COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

- **Strong Commercial Real Estate Capital Inflows Limiting Cap Rate Growth in U.S.**
  大量資金投入美國市場造成商業不動產報酬率成長受到限制

  According to the latest research from CBRE Group, Inc., capitalization rates on U.S. commercial real estate remained largely stable in the second half of 2016, as prices softened slightly. Ongoing investment demand, especially from foreign buyers, counteracted the rise in interest rates and cyclical factors.

- **Commercial Real Estate Loans in U.S. Reach Record-Setting Levels in Late 2016**
  美國商業不動產貸款在 2016 年底達到史上新高

  According to CBRE, commercial real estate lending volume in the U.S. finished the year on a strong note as loan closings surged in November and December 2016.

- **You Can Embrace Green Building Without Breaking the Bank**
  不需要花費鉅資就可以達成綠色建築

  Sustainable buildings appeal to commercial tenants for reasons beyond a basic desire to help the environment. As they search for the next ideal office space to lease, entrepreneurs know to watch for verification through Leadership in Energy and Environmental Design, or LEED.

RETAIL

- **Whole Foods Shrinking Store Count Amid Early Sings of Attrition in Increasingly Crowded Specialty Grocery Sector**
  有機超市Whole Foods減少店舖數是反應高端市場逐漸飽和的早期徵兆

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Global Office Market Fundamentals Continue to Improve

According to Cushman & Wakefield's newly released 2015-2016 Global Office Forecast, fundamentals are improving across many office markets in The Americas, Asia Pacific and Europe as we head into 2015.

Global Tectonic Shifts in Logistics Now Being Driven By E-commerce

According to the newly released Last Mile / City Logistics Report from CBRE, the rapid rise of e-commerce has driven the most disruptive movement to the industrial & logistics industry, transforming the way we think about industrial real estate and restructuring the supply landscape forever.

Pending Home Sales in U.S. Dip in January

According to the National Association of Realtors, insufficient supply levels led to a lull in contract activity in the Midwest and West, which dragged down pending home sales in January 2017 to their lowest level in a year.

3 Reasons to Invest in Multi-Family Real Estate

Real estate can be an alternative for those who are not able to withstand the volatility of the stock market. It is also a better investment for those investors who wish to take an active role in growing their capital, rather than passively putting their money into a fund to be managed by someone else. One of the beautiful things about real estate investing is that there are more than one strategies that can be successfully used.
**HOTEL**

- **Key Considerations for Historic Building Conversions**

While conversions of historic buildings to high-end hotels have been taking place for decades, the trend has accelerated over the past several years, driven by a demand for one-of-a-kind hotel designs. The following looks at some of the challenges and rewards developers and hotel companies can expect when tackling a historic conversion project.

- **The Financial Impact of Hotel Renovations**

The story is a familiar one. A hotel that formerly outperformed its competitive set is now struggling to maintain market position. Rate and occupancy penetration indexes are headed in the wrong direction, and online reviews regularly contain comments such as "needs a refresh" or "feels dated."

**FINANCING**

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

消費者市場利率：房貸、基本利率、等等
Strong Commercial Real Estate Capital Inflows Limiting Cap Rate Growth in U.S.

By: Michael Gerrity

U.S. Industrial Properties Most Stable Asset Class in 2017

According to the latest research from CBRE Group, Inc., capitalization rates on U.S. commercial real estate remained largely stable in the second half of 2016, as prices softened slightly. Ongoing investment demand, especially from foreign buyers, counteracted the rise in interest rates and cyclical factors.

The CBRE North America Cap Rate Survey provides insights on movements for the major property asset classes. Cap rates in the second half of 2016 either largely stayed the same or increased slightly compared to the first half of the year. The industrial sector remained the most stable sector, benefiting from market expectations that it will have stronger rent growth than other asset classes in 2017.

"The second half of 2016 was noteworthy for the election of President Donald Trump and a Republican-controlled Congress, as well as a rising interest rate environment. Late cycle factors combined with rising interest rates put pressure on pricing towards the end of the year; however, strong capital flows, especially from foreign investors, meant that cap rate expansion was only modest," said Spencer Levy, Americas Head of Research, CBRE.

"Despite concerns about capital flow controls in China, inbound real estate investment from that country in the last two months of the year was very strong. For the first time since 2007, China was the largest foreign investor in U.S. real estate, accounting for approximately one-quarter of total cross-border investment," Mr. Levy added.

Among the major U.S. commercial real estate sectors:

Robust fundamentals, along with record-setting metrics for net absorption and rental rate growth contributed to the industrial sector remaining as the most stable asset class. Tenant demand exceeded new supply last year and that trend is expected to continue in the coming years. A large majority of markets expect industrial cap rates to remain unchanged in H1 2017 for both stabilized and value-add properties.

"The U.S. logistics sector has emerged as a preferred asset class for institutional investors both domestic and foreign. Global investors have targeted the sector for both acquisitions and development, especially opportunities with scale. New economic drivers such as e-commerce and the entire supply chain model, including the "Last Mile", are creating further growth in the sector," said Jack Fraker, Vice Chairman & Managing Director, Industrial Properties, Capital Markets, CBRE.

"Industrial assets provide institutional investors with reliable and predictable returns with very manageable operating expenses. Investors and their asset managers like the fact that tenants have very high renewal probabilities that significantly mitigates leasing costs such as new tenant improvements and leasing commissions," added Mr. Fraker.

Cap rates for stabilized and value-add CBD properties exhibited little movement in H2 2016, particularly for properties in Tier I and Tier III markets. Suburban office cap rates, on average,
increased by 10 basis points (bps) despite the fact that fundamentals (rent growth expectations) are similar or exceed CBD overall at this stage of the cycle.

