U.S.'s best markets, including New York and San Francisco. Might there be a real estate bubble forming in these key Asian markets? There is certainly talk of it. And many parts of Asia continue to face political challenges, which create unpredictability.

Los Angeles housing market loses star status

The result? A lot of capital trying to find a home in the U.S.

Post-recession, there are several things that foreign investors are doing differently:

1. Taking on less debt leverage and planning on longer-term investment strategies.

2. Being extremely selective about markets, staying close to major "gateway" cities (in the real estate industry, we call those the "Sexy Six") and to markets they know well or in which they already have a presence.

3. More often putting boots on the ground within each market to ensure local expertise and a much closer pulse on the transaction (in contrast to the past, when these investors may have been operating from abroad or through local operating partners).

The "Sexy Six" represents the top coastal markets for real estate investment in the U.S.: New York, Washington, D.C., L.A., Boston, Seattle and San Francisco. Among those, Asian attention toward markets such as Seattle has increased dramatically, drawn there because of the presence of Amazon, Costco, Microsoft, Boeing, Starbucks, etc.—the same caliber of companies that fueled the growth of Silicon Valley and San Francisco 10 years ago.

What the future holds

Capital flows from Asia to the U.S. should continue to rise in 2015, showing positive signs of a growth stage; while the flow of capital has been directed to the most prominent markets such as New York, Los Angeles and San Francisco, it is likely that other markets will receive increased attention, including Houston, Dallas, Denver and Chicago. Asian investors are very keen on multifamily real-estate options because it's an area they know very well; it's a sector we can expect to maintain popularity. But office and retail remain challenging for foreign investors because they are competing with major U.S.-based investors all looking for the same thing: a trophy location, which is difficult to find. That leaves industrial, which may very well be a growth area to watch — with stable risk and return metrics, it traditionally is very low risk. And since foreign investors are looking for the longer-term strategies in real estate, it would be reasonable to expect industrial properties to become increasingly popular.

Overall, we should enjoy the growing post-recovery economy while keeping a careful eye on the factors supporting it and the return of foreign investment. One quick example: how the end of the U.S. Federal Reserve's quantitative-easing program will impact the overall market.

U.S. Commercial Real Estate Recovery Strengthens In Q3 2014

美國商業不動產將於 2014 年第三季復甦

By CBRE.com

Los Angeles, October 6, 2014 – The U.S. commercial real estate market strengthened strongly across all property types in the third quarter of 2014 (Q3 2014), with the office sector delivering its best performance in eight years, according to the latest analysis from CBRE Group, Inc.

The office vacancy rate declined by 40 basis points (bps) from the previous quarter to reach 14.1% in Q3 2014 – the sharpest drop since Q2 2006.

In Q3 2014, national industrial availability1 declined 20 bps from the previous quarter to 10.6%.

Retail availability fell to 11.5%, a 20 bps decrease for the quarter.

“The real estate recovery clearly gained in strength in the third quarter as all property types saw notably improved demand trends,” said Jon Southard, Managing Director of CBRE’s Econometric Advisors group. “Especially important, office tenants showed greater confidence in expanding their footprint and finally appear to be shaking off the lingering effects of the recession.”

Office Market

With a 40 bps decrease for Q3 2014, the office market has now seen nine consecutive quarters of lower or flat vacancy. After underperforming the suburbs for most of the recovery, downtown submarkets outperformed the suburbs this quarter, declining by 50 bps to 11.3% while the suburban vacancy rate fell by 20 bps to 15.7%.

The recovery continues to broaden across markets – with lower vacancy evident in 44 of 63 markets nationally – as those with significant high-tech exposure continuing to be among the best performers. Seattle and San Francisco posted vacancy declines of 70 bps each while the vacancy rate in San Jose fell by more than 120 bps. The rapid recovery continued in markets across California, Nevada, Florida and Arizona (CANVFLAZ), whose economies were most severely affected by the housing crisis but are now recovering strongly. These include Miami

(-60 bps), West Palm Beach (-100 bps), San Diego (-100 bps) and the best performing market in Q3 - Tampa, where the vacancy rate fell by 160 bps.

“2014 is on track to be the best-performing year for the U.S. office market since the end of the recession. While a low-supply environment has aided the office recovery in the last four years, growing payrolls at office-using firms is now catalyzing strong absorption in some markets,“ said Mr. Southard. “We believe the national office market to be in a ‘sweet spot’ with declining vacancies as construction remains relatively low and payrolls at office-using firms continuing to grow and reach new peaks.”

Industrial Market

With the availability rate decline to 10.6% in Q3 2014, the industrial market’s recovery has now stretched to 17 consecutive quarters, and the current availability rate is 390 bps below the 2009 peak level. A majority of

markets improved during Q3 2014, with 43 reporting declines in availability while eight remained unchanged, and 10 showed increases.

Lower availability was widespread but decreases were more moderate than in recent quarters. Two markets, Raleigh and Tucson, saw vacancy fall by more than 100 bps. A handful of generally smaller markets also saw significant declines, including Trenton, Stamford, and Wilmington, DE. Detroit was a strong performer, as well, and availability in that market has fallen below pre-recession levels. Of the top ten largest industrial markets, all but one, Minneapolis (+80 bps), were flat or lower during Q3. Chicago (-40 bps), Los Angeles (-10 bps), Atlanta (-40 bps), and Houston (-60 bps) round out declines in the top five largest metros.

"The nation's industrial sector continues to impress as the economic expansion has been especially robust in the sectors that affect demand for industrial space," noted Mr. Southard. "We foresee ongoing strength in the industrial market as conditions remain encouraging for further growth."

Retail Market

After a slow start following the recession, the retail market recovery continues to gain momentum. Q3 2014's retail availability rate of 11.5% was down 70 bps compared to the rate one year ago and now stands 170 bps below the post-recession peak of 13.2%. Lower availability should spur rent growth in coming quarters.

The majority of markets recorded declining availability rates in Q3 2014compared with the previous quarter; 21 markets recorded flat or increasing rates. Salt Lake City, Seattle, Jacksonville and San Diego posted declines of 60 bps or more, while Cleveland, Minneapolis and Indianapolis saw slightly higher availability, albeit at levels below where they were a year ago.

CBRE will release Q3 2014 data for the U.S. apartment market later in October.

World Class Properties Plus World Buyers Equals Prices Out of This World

世界級的指標地產遇上世界級的實力買家等於前所未有的成交價

By Mark Heschmeyer (CoStar News)

The news this week that Beijing-based Anbang Insurance Group agreed to buy the storied Waldorf Astoria New York for $1.95 billion reveals a lot about the current flow of international capital to U.S. commercial real estate.

Foreign buyers are showing an insatiable appetite for world-class core real estate investments and dropping bags of money on some of the biggest properties in the U.S.

The 1,413-room, 1.68 million square-foot Waldorf Astoria price comes to a stunning $1.38 million per room, the equivalent of $3,780 per night per room for one year. The sale is believed to qualify as the highest price ever paid for a single hotel and is the largest U.S. property purchase by a Chinese firm ever.

The Waldorf Astoria New York per room price surpasses the $1.03 million per room Qatar-based investors paid for the St. Regis Bal Harbour this past January. In that deal, Al Rayyan Tourism Investment Co. (with the incongruous acronym of ARTIC) and Starwood Hotels & Resorts Worldwide acquired the Miami resort for a mere $213 million.

"This acquisition complements our investment focus on world class assets in prime locations as we continue to expand our presence around the globe," said H.E. Sheikh Faisal Bin Qassim Al Thani, chairman of ARTIC.

Sandwiched between those transactions was the acquisition of the former Robinsons-May department store site on Wilshire Boulevard in tony Beverly Hills by Wanda Group, China's largest property developer. Wanda said it plans to build a luxury five-star Wanda Vista hotel and apartments at the location.

The sale of the former Robinsons-May department store site qualifies as one of the largest on the West Coast in recent years as Asian investors, particularly Chinese developers, have diversified their commercial real estate acquisitions in the U.S. According to CBRE, which has been tracking the increase of Asian investment in U.S. commercial real estate, overall investment in U.S. real estate by Asian investors in 2014 (for all property sectors) is expected to surpass the previous record in 2013.

In fact, with the acquisition of The Waldorf Astoria by Anbang, Asian investment in New York commercial real estate has already surpassed figures for the entire year of 2013. Hotel transactions by Asian investors in the U.S. to date this year have also surpassed volumes for the entire year of 2013.

An analysis of more than 225 hotel property sales of more than $10 million this year tracked by CoStar Group shows that foreign investors accounted for nearly 10% of the deals by deal volume but more than 20% of the dollar volume.

The average sale price of foreign investor hotel purchases this year was $65.9 million at an average of $208,532 per room. That beats the average prices of hotels purchased by domestic buyers, which came in at $61.4 million and $185,082 respectively.

Overseas Investors Driving U.S. Price Increases
According to DZT, Chinese capital is now being invested across all of the eight core gateway U.S. cities, with Boston, San Francisco and Los Angeles in the lead.

"The U.S. market continues its upward trend, reaching a new post-crisis record of $267 billion, representing a 33% increase on the same period a year ago," said John Wickes, head of Americas Research at DTZ. who noted that sales volumes rose by 38% over the quarter, pushing volumes over the past year to 23% higher than the same period a year ago.

