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INDUSTRIAL
工業倉庫

[Builders up spending by 0.7 pct; signs of pressure emerge]

開發商增加 0.7%的建築開支;壓力出現的徵兆

U.S. builders pushed construction spending up 0.7 percent in December to a record high, though it was the weakest performance since they began to emerge from the financial crisis.

MULTIFAMILY
公寓樓

Strength of the Inland Empire

加州的內陸地區房地產情勢持續走高

Rents continue to grow at a solid rate, thanks to steady job gains as the region's economic cornerstone, the industrial sector, is surging.

FINANCING
貸款與資金

Fed leaves rates unchanged, sees inflation firming

美聯儲維持利率不變因應通貨緊縮

The U.S. Federal Reserve kept interest rates unchanged on Wednesday but said it anticipated inflation would rise this year, in a sign it is still on track to raise borrowing costs again in March under incoming central bank chief Jerome Powell.

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

How the New Tax Law Affects REITs
新稅法如何影響房地產投資信託基金
By: Allen Kenney, Nareit

The tax bill signed into law last month by President Donald J. Trump, the Tax Cuts and Jobs Act (TCJA), includes a number of provisions related to REIT and real estate investment. Cathy Barré, Nareit's senior vice president for policy and politics, appeared on to offer her insights on the bill's effect on REITs.

Regarding the new law's general reforms to the U.S. tax system, Barré noted that the TCJA cuts tax rates for all income levels though the year 2025. "This tax relief is offset somewhat by limits on individuals' itemized deductions and by limits on several business benefits," she added.

Regarding REITs, Barré said shareholders are eligible starting this year for a lower effective pass-through business income tax rate through the creation of a new deduction for individuals, estates, and trusts of 20 percent of their combined qualified business income amount. REIT dividends fully qualify for this deduction, she said.

Barré pointed out that the TCJA generally limits the deductibility of business interest for every business to 30 percent of its adjusted taxable income. "However, real property trades or businesses, including real property trades or businesses conducted by widely held corporations and REITs, are permitted to elect out of this limitation," she noted.

Barré also discussed the new law's impact on expensing and the withholding tax rate applicable to REIT capital gain distributions to non-U.S. shareholders that are attributable to the sale or exchange of U.S. real property interests.

Tenants on Property Management
租戶與物業管理
By: Editors of Commercial Property Executive, Commercial Property Executive

CPE and Kingsley Associates partner to see how renters feel about how their spaces are managed.

“The frequent changes in property managers make for poor communication and difficulty in building an excellent working relationship.” —Miami

“The property managers are very attentive to our needs and do an excellent job maintaining the building exterior and grounds, which allows us more time to focus on our customers.” —Hamilton, Ohio

“I would like to see management actually come out to the location when major issues arise and address us in person rather than sending us emails.” —Coppell, Texas

“The property management has an excellent pulse on how often to ‘proactively check in’ and how to keep us appropriately informed. Thank you!” Warrington, Fla.

“Property management simply checking in is meaningless.They should be proactively resolving issues, addressing concerns and managing the building in a way that caters to the tenants, rather than worrying about the potential resale value.” —San Francisco

“The management staff worked with us to grant an extension on our lease as we considered other leasing alternatives even though we were not renewing our lease with them.” —Denver

“We feel valued as a tenant by the building management office, but feel that other tenants have been given preference by the building owner with regards to availability of space to expand.” —Norwalk, Conn.

“The property management team is exceptionally responsive to any issue we have. It is evident that they take our day-to-day operations seriously. Not only are they responsive via email/phone, but they take the time to meet face-to-face for follow up to make sure any issues are resolved.” —Washington, D.C.

“I would really appreciate if the building manager would meet with me maybe twice a month to see if everything is OK or if we need anything. Even if everything is great, I would still like him to check up on us.” —Hinsdale, Ill.

“Although I haven’t been able to attend any of them this year, I do like the quarterly update meetings management has for the tenants to keep them informed about things happening with the property.” —Indianapolis

“Management needs to walk the building to see what needs to be done on a regular basis. We stared at market-up walls in the elevator for over six months. If I didn’t call it to management’s attention, I am not sure if the walls ever would have been painted.” —Overland Park, Kan.