The multifamily sector continued to reflect the lowest cap rates among the major property sectors. Cap rates widened marginally in H2 2016 and generally maintained historically low levels. Nearly all of these increases were by less than 10 bps. Slightly larger increases were seen in the Class A and the Tier I groups, partly due to the impact of new supply. The multifamily outlook for H1 2017 is for stable cap rates for about half the markets and small increases (mostly less than 25 bps) for the remainder.

Despite increasing negative "chatter" about the retail asset class as a whole, the softness was concentrated in Class B & C retail power centers, with cap rates in Class A retail stable. The retail sector had a fundamentally good year in 2016 with rising rents and occupancy and this is expected to continue in 2017.

Increases in hotel cap rates slowed in H2 2016. All segments and geographic regions recorded modest single-digit upticks in cap rates, with the exception of suburban-economy, which fell by 1 bp. These movements were less pronounced than in H1 2016 and slight compared with other property types.
Commercial Real Estate Loans in U.S. Reach Record-Setting Levels in Late 2016

According to CBRE, commercial real estate lending volume in the U.S. finished the year on a strong note as loan closings surged in November and December 2016.

Despite concerns throughout the year regarding the direction of the global economy, U.S. capital markets remained favorable to borrowers in Q4 2016 due to low relative rates and abundant capital.

The CBRE Lending Momentum Index, which tracks the pace of U.S. commercial loan closings, reached a value of 266 in Q4 2016, the highest level on record. This represented a 37% increase from the Q3 2016 level, as well as from the prior year.

Life companies led all other major lenders in Q4 2016 and increased their share of loans closed by CBRE Capital Markets, accounting for more than 34% of non-agency commercial loan closings. This is up from 25% in Q3 2016 and above the 23% share recorded in Q4 2015.

After a strong start during the first half of the year, bank lending continued to cool. Banks accounted for 27.7% of loan volume in Q4 2016, compared with a 42.7% share a year earlier. Many key bank interest rates and spreads have not been materially impacted by the recent increases in Treasury rates. However, bank construction lending remains limited and banks are still affected by stiff regulatory oversight.

"The commercial real estate lending market has shown its resilience throughout the course of the year which made for a stellar end of 2016. Life companies and several other capital sources have stepped in as attractive options for borrowers as banks continue to tighten their underwriting standards. We expect this momentum to carry into the early part of 2017 as we wait to learn more about the policies put in place by the new administration," said Brian Stoffers, Global President, Debt & Structured Finance, Capital Markets, CBRE.

While CMBS conduit lenders increased their closings in Q4 2016, they continued to lag other major lending groups by a considerable margin. CMBS lenders accounted for 13.5% of non-agency lending volume in Q4, up slightly from their 11.5% share recorded a year earlier. Overall industry-wide CMBS production was down in 2016 as issuers grappled with a poor spread environment early in the year and with ongoing regulatory issues, including risk retention.

The "Other" lender category, which includes REITS, private lenders, pension funds and finance companies, continues to provide a significant amount of bridge, permanent loan and construction financing, filling the gap left by banks. They accounted for 24% of non-agency lending volume in Q4 2016, up from 14.5% in Q3 2016.
You Can Embrace Green Building Without Breaking the Bank
不需要花費鉅資就可以達成綠色建築
By: Justin Lee

Sustainable buildings appeal to commercial tenants for reasons beyond a basic desire to help the environment. As they search for the next ideal office space to lease, entrepreneurs know to watch for verification through Leadership in Energy and Environmental Design, or LEED.

Employees who work in buildings with LEED status are healthier, more productive and more likely to remain longer with their companies. In tandem, business owners have signaled a willingness to spend more on eco-friendly spaces -- and building owners are taking note. It’s anticipated that commercial-building owners will spend $960 billion globally by the year 2023 upgrading building infrastructure to meet the U.S. Green Building Council’s rigorous LEED standards.

At present, more than 200,000 buildings worldwide are LEED certified. On its face, that isn’t a particularly impressive figure. Major metropolitan areas in the United States haven’t exactly raced the extra mile to embrace yet another set of codes and guidelines in an industry already rife with regulations. Indeed, part of the reason for the slow march to green is that the LEED program itself only represents one set of standards. Some building owners and developers prefer to focus on Energy Star, for example. Others simply don’t see strong enough demand to justify the investment. It takes time, money and other resources to retrofit older buildings or delay newer properties to ensure they're up to the latest, greatest standards.

Tenants might not realize it, but they can help advance the ball. While property owners decide whether to pursue LEED certification, tenants can adopt meaningful degrees of sustainability in their own rights.

**Build green habits.**
Do your employees want to bike or jog to work for health or environmental reasons? Investigate the cost to install a bike rack. If that’s not an option, consider offering bus passes or bike-share memberships at a discount.

Enforcing steadfast recycling in the workplace is another easy win. Make it company policy to recycle plastic, paper and aluminum or other metals. If you see people abusing the policy, call out the behavior.

**Draw up a green lease.**
Request to insert green language into your leases. These provisions range from requiring the landlord to monitor and report back on energy efficiency to agreeing to purchase only sustainable building materials for common areas.

**Upgrade the furniture.**
If you’re already in the midst of a lease term, you might need to take a more introspective approach. Start by assessing the office layout. Not all open floor plans are equally efficient, and squeezing more people into tinier desk spaces isn’t necessarily the answer.
Most large-scale furniture providers such as Steelcase and Knoll offer a free furniture audit. They'll work with you to evaluate how you can use the existing square footage more effectively. Buy furniture designed specifically to maximize usable space, and you'll help your team remain productive as your business become more sustainable.