While more than a quarter (27%) of the capital targeting the main eight cities originated from Asia Pacific, investors from different continents also are on a spending spree.

Nearly half (47% or $9.2 billion) of non-North American investment came from internationally sourced capital, including some U.S.-headquartered fund managers who raised capital in multiple jurisdictions, DZT noted.

Moving Beyond the Core Markets
While core cities still dominate, investment activity by overseas investors is spreading to an increased number of other markets as investors relax their risk tolerance and the number of available premier properties on the market dwindles, according Cushman & Wakefield's annual Winning in Growth Cities report released this week.

"While gateway cities remain a primary focus for investors, interest in a broader spread of locations is increasingly apparent due to improved confidence and finance availability as well as a lack of supply in core cities, said Cushman & Wakefield's International CEO, Carlo Barel di Sant'Albano. "Risk appetites have expanded in the U.S. and buyers in Europe and Asia are following suit, particularly where local partners can be found.

The Cushman & Wakefield report also stated competition to buy will continue to push up prices, with prime yields down 13 basis points globally to 7% last year and likely to at least match this in the year ahead.

With better signs emerging in the U.S. that the economic recovery is picking up and much of the increased investment to date driven by higher pension fund allocations and growing international demand from high net worth investors, in both cases notably from Asia, the global real estate services firm expects foreign demand for U.S. real estate is likely to escalate in the year ahead.

All of this global capital is impacting U.S. property prices, DZT researchers noted. The strong weight of capital has pushed office cap rates to near 10-year lows.

"Looking ahead, we see U.S. volumes and prices rising further. With a new record of nearly $150 billion of new capital targeting the U.S. markets, investors will need to move up the risk curve to achieve the same returns," said Nigel Almond, head of Capital Markets Research at DTZ.

As with all real estate cycles, there are concerns over how long it will last. DTZ's Almond noted that relative value remains good for the moment, which he attributes to low government bond yields. But he said time might be running out for investors to take advantage, as bond yields are expected to increase at some point in the next few years.

Lowest Cap Rates in History, Global Liquidity, Raise Fears of U.S. Commercial Property Inflation
史上最低的資本利率與全球資產的流動性，提高美國商業不動產對於通貨膨脹的恐懼
By Keat Foong (MHN Online)

Miami—The flood of liquidity worldwide is leading to an increase in commercial real estate values, noted Ken Rosen, chairman of the Rosen Consulting Group. Rosen spoke at a luncheon presentation during the 2014 CREW Network Convention & Marketplace this week in Miami.

Rosen said that capitalization rates in the commercial real estate industry are now at their lowest levels in history. They are about 50 basis points below levels in 2007 prior to the financial crash. He said he "gets very worried" when cap rates register at these numbers.

Countries are trying to stimulate economies by putting in place extremely low interest rates, which are in turn driving the low cap rates for commercial property. The 10-year U.S. Treasury yield is now about 2.5 percent, while the equivalent rate in Germany is even lower, at 0.9 percent. Short-term rates in the United States are near zero.

Rosen said governments do not need to push interest rates to zero in order to stimulate the economy. Near-zero interest rates last occurred in the 1990s, and 2003 and 2004. Interest rates that stayed "too low for too long" are what in part at least caused the last recession, when asset prices had to undergo a process of being revalued down, he said.

The Federal Reserve may be concerned about deflation when it should be worried about asset inflation, and Rosen suggested that the Fed may have to correct an asset bubble in three to four years' time. There is also no question that credit standards are eroding, but he said the question is by how much.

Despite his concerns about a possible asset bubble, Rosen said the U.S. economy is strong and on balance does not face "many headwinds" in the near future. He said while the economy lost 8 million jobs during the recession, 10 million jobs have now been created. He said job creation is leading to commercial property space rentals and young people moving out of homes to live in apartments.

There is no overbuilding in the commercial real estate sector on a national level, said Rosen, although Washington, D.C., may need to be watched closely. He said new production in multifamily, which reached the highest levels in 25 years, slowed down this year because of construction and land cost increases. Still, demand for apartments is strong; new deliveries are being absorbed so far; and in general there are no signs of slowdown in apartment rent increases.

The office sector is seeing a close-to 50-year low in new construction, but occupancy rates are not rising because companies are reducing their use of office space. Construction of retail real estate is also at historically low levels, but there is not a huge need for additional retail space in the country. Retail sales are acceptable—there is a "boom" in luxury retail, but performance in discount retail is not strong.

Construction is starting up again in the hotel sector, and rent growth can be very strong in certain segments. However, Rosen noted, there are also fears that there is too much money entering the sector, especially at the lower end.

Downtown L.A. real estate is drawing N.Y. investors' interest

洛杉磯市中心的商業物產吸引著紐約客投資的興趣

By Roger Vincent (Los Angeles Times)

Downtown Los Angeles, once disdained by Wall Street as a weak collection of office buildings with no pizazz, is drawing newfound fascination from New York firms, many of which are sinking money into the Southland's resurging commercial district.

L.A. County has seen a 23% increase in the dollar volume of investment from the Empire State this year compared with 2013, real estate brokerage Cassidy Turley said.

New York investment in the county has surpassed $4.4 billion since the beginning of 2012, when local real estate experts noticed a surge in interest from New Yorkers. That's equivalent to buying 12 U.S. Bank Towers, the tallest building in the West.

Buyers are picking up or developing all types of commercial properties, including office buildings, hotels, warehouses, apartments and raw land suitable for development. Among them is the July purchase of a long-vacant 1920s office building by a hotel developer and a new high-rise luxury apartment tower about to open on Bunker Hill.

Downtown reminds New York investors of what their neighborhoods looked like before redevelopment swept through Manhattan and into the other boroughs, analysts and longtime developers say.

"Los Angeles has hit critical mass in downtown," said Greg Vilkin of New York real estate giant Related Cos. "Firms from New York show up and say, wow, I see the potential I saw in Hell's Kitchen a decade ago. I watched TriBeCa, and the High Line, and I see what's going to happen."

While investors from China and South Korea have been grabbing attention with high-profile purchases of real estate, big New York players have been on their own Southland spending spree.

One particularly notable deal is the $130-million purchase in August of the former May Co. department store on Broadway. It was the first L.A. purchase for New York investors Waterbridge Capital and Jack Jangana, who vowed to make over the enormous building in the style of high-end Chelsea Market in Manhattan.

Chelsea Market was built in the husk of a sprawling brick 19th-century factory and is now a successful food sales hall, shopping mall, office building and television production facility. The nine-story May Co. building at Broadway and 8th Street is considered one of the largest properties available for a similar conversion on the West Coast.

But the building is a daunting candidate for a pricey makeover, given its sheer size, at 1.1 million square feet, and its location in a neighborhood that has been economically depressed for decades.

"Sometimes it takes an outsider to come in and see what can be done," Vilkin said.

Firms based in New York have snatched up some of Southern California's best-loved historic buildings, including the elaborate Fine Arts Building downtown, the Art Deco-style Clock Tower office building in Santa Monica and the glamorous El Royale apartment tower in Hancock Park.

Most New York money managers disdained downtown Los Angeles for years. They thought of it primarily as a big office park with persistently high vacancy, said L.A. developer Christopher Rising. Investors balked two years ago when Rising tried to obtain funding to buy an old office complex by Pershing Square and convert it to offices for tenants in creative businesses.

"We called 150 equity groups," he said.

Most listened for a few minutes, then hung up. "The only one who believed in us was Mount Kellet," he said.

New York investment firm Mount Kellet Capital Management had recently entered Los Angeles with a big investment in a troubled local commercial real estate company. "They had educated themselves on how L.A. is changing," Rising said.

Los Angeles is also at an earlier point in its real estate cycle than many other cities, industry observers said, and there is more time left to invest before it hits its peak.

"L.A. is one of the seventh- or eighth-largest and most dynamic metro areas in the U.S., but is a bit of a laggard in terms of its regional economic recovery," said Dean Rostovsky, director of West Coast acquisitions for Clarion Partners, a New York firm that invests billions of dollars in real estate on behalf of its clients.

"Houston, Seattle and San Francisco have expanded much more quickly," Rostovsky said, and are probably closer to what will be peak values in the current real estate cycle. L.A. might have more room ahead for real estate price growth.

The region also has certain markets, such as downtown, that have other growth factors working in their favor.

"Downtown has multiple dynamics: residential, hospitality, sports and entertainment," Rostovsky said, "and a burgeoning retail and restaurant" scene.

When those growth factors are strong enough, he said, it's apparent that those neighborhoods are becoming something different from what they were in the past.

"That excites real estate guys like us," Rostovsky said. Downtown is experiencing that kind of dynamic change, he said, as are Hollywood, Culver City and Playa Vista.

Clarion Partners is heavily committed to the Los Angeles region, where it owns nearly 11 million square feet of office retail and industrial property, along with the massive Palazzo Westwood apartment and shopping complex.