“It would be nice to have a property management presence in the building. Currently, the office is offsite, so management seems almost non-existent. We feel abandoned in this building.” —Boston

“I am very dissatisfied with management and their lack of response to our ongoing problems. These problems are negatively impacting our ability to treat our patents, and as a result are negatively impacting our income and reputation.” —Beaverton, Ore.

“Have an active and approachable property management team has been a very positive change with the new ownership. Thank you for planning tenant events such as the holiday party and ice cream social, which have been great opportunities to interact with your team!” —Arlington, Va.

Tax Reform: What Does the Tax Cuts and Jobs Act Mean for the Real Estate and Construction Industry?

稅政改革：稅收減免和就業法案對房地產和建築業意味著什麼？

By: Schwabe, Williamson & Wyatt PC, JDSUPRA

The Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law by President Donald Trump on December 22, 2017. The Act changes many provisions of the Internal Revenue Code, from individual and business provisions, to matters affecting pass-through and tax-exempt organizations. The Act is generally effective starting in 2018.

In this summary, we address the major issues that will affect our clients in the real estate and construction industry.

I. INDIVIDUAL TAX CHANGES

Modifications to capital gain provisions.

The Act generally retains present-law maximum rates on net capital gains and qualified dividends. The adjusted net capital gain of an individual, estate, or trust is taxed at maximum rates of 0%, 15%, or 20%. It retains the breakpoints that exist under pre-Act law, but indexes them for inflation using C-CPI-U. The change is effective after Dec. 31, 2017. Barring further legislation, these changes will expire after 2025.

Certain gains from partnership profits interests held in connection with performance of investment services are short-term capital gains if held for three years or less.

Before the Act, gains from a profits interest in a partnership (sometimes referred to as a carried interest) typically passed through an investment partnership as long-term capital gains and, thus, were taxed in the hands of the taxpayer at more favorable rates. Thus, for the wealthiest citizens who fell into the 39.6% bracket, long-term capital gains were generally taxed at a rate of 20%.

The Act changes the tax treatment of gains from a profits interest in a partnership (carried interest) held in connection with the performance of services by providing that if one or more "applicable partnership interests" are held by a taxpayer at any time during the tax year, the excess (if any) of (1) the taxpayer's net long-term capital gain with respect to those interests for that tax year, over (2) the taxpayer's net long-term capital gain with respect to those interests for that tax year by substituting "three years" for "one year," will be treated as short-term capital gain. Thus, the Act provides for a three-year holding period in the case of certain net long-term capital gain with respect to any applicable partnership interest held by the taxpayer. If the three-year holding period is not met with respect to an applicable partnership interest held by the taxpayer, the taxpayer's gain will be treated as short-term gain taxed at ordinary income rates. These changes are effective beginning after Dec. 31, 2017.

Excess business loss disallowance rule replaces limitation on excess farm loss for non-corporate taxpayers.

Before the Act, if a non-corporate taxpayer received any applicable subsidy, the taxpayer's excess farm loss for the tax year was not allowed. The amount of losses that could be claimed by an individual, estate, trust, or partnership were limited to a threshold amount if the taxpayer had received an applicable subsidy. Any excess farm loss was carried over to the next tax year.

The Act provides that for a non-corporate taxpayer, the limitation on excess farm loss does not apply. Instead, the taxpayer's excess business loss, if any, for the tax year is disallowed. In other words, the Act expands the limitation on excess farming loss to other non-corporate taxpayers engaged in any business. Under the new rule, excess business losses are not allowed for the tax year but are instead carried forward and treated as part of the taxpayer's net operating loss ("NOL") carryforward in subsequent tax years. This limitation applies after the application of the passive loss rules. These changes come into effect after December 31, 2017. Barring further legislation, these changes will expire after 2025.

The Act modifies the CTC by increasing the credit amount, increasing the threshold amounts for the phaseout, and allowing a partial credit for dependents who do not qualify for a full CTC. Under the Act, the child tax credit is increased to $2,000. The income levels at which the credit phases out are increased to $400,000 for married taxpayers filing jointly ($200,000 for all other taxpayers) (not indexed for inflation). In addition, a $500 nonrefundable credit is provided for certain non-child dependents. The amount of the credit that is refundable is increased to $1,400 per qualifying child, and this amount is indexed for inflation, up to the $2,000 base credit amount. The earned income threshold for the refundable portion of the credit is decreased from $3,000 to $2,500. These changes come into effect after December 31, 2017. Barring further legislation, these changes will expire after 2025.