**Install energy-efficient lighting.**
Retrofitting the office system with LED lighting is another relatively inexpensive way to be more green while slashing long-term energy costs. Some LED lighting systems will pay for themselves in as little as three years. Many areas offer tax rebates for firms that make sustainable upgrades. If you plan to remain in the space for a while, it’s an investment worth considering.

With so many cost-effective resources available for eco-conscious companies, the decision isn’t whether to go green, but when.
Whole Foods Shrinking Store Count Amid Early Signs of Attrition in Increasingly Crowded Specialty Grocery Sector

由機超市 Whole Foods 減少店舖數是反應高端市場逐漸飽和的早期徵兆

By: Randyl Drummer

After becoming the darlings of shopping center developers and fast-tracking expansion plans, national organic and specialty grocers such as Whole Foods Market Inc. (NASDAQ: WFM) and several regional grocery chains have recently announced plans to trim store counts and scale back growth plans in another sign of the increasingly competitive US grocery store sector.

After reporting its sixth consecutive quarter of declining same-store sales earlier this month, Whole Foods announced plans to shrink its store count for the first time since the recession in 2008, opting to close nine stores during the second quarter.

Whole Foods CEO John Mackey also walked back the aggressively growing Austin-based chain's long-term goal of increasing its national footprint from the current 440 stores to 1,200 US locations. The grocer will open just three of its planned 365 By Whole Foods format stores, launched last year to appeal to more budget-conscious consumers, down from 10 openings previously planned in 2017.

"We believe our targeted and disciplined site selection and continued moderation in ending square footage growth will result in a healthier bottom line, increased free cash flow and higher returns as we minimize the negative impact from cannibalization," Mackey said.

Cannibalization of market share has been a key theme over the last year as chains such as Whole Foods, Sprouts Farmers Market, Natural Grocers and a host of regional operators have expanded across the country, invading many trade areas already well served by other grocery retailers.

While Whole Foods was a pioneer when it opened its first store 36 years ago, the growing popularity of organic foods prompted a rush to enter the space. They were joined by big-box grocers like Wal-Mart and Costco, mainline supermarkets like Kroger and smaller-format upstart chains such as Germany-based Aldi in ramping up their offerings of organic produce and packaged foods in recent years.

In addition, regional chains such as East Coast-based MOM's Organic Market, Irvington, NY-based Mrs. Green’s Natural Markets, and Austin-based My Fit Foods have all expanded aggressively in the marketplace. Two weeks ago, shoppers found that all 50 My Fit Foods stores had closed.

Mrs. Green’s, a brand under Natural Markets Food Group, announced in November that it plans to close five of its 10 stores in New Jersey, Illinois and Connecticut to focus on its core operations in Westchester County, NY.

Analysts point to rising costs for housing, education and health care cutting into discretionary income as among the factors causing slowing sales volume growth reported by a broad cross-section of retailers.

"While certain areas will not be affected at all and will continue to see very strong demand, we may see less overall aggressive expansion plans, and more store closures in weaker areas," McCullough said.

The overall grocery sector continues to perform quite well in spite of lingering deflation in supermarket food prices. While midline chains such as Kroger have recently reported steady year-over-year sales growth, some specialty grocers may be at risk and competition between grocers "could be an increasing problem in the future," McCullough said.

**High-End Grocery Wars Escalating**

"Developers are still building to this tenant group, and while we're seeing leasing, we're also seeing a lot higher concentration of grocers," McCullough said. "Some of the newer higher-end organic grocers are not afraid of the competition, and they're coming right in directly next to established grocers."

Whole Foods has especially aggressive in deploying this strategy, he added, noting that the chain's net sales growth drifted from an average of 13% between 2010 and 2013 into negative territory during the most recent quarter.

The biggest problem faced by the grocery sector is not declining per-square-foot productivity, but rather "the constant stealing of market share by new stores opening in the backyards of existing grocers," added CoStar Portfolio Strategy's Mulvee.

"The softening we are seeing now is a direct result of higher-end grocers targeting the best trade areas - the same trade areas already well-served by existing grocers," Mulvee said. "It is only natural that at some point, oversaturation sets in and productivity slips. I think we are at that point."

**Tempering Growth is 'Smart Strategy'**

Garrick Brown, vice president, retail research of the Americas, agrees that the organic food landscape has become much more crowded.

"That's at the heart of the Whole Foods decision to close those nine underperformers and to temper growth," Brown tells CoStar. "I don't see the organic market losing steam in terms of consumer preferences."

"I think a more tempered approach, with more focus on building the Whole Foods 365 brand, is what we will be seeing over the next few years. And that is a smart strategy," Brown added.

CoStar data vividly illustrates the elbowing for position among grocers. A sharp increase in the average number of grocers serving a three-mile trade radius over the last three years suggests that, rather than finding new trade areas, expanding grocers -- particularly higher-end chains like Whole Foods and
Fresh Market -- "are doubling down on the same locations and further reducing the pie for everyone," Mulvee said.

"Not all these grocers will continue to survive as this group of elite grocers disrupts the market in 2017," Mulvee added.

McCullough also expects the proliferation of expanding organic, specialty and other types of grocers to result in attrition this year, either through store closures or scaled-back expansion plans.

Despite those concerns within the specialty grocery sector, neighborhood shopping centers continue to see the strongest demand fundamentals among all shopping center types. REIT executives remained largely bullish on their grocery tenants in comments during earnings conference calls with analysts this month.

"I don't think you're going to quite see within the grocery segment what's happened with the soft line retailers," said Jim Taylor, president and CEO of Brixmor Property Group Inc. (NYSE: BRX) "I do think that there's going to be opportunities for consolidation, particularly with some of the specialty grocers out there that are operating really well and would represent attractive growth vehicles for traditional grocers, or perhaps even businesses that aren't traditional grocers today."