One of the earliest to see downtown's potential is Related, which recently hired Vilkin to head a new division in charge of building upscale residential projects in the state. Related is putting more than $2 billion worth of

development in the company pipeline — not including a $350-million oceanfront condominium and apartment complex Related just finished in Santa Monica.

The company is deeply invested in downtown L.A., where it built sprawling Grand Park between City Hall and the Music Center along with a high-rise luxury apartment tower nearing completion on Bunker Hill. Both are prologue to the long-awaited hotel, residential and retail complex designed by architect Frank Gehry that Related has agreed to build across the street from Walt Disney Concert Hall.

Density will make downtown more vibrant, which will attract still more investment, Vilkin said.

"I think that more is better in Los Angeles," he said. "People want to live in an urban market where they have services and can walk to things."

Economists Predict Steady CRE Growth Ahead Despite Undercurrents of Global Turmoil
經濟學家預測：儘管全球經濟動盪，商業不動產市場仍將穩定成長
By Randyl Drummer (CoStar)

A consensus survey of economists and analysts convened by the Urban Land Institute and EY Real Estate predicts solid but not spectacutar returns for U.S. real estate investors as moderate economic growth supports a steady strengthening in commercial real estate capital markets and fundamentals over the next three years.

The latest Urban Land Institute/EY Real Estate Consensus Forecast is slightly more optimistic than the previous survey in April regarding commercial property transaction volume and pricing, multifamily fundamentals and returns on institutional CRE properties.

The 43 experts representing 32 of the U.S.'s leading real estate investment, advisory, and research firms surveyed for the forecast last month included CoStar Portfolio Strategy economists Hans Nordby, Walter Page and Shaw Lupton.

"We're at a point in the cycle where things feel very good," said Josh Scoville, senior vice president for research with Hines, during a panel discussion on the forecast's release. "There's plenty of price and rent growth, but we've got to be aware of the risks, because it will change."

The panel, which included David J. Lynn, CEO and co-founder of Everest High Income Property and Martha Peyton, managing director and head of global real estate strategy for TIAA-CREF, raised concern over more recent economic news, including this week's equities market selloff, the drop in oil prices and anxiety over global economic growth.

"We've just got to be aware and not get too complacent, because things that are good tend to change for the worse," Hines' Scoville noted.

Overall, the forecasts for commercial real estate sectors remain positive, despite slightly lower sentiment from last spring on a few key indicators such as CMBS issuance, housing starts and housing price growth. And the U.S. remains a strong haven for cross-border investment, analysts agreed.

"Global investors generally have an optimistic view of real estate market opportunities worldwide," said Howard Roth, global real estate leader at EY, noting that a broad consensus of the experts predict a continued rise in global transaction volume.

The future for CRE and the economy looks bright despite the current market turmoil in the U.S. and volatile conditions around the world of late, especially in Europe.

"While some see an economic slowdown as a concern, currently, conditions remain positive for real estate investing over the next several years,"
Roth said.

Key findings from the Urban Land Institute/EY Real Estate Consensus Forecast include the following:

- Commercial property transaction volume will grow, although at a declining rate, and exceed 2006 volume, which was the second highest pre-recession annual volume, by 2016 to $445 billion.

- CMBS issuance, which increased nearly 80% in 2013, is expected to continue a more moderate annual growth pace, increasing another 43% by 2016.

- Institutional real estate assets are expected to provide total returns of 11% in 2014, moderating to 8.5% annually by 2016.

- Commercial property prices are expected to increase by 10% in 2014. Price increases will then moderate to 6% in 2015 and 5% in 2016.

- Vacancy rates are expected to fall modestly for office, retail and industrial properties and rise slightly for apartments. Hotel occupancy rates are expected to continue improving.

- Rents are expected to increase for the four major property types in 2014, ranging from a growth rate of 2% for retail up to 4% for industrial. Rent increases for all property types are projected to rise by 3% in 2016, with the exception of office space, which is predicted to increase by 4%.

- Single-family housing starts are projected to increase to 912,500 units per year by 2016, remaining below the long-term annual average.

Domino's Pizza is hot again

達美樂比薩再度成為市場寵兒

By Jesse Solomon (CNN)

Domino's Pizza is all grown up. It is no longer just a desperate late night snack for college students.
It's gone from stale to sizzling.

Customers are back -- so much so that the company added 160 stores in the last quarter alone. Profits are up 16%, according to Domino's latest earnings report.

Wall Street has noticed. Shares of the delivery joint have skyrocketed 13% this month while the rest of the market tanked. On Wednesday, Domino's stock hit an all-time high.

The "secret sauce" for Domino's success isn't complicated: The pizza is actually better now, and the marketing campaigns are cheesy good instead of just cheesy.

How many companies do you know that run ad campaigns around the fact that people basically say their food sucks?

It's also boosted profits by trying bold new menu items. Some of them sound questionable. The "Specialty Pizza" consists of lightly breaded chicken topped with cheese and such toppings as bacon and jalapeno. In other words, it's a pizza that swaps dough for chicken.

"Should I get pizza or those weird specialty chicken things from dominos?" remarked a commenter on Twitter recently.

The impressive results are instructive at a time when other restaurant chains, including McDonalds and rival Pizza Hut owner Yum! Brands, can't get their act together.

Here's Domino's winning recipe:

1. Self deprecation pays: Domino's years-long turnaround effort included ads admitting its pizza was less than award winning. One 2010 YouTube commercial even noted that diners in a focus group reported the pizza tasted like cardboard.

It was a risky strategy, but played well with customers as the company reformulated its pizzas with different ingredients, claimed Stephen Anderson, an analyst at Miller Tabak and Company.
"The pizzas were indeed improved. That really was the linchpin for the company's rebound," he said.

2. Expanded Menu: But the ads, as entertaining as they may be, weren't necessarily responsible for Domino's success, according to Rob Frankel, a Los Angeles-based branding expert who has worked with clients in the food services sector.

"The only real difference you're seeing is they expanded their menu," Frankel said. "I don't think it's higher quality, even if they want you to think it is."

While diners might not be totally subbing the Specialty Chicken, for example, in place of traditional pizza, they are ordering it as a side item. That trend has helped increase the average price of each order, said CEO Patrick Doyle on Domino's third quarter earnings call last week.

3. "Fast and Cheap": At the end of the day, Domino's may be attracting customers because it's relatively inexpensive. The homepage of its website promotes two items or more for $5.99 each. You can chose from medium 2-topping pizzas, Specialty Chicken, Stuffed Cheesy Breads, and chicken wings, among other options.

While the restaurant chain had to abandon its infamous 30 minutes or free delivery guarantee out of road safety concerns, it's still known to be pretty quick.

"In the recessive economy we're in, they promise not only fast, but fast and cheap," Frankel said.

4. Superior technology: Another area Domino's has gotten right is technology. In June it launched voice ordering on its mobile application. As of the end of September, it had already taken over 200,000 voice orders.

"Domino's has led its peers in technology," said Anderson. For customers, "it really comes down to convenience," he added.

5. International growth: Part of the reason investors have gotten so hungry for Domino's also has to do with its success abroad. The firm experienced a 7.1% jump in same-store sales last quarter, driven by solid growth in Australia, New Zealand, Europe and Japan.

Many investors see Domino's as a way to profit off of the burgeoning middle class in many emerging markets.

It's not very expensive, but it "is seen as an indulgence for developing countries," said Anderson.

Meet Five Below, America's Fastest-Growing Teen Retailer

成長最快的青少年專屬零售店，商品只賣五元內

By Sapna Maheshwari (Buzzfeed)

Five Below likes a dramatic entrance. When the chain broke ground in Houston this June, it threw open eight stores in a single day, advertising 5-cent hot dogs and giving away multiple $100 shopping sprees and free T-shirts — a tradition of its opening days.

And there have been plenty of openings. CEO and co-founder Tom Vellios has been taking his colorful stores to dozens of new communities each year, offering a simple pitch: Everything costs less than $5. From iPhone covers to candy and indoor play sand, it's all targeted to teens and tweens, and sales are booming.

The chain pulled in $535 million in sales last year, up from just $89.5 million five years earlier, and will end 2014 with 366 stores, compared with just 82 in 2008. It's the fastest-growing teen retailer or value retailer in the U.S. by store count and revenue, according to eMarketer data, and there are no plans to slow down. Five Below envisions reaching more than 2,000 stores in the next 20 years, an estimate Credit Suisse analysts deemed "conservative," hoping for as many as 3,000 instead. To get a sense of that number, Toys "R" Us has roughly 870 stores in the U.S.; Target has about 1,800.

In an era in which retailers are obsessed with bridging the gap between online and offline — peppering conference calls and presentations with the word "omnichannel" – Vellios is taking a more old-school approach, inspired by his own love of the five-and-dime stores that abounded when he moved from Greece to Brooklyn as a young man. (The 5-cent hot dogs derive from a sign that Vellios once saw on Coney Island.) The internet, so far, has little role to play in the company's success.

"There is some type of an online play that will complement our bricks-and-mortar business, but we're not in a hurry," Vellios told BuzzFeed News in a rare interview. Right now, the business is 100% reliant on store visits.