State and local tax deduction limited to $10,000.
Before the Act, individual taxpayers were allowed an itemized deduction for state and local taxes ("SALT") and foreign taxes, even though not incurred in a taxpayer's trade or business.

Under the Act, individual taxpayers may not deduct foreign real property tax, other than taxes paid or accrued in carrying on a trade or business. A taxpayer may claim an itemized deduction of up to $10,000 ($5,000 for marrieds filing separately) for the aggregate of (a) state and local property taxes not paid or accrued in carrying on a trade or business and (b) state and local income, war profits, and excess profits taxes (or sales taxes in lieu of income, etc. taxes) paid or accrued in the tax year. Foreign real property taxes may not be deducted under the $10,000 aggregate limitation rule. These changes come into effect after December 31, 2017. Barring further legislation, these changes will expire after 2025.

Mortgage interest deduction acquisition debt maximum is lowered to $750,000; deduction for home equity interest is suspended.
Taxpayers may claim an itemized deduction for "qualified residence interest" ("QRI") (the mortgage interest deduction). Before the Act, deductible QRI was interest paid or accrued on acquisition indebtedness that is secured by a qualified residence, or, home equity indebtedness that was secured by a qualified residence. Prior to the Tax Cuts and Jobs Act, the maximum amount treated as acquisition indebtedness was $1 million ($500,000 for married taxpayers filing separately). The amount of home equity indebtedness could not exceed $100,000 ($50,000 for a married individual filing separately).

Under the Act, the deduction for mortgage interest is limited to underlying indebtedness of up to $750,000 ($375,000 for married taxpayers filing separately), and the deduction for interest on home equity indebtedness is suspended. Taxpayers may not claim a deduction for interest on home equity indebtedness. The Act's $750,000/$375,000 limit on acquisition indebtedness does not apply to any indebtedness incurred on or before Dec. 15, 2017. Therefore, acquisition indebtedness incurred before Dec. 15, 2017, is limited to $1,000,000

($500,000 for marrieds filing separately). These changes apply to tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026.

Deductions for moving expenses, unreimbursed employee expenses, tax preparation fees, and investment expenses are suspended until 2026. The deduction for teacher expenses increased to $500.
Under current law, certain moving expenses and certain unreimbursed expenses for employees are deductible. Some of those deductions, like certain moving expenses and certain expenses paid by teachers, were deductible regardless of whether the taxpayer itemized. Other expenses were deductible only to the extent such deductions exceeded 2% of the taxpayer's adjusted gross income.

Under the Act, the above-the-line moving expenses deduction is limited only to active duty members of the Armed Forces in certain situations. The above-the-line deduction for certain expenses paid by teachers is increased from $250 to $500 regardless of whether the taxpayer itemized (called "above-the-line" deductions) . All of the miscellaneous itemized deductions previously subject to the 2% of AGI limitation, including the deductions for unreimbursed employee business expenses (employee mileage, home office expenses and the like), investment expenses, expenses for the production or collection of income, tax determination expenses and hobby loss expenses, are suspended until 2026.

Overall limitation on itemized deductions suspended until 2026.
Current law reduces the itemized deductions that certain higher-income taxpayers may claim. For taxpayers with income over certain amounts ($261,500 for a single filer in 2017, $313,800 for joint filers in 2017), their itemized deductions were limited by 3% of the amount their AGI exceeded these thresholds, up to a reduction of 80% of their deductions. Itemized deductions of higher-income taxpayers are no longer reduced under the Act.

Higher thresholds for individual AMT.
The individual AMT remains intact but contains several adjustments. The AMT system provides an exemption that a taxpayer deducts from the alternative minimum taxable income before calculating the taxpayer's ultimate AMT liability. The exemption amounts for 2017 are $84,500 for jointly filing or surviving spouse taxpayers, $54,300 for single taxpayers and $42,250 for married filing separately. The Act raises those exemption amounts to $109,400 for joint filers and surviving spouses, $70,300 for single taxpayers and $54,700 for married filing separately. Currently, the AMT exemption begins to phase out for taxpayers with the following AMT liability: (1) $160,900 for married filing jointly or surviving spouses, (2) $120,700 single taxpayers and (3) $80,450 for married filing separately. The Act raises the phaseout thresholds to $1 million for married filing jointly and surviving spouses and $500,000 for all other taxpayers other than trusts and estates. The phaseout threshold for trusts and estates remains unchanged at $75,000. These changes come into effect in 2018, and all of these amounts are adjusted for inflation under the new inflation adjustment calculations.