Those specialty operators have done very well, "and I expect they will continue to be healthy," Taylor added.

"The grocery sector is changing as more and more players come into both the high end and low end," noted Louis Haddad, president and chief executive of Armada Hoffler Properties, Inc. (NYSE: AHH), owner of office, multifamily and retail centers in the Mid-Atlantic region. "We feel just as strongly as we as we always have. But the moderator to that is being cautious."

Meanwhile, Haddad said, retail tenants may come and go but a strong location provides downside protection against any one grocer or drug store tenant’s failure.

"One thing that we have seen over a long period of time is, if you have a strong location, even if it turns out that your grocer may end up not being one of the winners -- that location is leasable to a grocer who is a winner," Haddad added.

Looking at the grocery sector as a whole rather than the high end or organic concepts, overall planned growth numbers are way up, thanks to discount grocery concepts such as Aldi and Lidl, with alone will probably add more than 300 new stores in the US this year, Brown said.

"So the news is not as bad for retail landlords as it may seem at first glance," Brown added.
JC Penny Closing up to 140 Stores Over Next Few Months
JC Penny 百貨公司將在接下來的數月內關閉 140 間的店鋪
By: Mark Heschmeyer

Anchor department store closures just keep coming, as J. C. Penney Company Inc. (NYSE: JCP) announced plans this morning to close two distribution facilities and between 130 and 140 of its retail stores over the next few months.

The retailer said the closures are part of a plan to optimize its national operations as it continues its so far successful return to profitability.

Under the plan, the company expects to realign the company’s brick-and-mortar presence with its omnichannel network, and redirect capital resources to locations and initiatives it believes offer the greatest revenue potential.

"In 2016, we achieved our $1 billion EBITDA target and delivered a net profit for the first time since 2010. However, we believe we must take aggressive action to better align our retail operations for sustainable growth," said Marvin R. Ellison, chairman and CEO of JCPenney.

It has become evident, Ellison said, that only stores that offer a "more vibrant in-store shopping environment" were capable of fully executing the company’s growth initiatives.

While JCP said it expects that closing stores will allow it to compete more effectively against the growing threat of online retailers, the company also said it still expects to maintain a large store base.

“While many pure play e-commerce companies are experiencing dramatically increasing fulfillment costs, we are pleased with the double digit growth of jcpenney.com and how leveraging our brick and mortar locations is enabling us to offset the last-mile delivery cost,” Ellison said. “We believe the future winners in retail will be the companies that can create a frictionless interaction between stores and e-commerce, while leveraging physical locations to minimize the growing operational costs of delivery.”

In 2016 approximately 75% of all online orders touched a physical JCP store, the company said.

JCP also initiated a voluntary early retirement program for 6,000 employees. The company said it expects to see a net increase in hiring as the number of full-time associates expected to take advantage of the early retirement incentive will exceed the number of full-time positions affected by the store closures.

As a result of the actions, JCPenney will close a distribution center in Lakeland, FL, in early June and move those operations to its logistics facility in Atlanta. The company also is in the process of selling its distribution facility in Buena Park, CA.

The total store closures represent approximately 13% to 14% of the company’s current store portfolio, less than 5% of total annual sales, less than 2% of EBITDA and 0% of net income.

In selecting which stores to close, JCP said it identified those that either require significant capital to achieve its new brand standard, or are minimally cash flow positive today relative to the company’s overall consolidated average.
Comparable sales performance for the closing stores was significantly below the remaining store base, JCP said, and operated at a much higher expense rate.

The annual cost savings resulting from the closures and reductions in payroll and corporate administration are estimated at approximately $200 million.

The company plans to release a full list of the stores planned for closure in mid-March pending notification of affected personnel. Nearly all impacted stores are expected to close in the second quarter of 2017.
Global Office Market Fundamentals Continue to Improve
全球辦公樓地產的基本需求仍持續增加
By: Michael Gerrity

According to Cushman & Wakefield's newly released 2015-2016 Global Office Forecast, fundamentals are improving across many office markets in The Americas, Asia Pacific and Europe as we head into 2015.

"From a global perspective, 2014 was a stronger year for the office real estate sector, with many markets heading into 2015 on solid footing," noted Maria T. Sicola, who heads Cushman & Wakefield's Research for the Americas group. "Of course, some markets in or near areas of political instability and those with stalled economic growth continue to struggle; but overall, things are in better shape than they were 12 months ago."

UNITED STATES AND THE AMERICAS

As the North American market bright spots, U.S. cities are experiencing economic expansion - even beyond those dominated by the robust technology and energy sectors - which is translating into strong office market fundamentals. "Demand, particularly for newly constructed or refurbished space, is on the upswing," Sicola said. "While rental growth has moderated in some markets, more than 80 percent of the locations in the study will experience rent growth exceeding inflation."

The changing workforce presents a significant driver of the U.S. office market recovery. "The millennial generation is exerting its influence on where it wants to work," Sicola said. "Atlanta, Chicago and Dallas are experiencing increased leasing velocity and have joined the ranks of San Francisco, Seattle, Boston, New York and Houston with respect to improved fundamentals."

The Canadian office market continues along a path of recovery as well. Strong demand in Toronto is ushering a new era of growth; 5.1 million square feet of new space will come online through 2017. In Montreal, the Deloitte Tower will rise, while Calgary and Vancouver both will see new supply come online as well. Consolidations and densification remain the norm in most Canadian markets, while the flight to quality is creating vacancies in some older office stock.