Vellios has a knack for supplying the stuff of rabid, momentary teenage fads — his last big gig before Five Below was leading Zany Brainy, an educational-based toy store that made its name supplying kids with temporarily in-vogue products like Pokémon cards and Beanie Babies. At Five Below, hopping on emerging trends rapidly is essential; colorful rubber bands, for example, lifted the entire company's comparable sales in last year's third quarter during the Rainbow Loom craze.

"Our goal is not to be first to identify a trend — we have the ability to be a very fast second," Vellios said. "We take discretionary product and through our editing process, with the right quality and right trend and color, enable our customer to really want to come into our stores. It's the trend-right approach."

Indeed, Five Below's business is starkly different from Dollar Tree and Dollar General, which have been prominent in the news as the two dollar stores fight over who will acquire their rival Family Dollar. While all three discount chains have different pricing strategies — only Dollar Tree sells everything for a dollar or less — they all target low-income America with cutthroat prices on junk food and consumer staples like detergent and toilet paper. Five Below, according to filings, says its target market is the 60 million Americans aged 5 to 19, who are estimated to account for at least $250 billion in annual spending.

The goal behind creating Five Below in 2002 was to “make a place for kids, a place that I could go in with my allowance money and be able to afford everything in the store,” Vellios said. “We saw saw the traction dollar stores were getting at the time.”

Few retailers are expanding at Five Below’s pace, given the rise of e-commerce and concerns around shopper foot traffic. Dollar stores, however, have fared well compared with the rest of the industry in the past decade, as incomes stagnated for most Americans amid an economic crisis and sluggish recovery.

Five Below is like a cheaper strip-mall version of Spencer’s Gifts and Claire’s, with stores that measure 7,500 square feet on average. (That’s in the ballpark of a typical Apple store or Gap.) The company doesn’t carry necessities, saying the kids that make up its target market already have the “vast majority” of their basic needs met. Its products are divided into eight “category worlds”: sports, media, crafts, party, candy, room, style, and now, or seasonal.

“The products they sell are highly discretionary, valued in the teen market, and they succeed based on turning merchandise very rapidly,” says Jerry Storch, CEO of consultancy Storch Advisors, and the former CEO of Toys “R” Us.

Storch, a former vice chairman of Target, credits Vellios for the chain’s success, adding that the executive himself “is a kid at heart.” The company is “reflective of the personality and the skill set of the management,” he said.

Vellios co-founded Five Below with David Schlessinger, who was the brains behind Zany Brainy. While Zany Brainy was a success for years, it ended up filing for bankruptcy in 2001 after expanding too quickly and facing declining sales that it blamed, in part, on the “absence of a hot product.”

That, of course, seems like a troubling precursor given Five Below’s business model and rapid growth trajectory. In a 2003 press release announcing the launch of Five Below, Schlessinger said the two were different because Zany Brainy was “all about what you want to buy for your children.” At Five Below, he said, the focus is different because it’s “on what teens want to buy for themselves.”

“Zany Brainy was a concept that was all about being a great resource for parents,” Vellios explained. “As we watched our kids growing — we each had two boys — and the age compression around toys, Five Below was intended to be the next stage for kids. … Zany Brainy would offer product that, at the time, was expensive, especially for that product. So this was really an opportunity to provide a foundation and a store that really became a store that every kid in America could afford.”

That means playing Katy Perry and other cool tunes, exhibiting colorful signs and displays that encourage hands-on interaction, and putting out big bins of nail polish and oil drums filled with footballs and basketballs.

Still, Five Below is not without naysayers. Hedge fund Kerrisdale Capital is betting against the retailer, saying it’s overvalued now even if it grows to 1,000 stores in the next 10 years.

Traditional dollar stores and places like Walmart "have an inventory of products that people need on a consistent basis, whereas Five sells products that are kind of just based on whether people want to buy them, and whether they're trendy," said Isaac Ahn, an analyst at Kerrisdale. The company's organic growth, as measured by same-store sales, is also shrinking, which is "troubling," he added.

While Five Below has managed to post 33 straight quarters of comparable store sales growth, which includes stores open at least a year or more, that dropped to 4% last year from 7.1% the prior year.

The biggest challenge for Five Below is meeting high market expectations, Morgan Stanley said, initiating its coverage of the company with the equivalent of a "hold" recommendation in June. Based on the trend-driven nature of the business, the company's stock is volatile. While it's more than doubled since its July 2012 IPO, it's fallen roughly 18% in the past year.

Vellios admits that teenagers are "a somewhat fickle customer," but believes that Five Below suits their needs, especially with the "constant change" and need to reinvent themselves.

"That's what this audience is looking for — look at yourself, how often do you get bored with stuff?" he asked. "And you don't want to spend a lot if you're getting bored with product often and frequently want to change it out. So, value is a good place."

"Our approach is if we stay true to our customers and do the right thing for them and continue to get the traction we have, and customers continue to frequent our stores the way they have and traffic increases the way it has to date. … If we continue to do that, our shareholders in the long-term will do just fine."

Amazon Plans to Open Its First Brick-and-Mortar Store

網拍龍頭亞馬遜計劃開設首間實體商店

By Phil Wahba & Tom Huddleston, Jr. (Time.com – Fortune.com)

The world's largest e-commerce company is finally going to embrace brick-and-mortar.

The Wall Street Journal on Thursday reported that Amazon.com will open its first physical store in New York in time for the holiday shopping season, citing people familiar with its plans.

The store would be located on 34th Street in Manhattan, close to a shopping district that includes Macy's flagship and serve as a mini-warehouse, with limited assortment used for same-day delivery within New York, returns and exchanges, and pickups of online orders, according to the Journal's report.

Amazon was not immediately available for comment.

Sucharita Mulpuru, an e-commerce analyst at Forrester Research, tells the Fortune the space sounds "closer to a post-office" than a retail store and that it remains to be seen what economic boost the location will provide to the company.

"They need to figure out what resonates with shoppers with respect to Amazon in a physical store," Mulpuru says. "Do they want to look at product? Do they just want to pick up product? Do they want to look at Amazon electronics equipment?"

Sources told the Journal that Amazon might use the space to showcase its own devices like the Kindle e-readers, Fire smartphone or Fire TV set-top box. If the New York store works out, it could serve as a model for a rollout to other U.S. cities, the Journal's sources said.

The news comes at a time traditional brick and mortar chains like Macy's and Neiman Marcus are testing same-day delivery, while others are trying out a service offered by Google. It also comes as those physical retailers get nimbler at using merchandise in their hundreds of stores to speed up delivery, turning them into de facto distribution centers to help them compete with the Amazon facilities that dot the country. For example, Macy's is now using all 800 or so of its stores to help its online efforts, while others like Target are gearing up for that capability.

A number of online-only retailers have experimented with physical stores of late, showing the enduring value of brick-and-mortar locations. They include eyewear retailer Warby Parker, Bonobos, Birchbox, and Rent-the-Runway.

Retail booming in California's Inland Empire

零售業在加州 InlandEmpire 地區蓬勃發展

By ICSC.org

ICSC's two-day Western Division Conference is convening today against a backdrop of a steadily improving economy, accompanied by retail expansion and redevelopment.

Nowhere is that more apparent than in the Inland Empire. This region of 4.2 million people east of Los Angeles was heralded as a symbol of economic health back when 30,000 homes were built there annually at the peak of the last real estate cycle, then got bashed as a stark reminder of the ensuing bust. Now the Inland Empire, loosely defined as California's Riverside and San Bernardino counties, is attracting retail and housing investment as before. And its economy could grow by some 4.2 percent annually through 2020, which would be the fastest rate in California, according to analytics firm IHS. Projections are that the region could create about 3,500 retail jobs this year alone.

Leasing has been steady there these past few years: 60 big-box spaces measuring 20,000 square feet or larger were absorbed from midyear 2012 to midyear 2014, according to CBRE Group. "There's still some caution in the wind from the recession, but a lot of locations are getting absorbed," said Scott Riddles, senior vice president of CBRE's Retail Services Group, in Newport Beach. With new shopping center construction being slow, however, many best-in-class retailers that want to expand there have nowhere to roost, he says.

Among the most desirable Inland Empire retail markets, according to CBRE, are the high-income Chino Hills, home to the upscale Shoppes at Chino Hills, and Redlands, where Amazon.com is building its third Inland Empire distribution center. Corona, Murrieta-Temecula, Rancho Cucamonga and Riverside are also getting more than their share of deals, says Erik Westedt, vice president of national retail and development at the CBRE Los Angeles office.

Most new shopping centers in the region have a grocery anchor and less in-line shop space than they would have had in the previous construction cycle, CBRE says. In June Walmart broke ground on a 184,000-square-foot Supercenter, in Perris, 17 miles south of Riverside. The store, pegged for a 2015 completion, will be part of Trachman Indevco's Perris Marketplace, which will feature restaurants and small-shop retail.

Also in the works are Ontario Town Square, a $200 million downtown project with 72,000 square feet of ground-floor retail, plus restaurants, offices and a park; and Adelanto Towne Center, Lewis Retail Centers' planned 280,000-square-foot, Target-anchored retail center in San Bernardino County. Inland Empire absorbed some 257,500 square feet of net retail space during the second quarter, adding up to roughly 2 million square feet of net absorption over the past 24 months, according to a Voit Real Estate Services report.