II. BUSINESS TAX CHANGES
Section 179 deduction limits increased.
For tax years beginning after December 31, 2017, the annual deduction limit for Section 179 property has been increased from $500,000 to $1 million, and the limit on purchases has been increased to $2.5 million (from $2 million). These amounts are now indexed for inflation beginning in 2018. The definition of Section 179 property has been expanded to include certain tangible personal property used in furnishing lodging as well as roofs,

heating, air conditioning, and ventilation systems, fire protection, alarm and security systems installed on non-residential real property that has already been placed in service.

Temporary 100% cost recovery of qualifying business assets.
For qualifying business assets acquired and placed in service after September 27, 2017, and before January 1, 2023, a 100% deduction for the adjusted basis of the assets is allowed. This repeals the current 50% deduction previously scheduled to go into effect after December 31, 2017. Starting on January 1, 2023 through December 31, 2027, this temporary bonus first year depreciation rate is reduced by 20% each year (80% for 2023, 60% for 2024, etc.) until it sunsets for years after 2026.

Shortened recovery period for certain real property.
For property placed in service after December 31, 2017, the separate definitions of qualified leasehold improvement, qualified restaurant, and qualified retail property are eliminated. Such property is now generally depreciable over a 15-year period using the straight-line and half-year convention. For residential property placed in service after December 31, 2017, the alternative depreciation system ("ADS") recovery period has been reduced to 30 years, from 40 years. Finally, also beginning after December 31, 2017, a farming business electing out of the limitation on the deduction for interest must use ADS to depreciate any property with a recovery period of 10 years or more.

Deduction for business interest limited.
For tax years beginning after December 31, 2017, net interest expense is generally limited to 30% of the business's adjusted taxable income. Although this limitation is generally determined at the tax-filer level, in the case of pass-through entities, the determination is made at the entity level. For purposes of applying these limitations through January 1, 2022, adjusted taxable income is computed without regard to depreciation, amortization, or depletion deductions.

NOL deduction modified.
For NOLs arising in tax years after December 31, 2017, the two-year carryback rule is repealed, other than in cases involving certain losses incurred in a farming-related trade or business. Moreover, for NOLs arising in tax years after December 31, 2017, the NOL deduction is generally limited to 80% of taxable income. NOLs may generally be carried over to future years without limitation.

Like-kind exchange treatment to be limited to real property.
For transactions consummated in 2018 and later, tax-free exchange treatment under Section 1031 no longer includes personal property and is limited to real property.

Limitations placed on rehabilitation credit.
Starting with amounts paid or incurred after December 31, 2017, the 10% credit for qualified rehabilitation expenditures is repealed. A 20% credit is now provided for certain qualified rehabilitation expenditures, and that credit can be claiming ratably over a five-year period.

III. PASS-THROUGHS
New deduction for certain pass-through income.

Currently, income that "passes through" a partnership, S corporation or sole proprietorship to a partner, shareholder or sole proprietor is taxed at that individual's marginal income tax rate. The Tax Act adds a new section to the code, Section 199A, which provides a 20% deduction from individual income tax rates for "qualified business income" ("QBI") from a partnership, S corporation or sole proprietorship to non-corporate taxpayers, including trusts and estates. QBI is generally the net income from a business minus any reasonable compensation, guaranteed payments, or other payments to partners/owners that are for services other than as a partner/owner. QBI is determined on a per-business (not individual) basis.

Generally, for businesses whose owners have individual income of less than $157,500 or file jointly with income below $315,000 (the threshold amounts), the deduction is simply 20% of QBI. For owners with income above these amounts, how the deduction is treated depends on the type of business they are in. For those in a "specified service trade or business," which includes service businesses in healthcare, law, consulting, athletics, financial services, or where the principle asset of the business is the reputation or skill of the business's owners or employees, such owners will see their deduction begin to be reduced starting at the threshold amounts until completely phased-out (and no deduction available) for individual income of $207,500 or $415,000 for married filing jointly. The formula for determining the reduction in the deduction calculation is based on W-2 wages paid by the business and a portion of the business's capital assets.