Mexico City has risen as the star of the Latin American office market, due in part to energy reforms and secondary laws passed by Congress, which have opened up the country to increased foreign investment. While GDP growth was below expectations in 2014, robust growth is projected over the next several years there.

But South American markets are lagging behind especially in Argentina and Brazil, where both production and consumption levels are dampened. While the Santiago office market in Chile has been ahead of the curve, recent trends have moved it in line with other markets, which are not expected to fully recover until 2017.

ASIA PACIFIC

Japan and India are among the strongest performers in Asia in terms of economic growth and stability. Office market demand in Tokyo is being driven by strong corporate profits, while in India information technology-related tenants continue to dominate the landscape. Singapore is also benefitting from tech
growth, as it tends to be the next destination, along with the Philippines, after India for multi-nationals.

Not surprisingly, rental growth among established markets is expected to be strongest in Tokyo and Singapore, while many emerging markets will experience above-average growth. Across much of China, rents will grow moderately or remain stable.

"While the modest pace of growth in Asia Pacific markets resulted in a subdued leasing environment in 2014, activity is set to gain traction next year," Sicola said. "Most core markets will boast relatively low vacancies through 2015 and 2016, with the exception of cities in Australia, and some emerging markets in China and India."

**EUROPE**

Economic conditions across Europe remain mixed, but on the whole, a recovery is taking shape. "The outlook is brighter than it has been for a considerable period of time," Sicola said. "Overall performance is positive across leading indicators including rental growth, supply levels and demand."

Seventeen of the 21 cities monitored are anticipated to register rental growth. The two front-runners - Dublin and London - are in the midst of supply-led recoveries. Dublin, with only one project in the development pipeline, is anticipated to see 5.7 percent annual compound growth over 2014-2016. In London, the development pipeline will be restricted in the next two years as below-average completions combine with pre-letting, which is absorbing future supply.

With few exceptions, Class A downtown office markets across Europe are poised for respectable levels of growth through 2016. However, older office stock will pay the price given the pervasive trends of densification and flight to quality.
Global Tectonic Shifts in Logistics Now Being Driven By E-commerce
全球物流業的結構變化受到電子商務的驅動
By: Michael Gerrity

According to the newly released Last Mile / City Logistics Report from CBRE, the rapid rise of e-commerce has driven the most disruptive movement to the industrial & logistics industry, transforming the way we think about industrial real estate and restructuring the supply landscape forever.

The growing population of cities, mixed with new age consumer behaviors—driven by the millennial generation—has put supply chains under increasing pressure to deliver products and perishables into cities under narrow time frames. In order to meet this demand, urban areas around the world are evolving towards a more dynamic level of transportation as city logistics and the last mile come into play.

Over the past years, consumer expectations have drastically changed, and supply chains are being forced to adapt accordingly. According to research from CBRE, UK millennials do more than a third of their non-food shopping online, and half are expected to do over 50% of their non-food shopping online by 2019. The UK is one of the leading countries on online consumption, which can be attributed to its high-speed Internet connectivity and smartphone adoption. CBRE’s Last Mile / City Logistics report predicts that as internet speed and tech development progresses further afield, we will witness mirrored behavior from consumers across the globe.

The demand for instant delivery services (one-hour, one-day delivery) is increasing across global cities and has generated significant needs for optimizing the supply chain.

To meet this demand, innovative strategies have taken shape within the last-mile schema, which include multi-story warehouses in dense hubs in APAC and EMEA, locker/pick-up locations, and infill service centres in the Americas and EMEA.

In Europe, the restructuring of supply chains has led to a growing need for efficiency, resulting in a smaller warehouse network with larger but fewer facilities. Due to population growth and urbanization, land suited and zoned for industrial use is becoming increasingly scarce. For example, the amount of industrial land use in Greater London has declined from 8.3 thousand hectares in 2001 to 7 thousand hectares in 2015. Vertical logistics facilities are already well known in East-Asian markets, where densely populated cities and lack of available land make them a viable solution. As e-commerce grows and continues to impact the market, the use of vertically structured warehouses will become a virtually inevitable factor for the growth of city logistics in dense European hubs and heavily populated US cities.

Machiel Wolters, Head of Industrial & Logistics Research of CBRE EMEA commented, "the consumer landscape as a whole has expanded rapidly with the help of e-commerce, and this will undoubtedly continue at an accelerated pace across the globe. The millennial generation is a driving factor of this change and as they continue to populate urban areas, industrial operators will need to adapt with the evolving landscape in order to survive in this competitive business. Securing strategic sites in and around cities is key, and besides spurring vertical building solutions, this will bring opportunities for light industrial property and even retail stores to act as last mile facilities."
CBRE Research, Q1 2017.
Pending Home Sales in U.S. Dip in January
一月份的美國待售屋供不應求
By: WPJ Staff

According to the National Association of Realtors, insufficient supply levels led to a lull in contract activity in the Midwest and West, which dragged down pending home sales in January 2017 to their lowest level in a year.

The Pending Home Sales Index, a forward-looking indicator based on contract signings, decreased 2.8 percent to 106.4 in January from an upwardly revised 109.5 in December 2016. Although last month's index reading is 0.4 percent above last January, it is the lowest since then.

Lawrence Yun, NAR chief economist, says home shoppers in January faced numerous obstacles in their quest to buy a home. "The significant shortage of listings last month along with deteriorating affordability as the result of higher home prices and mortgage rates kept many would-be buyers at bay," he said. "Buyer traffic is easily outpacing seller traffic in several metro areas and is why homes are selling at a much faster rate than a year ago. Most notably in the West, it's not uncommon to see a home come off the market within a month."