Among the national retailers pushing into the region are Dick's Sporting Goods, Forever 21, Nordstrom Rack and Whole Foods. Sprouts, which leased a 24,000-square-foot former Office Max box in Upland, near Rancho Cucamonga, and Smart & Final are among the most active grocery chains here, says Westedt. Aldi, too, announced plans for a store expansion throughout the region and is set to build offices and a logistics center in Moreno Valley, near Riverside. Planet Fitness and discounters T.J.Maxx and 99 Cents Only are expanding also aggressively as well.

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Though surrounding cities are faring well, San Bernardino remains stymied in the wake of the quiet period brought on by its 2012 bankruptcy, says Judi Penman, CEO of the San Bernardino Area Chamber of Commerce. The city's main mall, the Macerich-owned Inland Center Mall, has performed well despite that, but conflicting agendas have dogged other projects, she says. A newly created express-bus lane downtown, for example, has uprooted dozens of downtown businesses and hundreds of curbside parking spaces at a time when they are most needed, Penman laments.

Meanwhile, retail developers are taking few chances. "New homes and economic growth help, but [retail] decisions here are made based on an established population and sales that can be counted on, even with swings in the economy," said Westedt. The only consistently rising above-market rents are at 'A' properties and newly built centers, he says. And the general-retail category had the lowest second-quarter vacancy rate last year, at 4.21 percent, while specialty centers were highest, at 10.87 percent.

"With few new deliveries in the pipeline to apply upward pressure on vacancy," observed Voit in its report, "the market should continue to strengthen."

The conference includes roundtable discussions, panels and presentations covering a range of topics, including expanding secondary markets, legal issues, financing and new developments.

Westfield San Francisco Centre pioneers new mall concept: Bespoke

「量身訂製」- 舊金山 Westfield 購物中心的全新概念

By Maghan McDowell (SF Gate.com)

Co-working offices. Pop-up shops. A plug-and-play hackathon venue. A bouldering wall.

The latest tech space? No — a San Francisco shopping mall.

This week, Westfield Corp. announces the spring launch of Bespoke — 35,000 square feet of co-working, demonstration and event space to be built out within Westfield San Francisco Centre, set amid the mall's 200 traditional retailers and restaurants.

The Bespoke project comes at a time when mall developers are weathering the rise of nimble online retailers — and struggling for relevance with the next generation. Westfield hopes to appeal to both shoppers looking for entertainment and to retailers — startup and established — hungry to test prototypes on their target customers.

This is the first project of its kind from Westfield Corp., the mall's owner, which has gained an international reputation for investing in technology. After two years of planning with partner Forest City, the national real estate developer, it's an experiment in the hotbed of retail-tech fervor. And it's an approach that experts say is thus far unique.

"No one is doing this at this point," says Mark Evans, managing partner of BrandGarage, which connects startups with brands like L'Oreal and Home Depot. "It really is being done out of the fact that they are part of the Silicon Valley culture, the ecosystem. I haven't seen anyone across the country or world do this. It's pretty phenomenal."

Bespoke is a local idea

While Westfield Corp. operates 40 malls around the world, Bespoke is a local idea. It's the brainchild of Westfield Corp.'s co-CEO Steven Lowy working with global chief digital officer Kevin McKenzie, who runs Westfield Labs — a team of about 60 on Level 5 of San Francisco Centre.

Two years ago, Labs was formed to experiment with ways to link the digital shopper with the physical world, and Bespoke — its most high-profile project to date — was tailored to the types of startups with which Labs often meets. These might include developers of wearable tech, location-based apps and user-generated content platforms, and online-only retailers and "traditional" retailers looking to innovate, McKenzie says.

Bespoke's planned work space includes mall-facing "conference rooms" that transition into pop-up storefronts, turning the mall into the ultimate retail laboratory and its 20 million yearly visitors into its test subjects. Shoppers will be able to test unreleased products, while entrepreneurs will be able to observe valuable real-world reactions without the commitment of a traditional storefront.

"It's always really interesting when classic brick-and-mortar companies start leveraging technology more," says Hackbright Academy co-founder David Phillips, who says Bespoke would be an ideal location to hold classes for Hackbright's all-women's engineering school. "You'd be able to build and test product right within walking distance from where you're sitting."

The name Bespoke is a nod to the heritage of retail, explains Westfield Labs Global Vice President Lindsey Thomas. It's also a term currently favored in the developer community, as the trend in technology is toward tailoring to the individual.

A first for retail

"Being in the Bespoke community, you are instantly a part of the retail marketplace, and that's never been available before," McKenzie says.

Another key feature is a 18,000-square-foot event facility.

"The event space is the most exciting for me, because my business focuses on connecting big brands with startups and consumers," says Evans, of BrandGarage. He compares the interactive demonstration area to The Exploratorium. "It's something that draws consumers into the mall to see what's new, what's next."

Brite Lite Immersive Executive Vice President and Chief Creative Officer Justin Gelinas, who has worked on tech-meets-design projects at events like the Golden Globes, Super Bowl and New York Fashion Week, has found major demand for event space. "Union Square is a hot spot for that. The event space will solve a really big problem in having unique ways to tell stories and launch products."

Amid reports that suggest mall foot traffic is down in recent years, is this just a pie-in-the-sky idea created in hopes of rescuing an outdated shopping trip?

"This is absolutely not a Hail Mary," says Jesse Tron of the International Council of Shopping Centers. Bespoke, he says, comes at a time when malls are no longer just a place "where you buy stuff. No one is building 1980s malls anymore — but that's evolution."

Rather than using foot traffic numbers, mall operators now look at factors such as occupancy as indicators of health, he says. Currently shopping centers are at 92 percent, which is the pre-recession level.

Today's consumers are looking for an "omni-channel" experience, says retail consultant and Brian Brands founder Brian Kelly. He sees major opportunity for online-only companies to add dimension by expanding into physical retail locations. Recent examples include e-tailers Warby Parker, Bonobos and Birchbox.

And that's one way Bespoke comes in. One of the challenges with startups, McKenzie says, is that while they know how to build business online, taking it to market offline isn't frictionless. "Our job," he says, "is to make it as easy to set up shop as it is to build a store on eBay."

Bespoke reflects a trend of treating the mall as an entertainment destination, says retail strategist Lynn Switanowski, founder of Creative Business Consulting Group. What was once an elaborate food court has now extended into movie theaters and bowling alleys. “The traditional mall concept is kind of old school,” she says.

Test new products

In addition to observing retail-tech startups toiling in Bespoke’s shared office spaces (which are just beyond Level 4’s historic dome), visitors will be able to test products before they hit the market and attend fashion shows and speaker sessions behind the demo area’s 30-foot digital walls.

Still, skeptics might wonder, in a time when innovation insanity is at its peak — when tech incubators and pop-up shops have become the rule — why another tech-based co-working space matters.

“It’s natural to think, 'Why wouldn’t we fill it with just more stores?’” McKenzie says. “But culturally, the company has decided to make space to rethink these experiences that we put in our space.”

In a city in which innovation is everyone’s middle name, it’s only natural that Westfield would dress the part.

“It’s the mall of the future, if you will,” Evans says. “And part of the process is a view into the sausage-making. It’s a window into Silicon Valley.”

Restaurant industry rebounds as diners seek niche concepts

餐飲業者從顧客角度出發打造流行「食尚」餐廳

By Nancy Luna (Orange County Register)

In today's post-recession economy, Orange County's dining culture is flourishing, but what's emerging is a dining culture far different than previous boom years.

Instead of peppering shopping centers with cookie-cutter chains, developers are looking for snazzy players with trendy street food and garden-to-table menus. In some cases, restaurants are taking over former retail locations – a pattern of growth reflecting the value developers are placing on restaurants as main attractions for their malls.

"Food has become a real big focus for us," said Stacie Ellis, senior marketing director for Irvine Company Retail Properties. "You can't dine online."

Locally, the Irvine Co. is one of biggest developers betting on modern dining concepts to draw mall traffic. As of Aug. 31, the Irvine Co. has added 48 new restaurants this year. That's four times more than the 11 launched in 2009 over the same period.

FROM BUST TO BOOM

When the economy hit the skids in 2007, restaurants felt the screeching impact first as budget-conscious consumers stopped eating out or traded down to cheaper eats.

Desperate food operators flooded mailboxes with two-for-one coupons. Expansion halted. Discount sites such as Groupon and Living Social became daily addictions. Some entrepreneurs turned to food trucks to get restaurant dreams off the ground.

Amid the scramble for survival, dozens of restaurants couldn't be saved.

But new local and national data show the restaurant industry is finally rebounding.

In the first six months of 2014, 247 new restaurants opened in Orange County, compared to 206 for the same period a year ago, according to county records.

Nationally, key restaurant indicators – such as foot-traffic and same-store sales – have shown consistent gains over the last 18 months, according to a monthly performance index released Sept. 30 by the National Restaurant Association. In August, a majority of operators surveyed by the trade group reported higher sales for the sixth consecutive month.

"The economy is coming back, and part of the demand is for dining," said Jot Condie, chief executive of the California Restaurant Association.