For businesses that are not in a specified service trade or business, the wage and capital limits also begin to apply at the threshold income amounts and apply fully at $207,500 for individuals and $415,000 for married filing jointly. However, unlike for specified service trades or businesses, the deduction is not eliminated above these amounts. This section will be effective for tax years starting after December 31, 2017 and before January 1, 2026.

Look-through rule applied to gain on sale of partnership interest.
For sales and exchanges on or after November 27, 2017, gain or loss from the sale or exchange of a partnership interest is "effectively connected" with a U.S. trade or business to the extent that the transferor would have had effectively connected gain or loss had the partnership sold all of its assets at fair market value as of the date of the sale or exchange. Any gain or loss from the hypothetical asset sale by the partnership must be allocated to interests in the partnership in the same manner as non-separately stated income and loss.

For sales, exchanges and dispositions after December 31, 2017, the transferee of a partnership interest must withhold 10% of the amount realized on the sale or exchange of a partnership interest unless the transferor certifies that the transferor is not a nonresident alien individual or foreign corporation.

Treatment of S corporation converted to C corporation.
The Act provides that any IRC § 481(a) adjustment of an "eligible terminated S corporation" attributable to the revocation of its S corporation election (i.e., a change from the cash method to an accrual method) is taken into account ratably during a six-tax-year period beginning with the year of change. An eligible terminated S corporation is any C corporation that (1) is an S corporation the day before the date of enactment; (2) during the two-year period beginning on the date of enactment revokes its S corporation election; and (3) all of the owners of which on the date the S corporation election is revoked are the same owners (and in identical proportions) as the owners on the date of enactment.

In the case of a distribution of money by an eligible terminated S corporation, the accumulated adjustments account shall be allocated to such distribution, and the distribution shall be chargeable to accumulated earnings and profits, in the same ratio as the amount of the accumulated adjustments account bears to the amount of the accumulated earnings and profits.

A Year Under Trump: Why The Real Estate Industry Is More Optimistic Than Before

川普總統治理的第一年：為什麼房地產業比以前樂觀？

By: Lara O'Keefe and Champaign Williams, Bisnow National

President Donald Trump will celebrate his first year in office Jan. 20, with quite a few accomplishments under his belt to make real estate executives look forward to year two.

The year was filled with highs and lows, from the passing of the new tax law to chaos on Capitol Hill surrounding the Russia probe and concerns regarding Trump's immigration policies. Despite the uncertainties that plagued 2017, commercial real estate professionals remained cautiously optimistic about the president's business-friendly agenda and how it would benefit commercial real estate.

Now, as the industry looks to the new year, those sentiments persist — only stronger. The passing of the new tax law was a big win, and Trump's plans to increase infrastructure spending could provide economic stimulus during what is one of the longest cycles of economic expansion in U.S. history.

"A lot of indicators suggest that 2018 is going to be a stronger year than 2017. Rising wages and rising labor productivity, … and overall indicators that would drive U.S. economic growth are looking up," Reis Chief Economist and Senior Vice President Victor Calanog said. "That both excites and scares me. It's scary because at some point we're going to have to justify valuations over rising incomes. As interest rates rise very quickly it might rise to the point where it chokes off growth."

Bisnow compiled a list of the major initiatives Trump tackled in 2017. Which proposals were a success? Which were a failure? Which will provide the greatest boost to the industry?

Tax Reform

The Tax Cuts and Jobs Act proposal passed at the end of 2017 and is largely lauded as a benefit to the commercial real estate sector. But creating the bill did not take place without some scrutiny.

While most were relieved to hear early on in the process that the like-kind 1031 exchange, which allows companies to trade in old assets for something new, had been preserved, many were surprised to learn that the carried interest tax break, which Trump had openly opposed during his campaign trail, had also been retained.

In addition to stimulating the economy in the near term, the new tax law is expected to provide a boost to property owners, developers and multifamily in particular. Among the larger changes to the tax system is a provision for limited liability companies, partnerships and pass-through businesses that now provide individuals making under $157K and joint filers making less than $315K the opportunity to take a 20% deduction on taxable income.

As for multifamily, the new system strips away some of the long-standing benefits that would incentivize Americans to become homeowners. Apartment owners may see a boost in demand as a result.