According to Yun, interest in buying a home is the highest it has been since the Great Recession. Households are feeling more confident about their financial situation, job growth is strong in most of the country and the stock market has seen record gains in recent months. While these factors bode favorably for increased sales in coming months, buyers are dealing with challenging supply shortages that continue to run up prices in many areas.

"January's accelerated price appreciation is concerning because it's over double the pace of income growth and mortgage rates are up considerably from six months ago," said Yun. "Especially in the most expensive markets, prospective buyers will feel this squeeze to their budget and will likely have to come up with additional savings or compromise on home size or location."

Existing-home sales are forecast to be around 5.57 million this year, an increase of 2.2 percent from 2016 (5.45 million). The national median existing-home price this year is expected to increase around 4 percent. In 2016, existing sales increased 3.8 percent and prices rose 5.1 percent.

"Sales got off to a fantastic start in January, but last month's retreat in contract signings indicates that activity will likely be choppy in coming months as buyers compete for the meager number of listings in their price range," added Yun.

The PHSI in the Northeast rose 2.3 percent to 98.7 in January, and is now 3.6 percent above a year ago. In the Midwest the index fell 5.0 percent to 99.5 in January, and is now 3.8 percent lower than January 2016.

Pending home sales in the South inched higher (0.4 percent) to an index of 122.5 in January and are now 2.0 percent above last January. The index in the West dropped 9.8 percent in January to 94.6, and is now 0.4 percent lower than a year ago.
3 Reasons to Invest in Multi-Family Real Estate
投資公寓式住宅的三個理由
By: Warren Cassell

Real estate can be an alternative for those who are not able to withstand the volatility of the stock market. It is also a better investment for those investors who wish to take an active role in growing their capital, rather than passively putting their money into a fund to be managed by someone else. One of the beautiful things about real estate investing is that there are more than one strategies that can be successfully used. For example, real estate investing moguls Donald Bren and Zhang Xin both built their billion dollar fortunes by developing various residential and commercial properties. On the other hand, Equity Residential (EQR) founder Sam Zell created his wealth by slowly acquiring an income producing portfolio of rental properties. Other real estate investors have also made millions of dollar from house flipping i.e. purchasing properties that are in disrepair for cents on the dollar only and renovating them only to later sell them to a new owner.

Rental property investing is the preferred investment strategy for those investors who want an additional source of monthly income along with slow but steady appreciation in the value of their portfolio. When it comes to residential real estate, there are two main types of properties that one can invest in, single family and multifamily. As the name implies, single-family properties are residential buildings with only one available unit to rent while multi-family properties, also commonly known as apartment complexes, are buildings with more than one rentable spaces. While there are a lot fewer barriers to entry when building a portfolio of small homes, there are several advantages to investing in large residential complexes. Here are three reasons to consider investing in multifamily real estate as opposed to single unit rental properties.

More Expensive But A Lot Easier to Finance

In most cases, if not all, the cost to acquire an apartment building will be significantly higher than the cost to purchase a single-family home as an investment. A one unit rental could cost an investor as little as $30,000 while the cost of a multi-family building can go well up in the millions. At first sight, it might seem as though securing a loan for a single-family property would be a lot easier than trying to raise money for a million dollar complex but the truth is a multi-family property is more likely to be approved by a bank for a loan than the average home. That’s because multi-family real estate consistently generates a strong cash flow every month. This remains the case even if a property has a handful of vacancies or a couple of tenants who are late with their rent payments. If a tenant, for example, moves out of a single-family home, that property would become 100% vacant. On the other hand, a ten unit property with one vacancy would only be 10% unoccupied. As a result of this, the likelihood of a foreclosure on an apartment building is not as high as a single-family rental. All of this equates to a less risky investment for a lending institution, and can also result in a more competitive interest rate for the landlord. (For relating reading, see: Exploring Real Estate Investments: Types Of Real Estate.)

Growing a Portfolio Takes Less Time

Multi-family real estate is also very suitable for property investors who wish to build a relatively large portfolio of rental units. Acquiring a 20 unit apartment building is a lot easier and much more time efficient than purchasing 20 different single-family homes. With the latter option, one would need to
work back and forth with 20 different sellers, and conduct inspections on 20 houses that are each located at a different address. Additionally, in some cases, this route would also require an investor to open up 20 separate loans for each property. All of this headache could be avoided by simply purchasing one property with 20 units. (See also: How Grant Cardone Built a $350M Real Estate Empire.)

You’re In a Position Where Property Management Makes Financial Sense

There are some real estate investors who do not enjoy the actual management of their properties, and instead, hire a property management company to handle the day-to-day operations of their rentals. A property manager is typically paid a percentage of the monthly income that a property generates, and their duties might include finding and screening tenants, collecting rent payments, handling evictions and maintaining the property. Many investors who own one or two single-family homes do not have the luxury of contracting an external manager because it would not be a financially sound decision due to their small portfolio. The amount of money that multi-family properties produce each month give their owners room to take advantage of property management services without the need to significantly cut into their margins. (You might also like: 3 Ways Millennials Can Invest in Rental Properties.)

The Bottom Line

Much like stocks, real estate investing allows for one to be successful through a number of different strategies. One of the most popular ways to invest in real estate is to own a collection of rental properties. Properties that only have one residential rental unit are commonly referred to as single-family properties while apartment complexes that have multiple rental units are known as multi-family properties. There are many advantages of owning multi-family real estate. These include access to easier and better financing opportunities, the ability to quickly grow one’s rental property portfolio and the luxury of hiring a property manager.
Key Considerations for Historic Building Conversions
歷史建物改建與否的重要關鍵思考
By: McKenna Luke

While conversions of historic buildings to high-end hotels have been taking place for decades, the trend has accelerated over the past several years, driven by a demand for one-of-a-kind hotel designs. The following looks at some of the challenges and rewards developers and hotel companies can expect when tackling a historic conversion project.