At the ever-expanding Irvine Spectrum Center, new additions include Umami Burger, Brio Tuscan Grille, Texas' Del Frisco's Grille and Urban Seoul. A recent overhaul of University Center near UC Irvine has attracted ingredient-driven companies like Tender Greens, Blaze Pizza and Chipotle Mexican Grill.

Next week, (Oct. 13) Eureka opens at the University Center. The 13-unit Hawthorne-based company opened its first location in 2009 as a "recession proof" burger and bar concept that serves American craft beer and small-batch whiskey selections.

Managing partner Paul Frederick said Eureka caters to edgy, college campus crowds who seek affordable meals and drinks. The average check at lunch is $12. Cocktails run $8 to $10.

"Colleges campuses are our niche, and to be near UC Irvine is an opportunity we couldn't resist," Frederick said.

MOVE OVER MAINSTREAM

Restaurant consultant Randy Hiatt said mall developers like the Irvine Co. are seizing opportunities to replace aging chains with hipster brands that appeal to baby boomers and millennials.

Catering to both generations is critical because boomers tend to spend more money on restaurants while millennials "drive food trends," said Hiatt, president of Fessel International in Costa Mesa.

Other local malls ramping up dining offerings at a fast clip include MainPlace in Santa Ana, Bella Terra in Huntington Beach and the Brea Mall.

Over the last 12 months, the Huntington Beach mall has introduced Solita (gourmet tacos), Eureka and Australia's Bondi Grill House. Later this year, MainPlace is debuting Pasadena's "craft dog" specialist Dog Haus and the uber-trendy Blaze Pizza.

Food trucks plant their wheels

In the throws of the recession, food trucks became one of the few bright spots in the struggling restaurant sector. Selling lavish but cheap street meals gave savvy entrepreneurs a way to test their concepts with very little risk and overhead.

While some high-end restaurants can cost millions to launch, The Lime Truck's Daniel Shemtob needed only $20,000 or so to hit the streets in 2010. The following year, the Irvine-based truck (now headquartered in Los Angeles) earned fame by winning the second season of Food Network's "Great Food Truck Race."

With the win came seed money and an opportunity to finally open a restaurant. The first TLT Food opened two years ago in Westwood. The next one opens Oct. 24 at the Irvine Spectrum Center, selling classic Lime Truck favorites such as carnitas-topped french fries.

Other trucks opening post-recession restaurants include Seabirds Kitchen in Costa Mesa, Slapfish seafood in Huntington Beach and Laguna Beach, The Burnt Truck and Dogzilla. The latter two are combining efforts to open a combo restaurant, Burntzilla Modern Eats during the holidays in Irvine.

The restaurant will sell Burnt Truck's sliders and mini versions of Dogzilla's signature Asian-fusion hot dogs. The partners are taking over a 1,000-square-foot Golden Spoon Frozen Yogurt space on Culver and Walnut.

Having learned the ropes during tough economic times, food truck owners say they have an edge in today's new dining climate.

"The food truck is a way to learn how the industry works and test your market, then you graduate to a restaurant," Shemtob said.

FOOD HALL FRENZY

Another factor driving local restaurant growth is the food hall, a communal marketplace of artisanal food vendors all under one roof.

The Anaheim Packing House, featuring more than 20 restaurants and wine bars, opened in May inside a renovated century-old produce plant. The dining hall is home to first-time concepts such as Roiling Boil, Adya, The Kroft and Wheat & Sons.

The communal dining trend moves to Tustin next month with the anticipated opening of Union Market at The District. Like Anaheim, the culinary walkabout will showcase indie concepts that sell specialty chocolates, cold-pressed juices geared for men and fusion tacos.

Others food halls opening over the next year include another Union Market planned for Kaleidoscope in Mission Viejo, Fourth Street Market in downtown Santa Ana and Pacific City's Lot 579 in Huntington Beach. The Pacific Coast Highway development recently announced plans to add Los Angeles area concepts Lemonade, The Bungalow and Simmzy's.

CHAINS ACCELERATE GROWTH

During the recession, survival for most chains simply meant keeping the doors open. Growth was not a priority. Now, companies are expanding locally and beyond their core markets.

Denver-based burger sensation Smashburger, where every seasoned patty is "smashed" and grilled to order, recently debuted two locations in Buena Park and Irvine. The openings come two years after the chain first entered the Orange County market.

Texas-based Mooyah Burgers, Fries & Shakes is also entering the Southern California market in November. Locally, Aliso Viejo-based Johnny Rockets announced plans last month to launch a brand of fast-casual Route 66-themed restaurants, in addition to building 17 full-service restaurants across the nation by the end of the year.

After nearly a four-year break between new locations, Wood Ranch BBQ & Grill is also expanding. The last restaurant it opened was in Irvine in 2011.

"We just felt, why take the risk," co-founder Eric Anders said. "We didn't know if the world was going to end like everyone else."

The Southern California restaurant company is opening restaurants next year in San Diego and Springfield, Va. Wood Ranch plans to open 10 restaurants over the next three to four years, targeting much of its growth in affluent markets in Washington, D.C., and Maryland.

Anders calls his post-recession growth plan "responsibly accelerated."

"We're in it for the long haul," he said.

As Good As It Gets? Office Market Moving Into Sweet Spot In Recovery

盡善盡美？辦公室大樓市場正在熱絡復甦中！

By Randyl Drummer (CoStar)

Conditions in the U.S. office market are aligning in a way that office investors have dreamed about. A serendipitous combination of falling vacancy, rising net absorption and a controlled supply of new office space is creating broad-based opportunities to increase rents and reap higher property incomes on their office property investments.

The U.S. office market has reached just such as sweet spot in the market cycle, according to the CoStar Portfolio Strategy economists who presented CoStar's Third Quarter 2014 Office Review and Outlook this week.

"If we look at the map in terms of which markets are doing well in office-using employment, it is full summer across most of the country," noted Hans Nordby, managing director of CoStar Portfolio Strategy. "This is the prettiest picture you're likely to see in this economic cycle. If you're waiting for 'as good as it gets,' it's probably today in terms of year-over-year office employment growth being so pervasive."

"The tipping point of the recovery is here," agreed Walter Page, CoStar Portfolio Strategy director of office research. "As an investor, the last one-third of the recovery is where it's at -- occupancy growth continues, rent growth is pretty strong and NOIs are catching up to that growth, so you have a broader base on which to build. It's a great time to take occupancy risk," Page added, noting that the U.S. vacancy rate is expected to continue trending down to dip below 11%.

About 57 million square feet of net office space was absorbed from the beginning of the year through the third quarter, a full onje-third increase from 43 million square feet of office space absorption a year ago, said Page, who noted that the country is on target for a very strong 74 million - 80 million square feet of net absorption for 2014 as both CBD and suburban office markets experiencing strong leasing activity.

Meanwhile, the U.S. office vacancy rate has declined to 11.6%, down 50 basis points from 12.1% a year ago. Vacancy rates across all of the markets are exceptionally strong, with only six major markets posting rates of over 15%, and a number of large markets under 9%.

Nearly two-thirds of U.S. office submarkets are seeing declining vacancy rates, the best during the recovery, and 35% of U.S. markets are seeing vacancy rates today that are tighter than they were in the previous 2006-07 peak, encouraging strong rent growth across the country, said Aaron Jodka, manager of U.S. research for CoStar Portfolio Strategy.

Average U.S. rents have increased 3.6% year over year -- much stronger than the 2.5% increase recorded in third-quarter 2013 for the previous four quarters. Free rent is diminishing in many markets where concessions were rampant a few quarters ago. For example, within the Orange County, CA, John Wayne Airports submarkets, free rent is down to exceptionally low levels.

The 29 million square feet of new space delivered year to date is 12% higher than a year ago. That said, 101 million square feet is under construction, up 28% from the 79 million square feet under construction in third-

quarter 2013. While construction is still below the long-term average of about 120 million square feet per year, "we're inching up and we've doubled the amount of construction from the low point during the cycle," Page said.

The 77 million square feet of absorption expected for this year should rise to nearly 90 million square feet forecast for the next two years, due to expected good job numbers and the fact that office net absorption is only growing at a 1.1% annual rate compared to 2.6% growth in office-using jobs. Eventually, CoStar expects supply to catch up with demand, but for now the level of construction is expected to trail net absorption through 2016, according to CoStar's forecast.

In addition to the traditional energy and technology tenants that have driven the office recovery in large markets from San Francisco to Houston to Boston, medical office and educational facilities have emerged strongly as demand drivers. The vacancy rate for medical office properties is 8.9%, compared to 11.6% for all U.S. office properties.

"In the office market in particular, anything that is health care-related has really good demand and is actually recession resistant," Page said, noting that the medical office vacancy rate has never been above 10% in CoStar's national index since 2007. "We consistently see superior [medical office] occupancy by at least 2 percentage points on a nationwide basis. In nearly every market, even in challenging markets, medical office tends to do well."

Office Development Reaches Highest Level Since Great Recession
辦公室建設興造達到自經濟大蕭條以來的最高水平
By Randyl Drummer (CoStar)

U.S. office construction has reached its highest level since 2008 as developers break ground on new projects in a growing number of markets where job growth, rising rents and falling vacancies are finally justifying new development.