NAFTA Renegotiations
Trump wasted no time jump-starting plans to renegotiate NAFTA. Within his first week in office, he had signed an executive order calling for the renegotiation of the treaty between the U.S., Mexico and Canada, and he has repeatedly threatened to pull out of the pact altogether.

While a new agreement could impact the flow of goods between the three countries, Trump promised it would bring jobs that were lost under the current agreement back to America.

Most recently, the president made claims that new terms could help finance the U.S. - Mexico border wall, a possibility Mexico Chief NAFTA Negotiator Kenneth Smith Ramos fervently denied.

Should negotiations fall apart, the largest impact would likely be felt in the industrial and logistics sectors, which would face disruptions in the flow of goods and materials.

The parties are scheduled to meet again on Jan. 23 to continue the debate.

U.S.-Mexico Border Wall
One of Trump's key campaign promises was to enhance national security by building a border wall with Mexico.

While talks of a new U.S.-Mexico border have remained consistent into his presidency, both the numbers and the method of paying for the wall have varied.

The discussions have caused mounting tension between NAFTA parties with Mexico officials threatening to walk away from negotiations in February when the U.S. suggested imposing tariffs on Mexican products to pay for the wall. At the time, it was estimated the wall would cost $22B and take approximately three and a half years to construct.

In March, the president proposed cutting education and medical research programs, among others, by up to $18B but by April had decided to delay finding funding for the wall until September.

Although four companies were contracted in the summer to build prototypes — a phase which is expected to cost $20M — the ultimate fate of the wall has yet to be decided by Congress.

In 2018, the Trump administration requested $18B from Congress to build the wall over 10 years. It is expected to cost a total of $33B by the time it is complete and would expand on the current 654-mile barrier separating Mexico and the U.S.

Financial Deregulation — Dodd-Frank Overhaul
Dismantling the Dodd-Frank Act and replacing it with regulations to promote job growth and boost the economy was top among Trump's campaign policies.

In an interview with the Wall Street Journal in November 2016, Trump said banks were regulatory-burdened because of the act and were unable to easily lend capital, resulting in stunted economic growth.

By June, promises to rework Dodd-Frank made headway when House Republicans approved a bill to do so in a 233-186 vote. The bill was named the Financial Choice Act and aimed to erase and rework many of the rules and laws initially put in place by then-President Barack Obama.

In November, the Senate Banking Committee reached an agreement to update and amend portions of the Dodd-Frank Act. The new agreement provides relief to smaller banks by increasing the threshold from $50B to $250B for Systemically Important Financial Institutions. This factor relieved approximately 20 banks from being held to standards aimed to protect liquidity and capital, as well as manage risk.

Immigration Crackdown
Trump's immigration talk has dominated headlines since his campaign trail, from his referral to Mexican immigrants as rapists and murderers, to his travel ban and a pledge to deport around 11 million undocumented immigrants from the country.

Though an increase in Immigration and Customs Enforcement arrests has been reported, much of the above-mentioned policies are still in the works.

As progress is made on that front, several segments within commercial real estate are expected to suffer, particularly where labor is concerned. The already-tight labor pool has left a void for available talent across the labor market that employers are having a difficult time filling, and stricter deportation laws could result in fewer immigrants coming into the country in pursuit of work.

This could also lead to fewer projects getting off the ground due to astronomical construction costs, a slowdown in the pace of new deliveries and a pullback in foreign travel to the country — the sting of which the hotel sector has already experienced.

"One of the things getting talked about is a notable increase in construction costs. Any number of some of the proposals out there could lead to further acceleration in construction costs, [such as] DACA [Deferred Action for Childhood Arrivals]. Construction is one of the largest industries where DACA individuals are employed," Ten-X Chief Economist Peter Muoio said, adding that concerns regarding the construction of the border wall, infrastructure upgrades and the impact those efforts will have on construction prices are also circulating.

"If you're a developer it's bad because it makes it more expensive to put up a property. If you're an owner of existing property, you're happy because in a way it helps limit potential competition if development slows," he said.

Increased Infrastructure Spending
Trump highlighted the country's need to set aside billions to update its crumbling infrastructure early on during his campaign and within his first 100 days in office. The initiative was pushed to the back burner last year to prioritize immigration, healthcare reform and the tax overhaul, but White House officials say the president's $1 trillion infrastructure spending proposal will be released this month.