The Opportunities
The redevelopment of historic buildings offers quantitative and qualitative rewards, and these apply to both the developers and the communities and neighborhoods in which their projects are set. On a cost basis, for example, tax incentives and/or tax abatement programs can serve as a major incentive for the redevelopment of a heritage property.

Historic properties that have stood dormant for years present several cost-saving opportunities on the local level. These include property-tax abatements effective for a certain period of years, the recapture of hotel occupancy taxes, or tax-increment financing. On the federal side, the IRS often provides tax credits for a developer willing to tackle a historic property conversion.

The rehabilitation of heritage sites and buildings also provides developers with powerful marketing and branding opportunities. Most heritage buildings have a unique, even colorful history. People recognize them as distinct, fascinating, and even unforgettable. Consider the standout branding advantage of the gigantic pair of winged horses, fashioned in fiery-red neon, that top the 29-story Magnolia Hotel Dallas. The horses, installed in 1934 and originating from the logo of Magnolia Oil, can be seen from the streets below and the windows of planes approaching Dallas, characterizing the hotel from miles away.

Interior elements of historic buildings bring marketing value, as well. Old bank vaults become meeting spaces or private dining rooms. Offices in Beaux Arts buildings transform into upscale guestrooms. Carved marble floors and balustrades become the distinguishing décor of a luxury hotel. High-profile examples of historic interiors include the Old Post Office Pavilion in Washington, D.C. (Trump International Hotel); the Le Méridien in Tampa, Florida; and the Renaissance City Center in Denver, Colorado.

In addition to financial and marketing incentives for developers, the redevelopment of historic assets tends to garner significant support, both official and informal, from local communities and neighborhoods. Beloved but blighted buildings can serve as a catalyst for surrounding ancillary development that otherwise would not have been considered feasible without a significant anchor. For example, 21c Museum Hotel developments have been catalysts for revitalization efforts in their respective neighborhoods of Louisville, Kentucky, and Oklahoma City, Oklahoma.

The Obstacles
A historic conversion project also faces obstacles that typical new builds do not. Rules and regulations on both the national and municipal levels can complicate the development of heritage sites.

As discussed above, the success of historic conversions depends largely on the preservation of key elements of design and décor. For instance, the hotel’s signage will be required to blend with the aesthetics of the building, which adds cost to the project. Yet developers also need to maintain...
structural integrity of these aging buildings and comply with modern building codes during redesign; compliance with the U.S. Americans with Disabilities Act (ADA) can be particularly challenging. The difficulty and high price of obtaining resources to match existing building materials also presents a challenge.

Given these challenges, adaptive-reuse projects require architects, developers, carpenters, masons, and other workers with highly specialized knowledge, skills, and experience. There are a limited number of such human resources, not to mention their high premium, which can put additional strain on a historic conversion.

In addition, notwithstanding the tax incentives described above, the financial burden of adaptive reuse can often be cumbersome for hotel developers. Obtaining tax credits can be a burdensome process that takes time, and the developer must carry those costs and the risk of not receiving the benefit. To avail of these tax credits, hotels are often required to adhere to specific rules and regulations. Most commonly, the façade must be restored to its original design and condition (or replicated to match it). Some adaptive-reuse buildings have been abandoned for years and many have only single-paned windows; hence, the façade updates are typically required, and they register as some of the most expensive in the course of project development.

Costs and Incentives of Historic Preservation

Every adaptive-reuse project comes with its own set of incentives and challenges. Key considerations include the extent of preservation; the potential and adaptability for a hotel conversion; and factors related to gaining local, state, and federal incentives.

Some older buildings were built to a very high standard with long-lasting, high-quality materials. Thus, the high quality of the historic construction can sometimes offset a portion of the adaptation costs, especially when compared to the typical present-day costs of constructing standard structural components. Redevelopment project costs, even considering incentives, are often higher than those that would be typical of new hotel construction. However, a historic building's materials, design, and legacy can put it on a higher tier of the market, ultimately translating into higher average rates and RevPAR.

Environmental concerns and structural layout also factor in. The extent of asbestos and other hazardous materials should be fully ascertained before moving forward with a redevelopment, as the cost and timeline to remedy these concerns can kill a project.

A historic building's structural layout, when properly managed during a conversion, can be transformed into the defining element of a hotel. For example, with the creative addition of light wells, large floor plans with pillars can become unique guestrooms and meeting spaces. While high ceilings and stone walls in large public spaces of a hotel can result in problems with noise, proper restoration and sound control can dampen the clatter, preserving the charm of these centerpiece spaces.

Final Thoughts

Developers need to examine how a historic conversion will make its mark on its neighborhood, submarket, or city, as well as its potential as a hotel from the perspective of product, service level, and branding.

Careful brand pairing is essential to balance requirements of a hotel franchise and the regulations (and potential benefits) of historic preservation. Most commonly, issues related to flooring, signage, and
public-space designs stand in the way of the cohesion of a project. However, older structures that do not carry a historic designation but bear similar characteristics to historic buildings could prove to be an alternative to investigate, as the regulations would be less onerous.

The rise of soft brands such as Autograph Collection, Curio Collection, Ascend Collection, Tribute, and Unbound, alongside companies such as 21c Museum Hotels, Magnolia Hotels, NYLO, and Ambassador Collection, have been successful in finding a niche in their specific markets. Hotel developers and consultants should carefully weigh the factors discussed above and study other examples of historic building conversions when gauging the potential risks, challenges, and rewards of their proposed hotel projects.
The Financial Impact of Hotel Renovations
旅館改建所帶來的金融衝擊
By: Hospitality Net

The story is a familiar one. A hotel that formerly outperformed its competitive set is now struggling to maintain market position. Rate and occupancy penetration indexes are headed in the wrong direction, and online reviews regularly contain comments such as "needs a refresh" or "feels dated."