An analysis of CoStar Analytics data shows about 86 million square feet of higher-end office properties larger than 50,000 square feet under construction, a 25.7% increase compared to 2013's 68.5 million square feet and the highest total since the end of 2008, when 105.7 million square feet of new office space was under construction.

This total amount under consturction for the year is likely to rise even higher as CoStar researchers discover more new projects breaking ground before the end of 2014.

CoStar expects 44.5 million square feet of office project deliveries by the end of 2014 -- a 22% increase over 2013. New office construction starts, meanwhile, stood at 42.6 million square feet as of Sept. 30, already exceeding last year's total, ensuring a steady supply of new product through early 2017.

"Developers are hustling now to get new product to the market, given the stronger absorption trends, particularly for newer, high-quality space," explained Cassidy Turley Chief Economist Kevin Thorpe. "But it will take a couple of years for all of this new development to materialize, meaning demand will continue to outstrip supply, which will keep upward pressure on rents."

John Sikaitis, managing director of U.S. office market research for JLL, believes that managing the development pipeline will become the biggest challenge for the office market, especially in hot construction markets like Texas and the San Francisco Bay Area.

He points out that office development has shifted from being largely focused on build-to-suits to now primarily multi-tenant construction, which has lower 50% to 60% pre-leasing rates, versus a 100% pre-leasing rate on build-to-suit developments. While that signifies improving sentiment in both the office sector and the overall economy, it also foreshadows the oversupply issues from past cycles.

"A lot of developers now are thinking about breaking ground on that next project, and we could be in that same exact situation 36 months from now that we were in during 2009 and 2010," Sikaitis said. "We really need to pause and think about the momentum in the market, and if it's sustainable with this new development."

Case To Be Made for Market Equilibrium

For now, analysts say, the good news is that strong leasing activity is more than offsetting concerns about potential oversupply. Only 45% of space under construction remains available, with large blocks taken by tech,

creative and energy companies such as Salesforce.com, Comcast, ConocoPhillips, Google, State Farm and LinkedIn.

Walter Page, CoStar Portfolio Strategy director of research, office, said the U.S. is on pace for office tenants to take 77 million square feet of office space in 2014 -- a 77% increase over 2013 -- followed by another 90 million square feet in 2015 and 2016.

The vacancy rate will trend down to a projected low of about 11% in 2016 as shadow space evaporates and office job growth continues to rise. In the improving economy, even the rate of decline for average space per employee has slowed from 2% to 1%.

“We have significant less supply than demand, which will allow vacancy rates to continue to move down until 2017,” Page said.

"The office market recovery is at its best point of the past seven or eight years. We experienced more occupancy gains in the third quarter than so far in the recovery," Sikaitis added.

Preliminary CoStar data shows that net new office supply of 23.5 million square feet nearly caught up with demand of 24.9 million square feet in the third quarter. But that's not likely to last, with absorption expected to remain north of 30 million square feet per quarter through late 2016.

By that time rent growth is expected to slow, as many of the new office developments now under construction enter the market, such as Hines’ 48-story tower at 609 Main Street in Houston, Hanjin Group’s 73-story, 1.7 million-square-foot Wilshire Grand Tower in downtown Los Angeles, and towers in North Riverside Plaza and 444 W. Lake Street in Chicago.

Mid-size projects beginning in the current quarter and early 2015 will reach the market in late 2016 early 2017 at the same time.

"We’re going to see a pickup in construction, which will ultimately weigh on fundamentals," said CoStar Portfolio Strategy real estate economist Sam Tenenbaum.

Tenenbaum recommends that investors start thinking about developing in secondary and tertiary markets such as Portland, Minneapolis, Denver and Nashville, where demand has been fairly strong, vacancies have tightened, and pricing has picked up substantially, especially for newer office buildings built since 2008.

Ultimately, however, the usual host of economic wildcards will determine how much office space gets built.

"Prevailing macroeconomic factors, lenders’ willingness to start projects on a speculative basis, rising construction costs and the rise and fall of interest rates will determine how much of the pipeline will begin construction sooner rather than later," JLL's Sikaitis said.

No Picket Fence: Younger Adults Opting to Rent

沒有柵欄：年輕的成年人口選擇出租公寓作為他們的居所

By Dionne Searcey (New York Times)

VIENNA, Va. — On a recent sunny afternoon, a half-dozen grinding and spinning cement trucks helped lay the foundation for what many real estate developers see as the most promising housing opportunity in postrecession America: apartment living.

Here in suburban Vienna, about 16 miles west of downtown Washington, Joshua Solomon's DSF Group is remaking a congested but nondescript intersection into a haven for young adults of the millennial generation. Like many other developers who survived the housing bust, he now expects a coming wave of renters who intend to stay that way for a while to help lead the industry to a brighter future.

"That generation of folks has seen people really get hurt by homeownership," said Mr. Solomon, president of the company, which is based in Waltham, Mass. "The petal has really fallen off the rose as it pertains to homeownership. People don't want to be tied down to a mortgage they can't get out of quickly."

That is true of Cabell Dickinson, 30, who had rented an apartment in Arlington, Va., for eight years when she and her boyfriend decided in May to get more serious about their relationship. Instead of marrying and buying a home, however, they followed friends to Mr. Solomon's complex, known as Halstead Square, moving into a $2,000-a-month apartment.

They often watch football in the lounge and have friends over for barbecues around the rooftop grill. "I can pretty much do my whole life in the building," Ms. Dickinson said.

The developer's bright red and yellow rental high rises — three already filled with young tenants — are a modern mix of glass, metal and fashionable ipe wood. The complex has fire pits and waterfalls, and each unit has a built-in iPod docking station hard-wired to speakers that pipe music throughout the apartment and link to TVs. When a fourth, 200-unit building is finished next year, it will have a residents-only bowling alley.

Since 2008, the year Lehman Brothers collapsed and home prices dropped precipitously, there has been a steady increase in the number of people ages 18 to 34 renting instead of buying homes. About 875,000 more households are now made up of young adult renters than would have existed if the 2008-era trend had held steady, according to an analysis of census data by Jed Kolko, chief economist at Trulia, a real estate marketing website.

Moreover, as the economy slowly improves and job growth picks up steam, the millions of 20- and 30-somethings who shared living quarters with friends or nestled in their parents' basements to ride out the economic shock waves from the Great Recession are beginning to branch out on their own. But they are still largely shut out of the mortgage market.

"They're not going to go from living with their parents to buying a home," said Mark Zandi, chief economist at Moody's Analytics, speaking at a housing conference in Washington. "They're going to rent an apartment."

Developers and builders are responding to a rising demand not just from young adults but also from the larger population of Americans who do not have the means or the desire to buy a house.

Continue reading the main story
“A lot of people 10 to 15 years ago who were able or willing to get a mortgage, now they can’t,” said Ian Shepherdson, chief economist for Pantheon Macroeconomics. “They’re caught in an awful Catch-22 trying to get a down payment” now that they’re spending on rent.

While construction of single-family homes is only halfway back to its prerecession levels, construction of multifamily units — which include both condos and rentals — is at its highest level in 25 years. Apartment construction is exceeding its prerecession peaks in some markets, including Austin, Tex.; the Washington metropolitan area; and San Jose, Calif., according to a recent report from the Joint Center for Housing Studies at Harvard.

Mr. Zandi said the nation needed even more new rental units, especially affordable ones. Vacancy rates for rentals are as low as they have been in more than two decades, and the price of renting, in turn, is climbing.

“Our problem in the next three to five years isn’t a surfeit of multifamily housing but a shortage,” Mr. Zandi said.

In California, SCM Construction Management Services built single-family homes for 30 years, but after the recession it began building rental complexes in the state’s Central Valley region, which was hit hard with foreclosures, as well as the San Francisco Bay Area, which never really stopped growing.

Renters abound in both regions, said Steve Mothersell Sr., president of SCM. Young, educated technology workers with good salaries want to live in San Francisco, where home prices are out of reach for all but dot-com millionaires. “And out here in the Central Valley, we’re seeing families come back together as kids are moving out after living with their parents,” he said.

Developers are zeroing in on the generation of people in their 20s and early 30s, who now outnumber baby boomers. Many new amenity-laden complexes are updated versions of the 1990s soap opera “Melrose Place,” where socializing takes place at bocce courts and outdoor movie theaters next to swimming pools.

Developers are particularly creative in finding sites with cheaper land costs that give them the ability to offer more affordable near-luxury units. The Parkway Lofts in a scruffy neighborhood near a commuter train station in Bloomfield, N.J., opened in January and offers 17-foot ceilings, a roof deck and a movie screening room. “It’s not your typical suburban, four-story, wood-built apartment building,” said Eugene Diaz, principal at Prism Capital Partners, which developed the 361-unit building from an old multistory factory.

Mr. Solomon‘s company, the DSF Group, has new apartment buildings on the outskirts of New York as well as a 445-unit complex in Danvers, Mass., near Boston. All locations were selected because of their proximity to public transit. His modern apartment buildings in Vienna are a short walk to the Washington Metro line.