Even if the hotel’s brand hasn't issued a mandatory property-improvement plan, completing a renovation may be financially worthwhile.

**Signs your hotel needs a renovation**
While several factors need to be considered prior to planning a renovation, the following are signs that it may be time:

– Declining penetration index (capture rate of available roomnights) vs. the hotels in your STR competitive set;

– Competitors are upgrading their facilities;

– Declining profitability (net operating income is decreasing as a percentage of revenue);

– Negative reviews via sources like TripAdvisor (based on property condition – not service); and

– Brand mandates due to failed inspections, new design features, franchise agreement renewal, or a change in ownership (each of which may require completion of a PIP).

**Impact on a sample focused-service hotel**
Since renovation directly affects a hotel’s marketability, functionality, profitability, perception and value, this issue has significant implications for hotel executives, owners and operators. To illustrate this point, Hotel & Leisure Advisors quantified financial impact on a sample hotel for a six-year period that included three years prior to renovation, the year in which the renovation occurred and the two years after the completed renovation.

In our analysis, we used data for an actual focused-service hotel with roughly 3,000 square feet of meeting and event space and between 150 and 200 guestrooms. The hotel is in an urban area, is affiliated with a national franchise and is well-established in its market. The property underwent a $9-million propertywide renovation between November 2014 and April 2015. The following tables show the hotel’s performance metrics before, during and after the renovation.

From 2011 through 2013, the sample hotel recorded declining occupancy levels. The hotel was tired and had yet to undergo a major renovation since opening in 2000.

Prior to the renovation, the hotel’s average rate index was inching upward. It plateaued in 2014 at 107.9% of fair market share. The hotel’s RevPAR Index reached its lowest point in 2015—the year the renovation took place—which was expected due to some guests choosing to temporarily avoid the hotel and rooms being out of order. In the year following the renovation, both indexes jumped to levels above the range recorded since 2011.
Due mainly to a post-renovation increase in rooms revenue, the hotel improved its net operating income as a percentage of total revenue by 14.5% from 2014 to 2016. Another contributing factor to the revenue boost was the addition of a new revenue center. As part of the renovation project, this hotel transformed a nonrevenue-generating portion of its lobby into a full-service bar, which has a high profit margin.

We recommend hoteliers consider monetizing underutilized portions of their property if possible. Rooftop bars are enjoying a surge in popularity and are just one example of a way to manufacture revenue. Dovetailing a new amenity with the renovation’s planning, design and construction can be a cost-effective way to add a revenue center.

The following table presents the hotel's average TripAdvisor ratings before, during and after the renovation. These ratings are based on a scale of one to five, with five being the maximum possible score.

In 2014—the year prior to the renovation—the hotel tied 2012 for its lowest average TripAdvisor rating. The property’s guestrooms had a dated and somewhat worn appearance, which is understandable after 14 years of guest use and abuse. After completing the renovation, the hotel's average TripAdvisor rating has trended upward and is now at its highest level in the last six years—0.2 points higher than the historical weighted average.

**Return-on-investment timing**

When considering the expenditure of millions of dollars on a major hotel renovation, hoteliers need reliable estimates of the return on investment and when it will be achieved.

Since the sample hotel was purchased just prior to being renovated, we calculated ROI by comparing the value of the hotel after renovation (in a stabilized year) to the sale price. The hotel sold for $17.7 million, which included real estate, personal property and any goodwill or business value. Immediately following the purchase, new ownership completed a $9-million renovation. Therefore, the total cash outlay was $26.7 million.

By implementing the discounted cash flow income capitalization method typically used in appraisals, we estimated the value of the sample hotel "as completed" (as of the 12-month fiscal year following completion of the renovation). Our DCF analysis indicated that the hotel's net present value exceeded the $26.7-million cash outlay, indicating the renovation was feasible. In the 12 months following renovation, the property recorded an annual NOI approximately 33% greater than the figures obtained during the 12 months prior to completion of the renovation.

Although the sample hotel decreased some operating expenses following renovation—due mainly to energy and property maintenance reductions—most of the NOI increase occurred from gross revenue increases. The change in value also accounts for inflationary increases, the time value of money, and other positive and negative variables that might affect the hotel's RevPAR gains—such as supply additions to the competitive market, the ramp-up period following renovation and the influence of market forces that affect a property's demand. Hotel & Leisure Advisors completes a full market analysis as part of all "as completed" valuations in order to properly account for these variables.
Conclusion
Hoteliers must consider their guests as well as their balance sheets when deciding whether or not to renovate, when to begin the process, and how much to spend. Additional considerations include the timing, ROI, mandates imposed by franchise companies and the expected holding period desired for the asset. As general contractors would agree, each hotel is unique, and each renovation project presents distinctive challenges. Scores of variables affect the cost and duration of hotel renovation projects, even among identical brands in similar parts of the country. As such, there are few universal hotel renovation cost guidelines; actual costs incurred vary greatly.

In a mere 12 months, our sample hotel was able to increase its market value enough to justify its $9-million renovation investment, which is excellent. The property is poised to yield a positive return and out-penetrate its competitive set of hotels for the next several years. Although some hotels take longer to realize their renovation investment’s return, the overall impact can still be positive and financially worthwhile. The key is to spend enough to improve the hotel’s performance and perception while avoiding overspending, which can quickly void financial gains.
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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<th>Interest Rate</th>
<th>Yield/Rate (%)</th>
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<th>Change in PCT. PTS</th>
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