The Halstead Square apartments in Vienna, which rent for as much as $3,000 a month, include granite countertops and access to a smartphone app that allows residents to check on deliveries and request repairs. Focus groups of young people told the developer they want an almost hotel-like experience.

"What we've seen in this demographic is they are really looking for a Four Seasons level of service but without ever looking up from their iPhone," Mr. Solomon said.

The buildings' lobbies are scented with a white tea and thyme fragrance. Residents can play a round of virtual golf in the 24-hour gym or go to Zumba and Brazilian Butt Lift classes on the basketball court. They can watch movies on plush couches arranged in stadium seating or let their dogs roam in a small dog park. The complex hosts wine tastings and cooking classes in common areas.

"Everyone gets together around the pool and plans for the rest of the night," said Gabriela Gomez, 36, who pays about $1,400 for her studio apartment.

Ms. Dickinson, who moved in with her longtime boyfriend, said she expected to eventually put together a down payment so she could emulate her few home-buying friends.

But she is in no hurry. And for now her savings are taking a beating: She has to buy gifts for the 13 weddings she has been invited to in the next year.

Asian investors turn to U.S. apartment buildings

亞洲投資者轉向投資美國公寓市場

By Jason Chow (MarketWatch.com)

After snapping up luxury condos and commercial properties in New York and Los Angeles, Asian investors are now training their eyes on U.S. apartment buildings.

Investment from Asia into U.S. multifamily real estate is set to reach record highs this year, according to a report released by real-estate firm CBRE. Asians have already snapped up $522-million worth of multifamily properties during the first eight months of the year, near the 2013 total of $537 million and surpassing the 2012 total of $356 million.

"Asian investors understand residential, especially those in dense, downtown areas," said Marc Giuffrida, executive director at CBRE Global Capital Markets.

Asian buyers now make up 18% of foreign investment in the asset class--an increase from 8%--while Canadian buyers remain the top foreign investors in the multifamily category. Asian buyers' purchases show that they are moving beyond deals for marquee office buildings and hotels and into more-mundane but often more-profitable areas of real estate.

Where are Asians buying? San Francisco ranked first, attracting $326 million worth of purchases since January 2013, while Los Angeles was second at $252 million, followed by New York at $175 million.

While investing more in apartment buildings, Asian investors still prefer to buy single properties, as opposed to portfolios of multiple buildings, Mr. Giuffrida said. He added that transactions were typically $10 million to $70 million.

"We haven't seen the sale with the big number yet," he said. "But we'll see the trend accelerate. The private wealth of the market is just starting to pick up. There are more to come."

Southern California rents to keep climbing over the next two years

南加州租金將在未來兩年保持攀升的趨勢

By Tim Logan (Los Angeles Times)

Renters, get ready to pay more to live in the Southland.

The average cost of an apartment in the region is projected to grow more than 8% over the next two years, according to a new report out Tuesday, making one of the nation's least affordable rental markets even less so.

The figures come from a USC study that projects average rents by mid-2016 in Los Angeles County will have climbed 8.2% to $1,857, 8.6% to $1,807 in Orange County and 9.9% to $1,189 in the Inland Empire.

Those growth rates — each of which on an annual basis is faster than was recorded over the last 12 months — reflect surging demand for apartments, a trend that shows no signs of slowing.

"We think rents are going to go up everywhere. There isn't remotely enough supply," said Richard Green, director of USC's Lusk Center for Real Estate. "We've never had a situation like this before in Southern California."

The region has long had a shortage of rental housing. A study earlier this year estimated Los Angeles County needs an additional 500,000 apartments to meet demand, which is surging as job growth picks up and a wave of twentysomethings move out on their own.

Meanwhile, income, especially for working-class households and other likely renters, is flat at best. And apartment construction, although increasing, is nowhere close to keeping up with demand.

"Vacancy rates are not going anywhere," said Green, who projected the rate in Los Angeles County would actually fall from 3.3% today to 2.9% in mid-2016.

The cost of housing is becoming a long-term economic problem for Southern California, said Daryl Carter, chief executive of Avanath Capital Management, an Irvine-based investment firm that owns $300 million worth of apartment buildings nationwide. And it's a problem that could feed on itself by pushing good jobs elsewhere.

He pointed to corporate decisions like Tesla Motors' move last month to open a $5-billion battery factory in Nevada instead of California, and noted that they're not just driven by incentives and cheap industrial land, but also by housing costs.

The Southland is prosperous now, he said, but if it's not careful, Carter warned, the region could drift down the path of his hometown, Detroit. The city had one of the nation's strongest housing markets when he was growing up in the 1960s before countless auto industry jobs, and hundreds of thousands of residents, left.

"California today feels a lot like my childhood in Detroit," said Carter, speaking on a panel Tuesday about the USC study. "And if we don't make the right policy decisions, that's what we could be."

Another panelist, Bill Witte, chief executive of one of the state's biggest apartment and condo developers, Related California, said fixing the region's rent crunch is going to require many small solutions, including easing minimum parking requirements — which can drive up the cost of new construction — and reforming environmental laws that make it easy for opponents to sue and block development.

But perhaps the biggest step local officials can take, he said, is to speed the timeline by which developments win approval.

California has "by far the lengthiest process in the country," Witte said. "If you really want to do something about costs, address the time it takes to develop."

Then there are issues that aren't really about housing but add to the housing affordability crunch — sagging wages for many working-class families.

Raphael Bostic, a former housing official in the Obama administration who now teaches public policy at USC, noted that there are 8.5 million households that receive no housing subsidies and spend at least half their income on rent, a figure that has more than doubled since 2006.

"It's not just homeless people who are struggling with housing. It's not just the unemployed. It's everybody," he said. "And it's all over the country."

Indeed, Green said affordability worries might be the one factor that keeps a lid on rents in the region over the next few years. There's only so much rents can climb before renters refuse to pay more and decide to double-up with roommates, driving vacancy rates up, and — eventually — rents down.

"That's the wild card," Green said. "Can people afford it?"

Big banks are chasing retail again
大銀行再次重視小額借款業務
By ICSC.org

Big banks are getting back into commercial real estate lending, after having severed ties to investors and developers at the onset of the recession. But the rules have changed, and they face a crowded field of new competitors, including private equity pools and community banks, experts say.

"For the past five years, we never even bothered to go to the large banks, because they weren't financing many deals," said Bradford Kitchen, president of Alterra Real Estate Advisors, Columbus, Ohio. "In the height of the downturn, they were sending clients to other banks. A lot of smaller banks took business, and some of the bigger banks ruined long-term relationships with clients."

In 2010 — the last year of the recession, or the first year of recovery, depending on one's perspective — national banks controlled 9 percent of the lending market and regional/local banks held 11 percent. In contrast, insurance companies had 23 percent of the pie, and commercial-mortgage-backed securities accounted for 44 percent, according to Real Capital Analytics.

"A lot of the banks are shying away from the multifamily segment, where they have been active over the last several years, and starting to go into retail, office and industrial," said Brandon Harrington, a vice president of capital markets at Walker & Dunlop, Phoenix.

Last year the national banks took 12 percent of the commercial lending market, while regional/local banks held 13 percent, versus 15 percent for insurance companies and 45 percent for CMBS. The most recent numbers — as of September — from Real Capital Analytics show national banks at 13 percent of the commercial market, regional/local banks up at 20 percent, insurers falling off to 7 percent, and CMBS holding steady at 45 percent.

"The landscape has changed," said Chuck Nwokocha, a senior risk management consultant at Sageworks, Raleigh, N.C. "Banks are competing with nontraditional lenders as well."

To win business, the national banks are embracing more nonrecourse lending. "The community banks are extremely active and trying to stay relevant," said Arlon Brown, a senior vice president at Parsons Commercial Group, Framingham, Mass. "They certainly took up the slack during the recession from some of the national banks." Brown says that lately he finds himself working more with regional banks, which are bearing the brunt of competition from the now aggressive nationals. Where Brown puts together financing depends on the size of the deal. Between $1 million and $10 million, he will consider a community bank, although the major handicap with a small bank is that they typically prefer to lend in five-year increments. A smaller bank may give a 10-year commitment, but that would be subject to review after five years, he says. For a $10 million to $20 million financing, Brown says he would turn to a regional or a national.

"A lot of banks don't become competitive once the loan amounts pass $10 million, because that's when the life companies, private equity funds and CMBS funds steal market share," said Harrington. "Today most shopping center deals are still CMBS and with life companies."

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	-	-
Money market, annual yield	0.43	0.42	0.43	0.37	0.01	-0.08
Five-year CD, annual yield	1.55	1.53	1.55	1.32	0.18	-0.04
30-year mortgage, fixed	4.07	4.06	4.83	3.92	-0.30	-0.19
15-year mortgage, fixed	3.22	3.21	3.96	3.11	-0.22	-0.35
Jumbo mortgages, $417,000-plus	4.32	4.35	5.48	4.15	-0.25	-0.61
Five-year adj mortgage (ARM)	3.63	3.77	4.33	3.34	-0.08	0.42
New-car loan, 48-month	3.24	3.24	3.26	2.76	0.28	-0.90
Home-equity loan, $30,000	4.45	4.45	5.29	4.37	-0.60	-0.32