The plan calls for an estimated $200B to be spent in federal funds over a 10-year period in order to incentivize another $800B in state, local and private sector spending. Of course, this is easier said than done, with publicprivate partnerships — often fraught with risks and challenges — expected to be instrumental in seeing the plan through to fruition.

Many in commercial real estate are rallying behind the bill and see it as a boon to the industry, if lawmakers can ever make it past the red tape.

“If the admin follows up with infrastructure spending that’s the more important investment we actually need to make,” Calanog said. “I’m not talking about building a wall, but infrastructure … the only negative [would] be the inflationary pressure from how it's financed.”

Consumer Wage Growth Could Bode Well For Commercial Real Estate In 2018

消費者工資增長可能是 2018 年商業地產好轉的預告

By: Champaign Williams, Bisnow National Editor

For the past eight years, there has been a gap between the growth of the economy coming out of the recession and the reflection of that growth in employee wages.

Stagnant wage growth, which Colliers International reports can stifle gains in the multifamily and retail sectors of commercial real estate, pivoted in December. Economists anticipate American workers will receive a 3% pay raise overall this year, according to CNN. Employers raised wages an average 0.3% month-to-month in December compared to November's 0.1% increase. This uptick comes at a time when job growth, though strong, is slowing and the hunt for qualified talent is on.

“It’s starting to percolate,” Reis Chief Economist Victor Calanog said. “The big determinant of wage growth is productivity of workers — labor productivity. It spiked in Q3 year-over-year, something we haven't seen in some time.”

Should the increase in wage growth persist, it could translate to higher consumer spending, providing a boost to both retail and apartment landlords — though forecast headwinds in the multifamily sector may cancel out any added benefits wage growth could bring.

“Wage growth has an impact on the overall economy and can [be] beneficial in boosting retail sales, providing additional income to support housing choices and improving the overall quality of life for the employees,” Yardi Matrix Director of Research and Publications Jack Kern said.

Why So Lackluster

Typically, rising inflation, coupled with a tight labor market, is the perfect formula that pressures employers to raise wages. But inflation has been relatively sluggish this past year, inching above the Federal Reserve’s 2% goal to 2.1% in December.

Job growth, though robust, continues to slow as the search for qualified talent becomes increasingly difficult. U.S. employers added about 148,000 jobs in December, down from the monthly average of 250,000 payrolls added in 2014 and 2015. Unemployment held steady at 4.1%, a 17-year low.

The scarcity of workers, which is reverberating through the construction industry and other facets of real estate, is being exacerbated by retiring baby boomers, Colliers International Chief Economist Andrew Nelson said. That is directly impacting wage growth stats.

“One thing to bring up is the composition of both jobs and the workforce are changing. A lot of baby boomers who are retiring and leaving the labor force tend to be at the higher end of the income spectrum. They’re being replaced by younger workers who come in at the lower levels,” Nelson said. “The labor force is less experienced, so their wages are lower.”

Why The Real Estate Industry Should Care
Should employees experience an increase in wage growth this year, retail and multifamily operators would be the biggest beneficiaries, Kern said.

Higher wages often lead to increased discretionary spending at clothing, electronics and other non-necessity retailers, all of which could benefit mall owners at a time when retailers are filing bankruptcy and shuttering stores by the hundreds.

“The fact that last holiday season did so well at the retail level demonstrates that the strength of wage growth is more valuable now than anybody estimated it would be,” Kern said. “Going forward, I would expect to see more of the same.”

Kern said wage growth could also indirectly stimulate the office sector. With wages spurring a boost in consumer confidence, employees will be more willing to stay put and work in their jobs longer.

As for multifamily, in a perfect world the sector would benefit from a spike in consumer wage growth, Calanog said. But new supply will likely stifle any gains experienced by landlords this year.

This year’s aggressive construction levels and apartment pipeline will be very similar to 2017, Colliers reports, and are expected to hurt occupancy and lower rents.

“Landlords can’t raise rents right now if new competition is rising in the next quarter,” Calanog said. “Rising competition is likely to blunt any rent increases.”

Builders up spending by 0.7 pct; signs of pressure emerge
開發商增加 0.7%的建築開支;壓力出現的徵兆
By: Martin Crutsinger, AP Economics Writer, ABC News

U.S. builders pushed construction spending up 0.7 percent in December to a record high, though it was the weakest performance since they began to emerge from the financial crisis.

The upward spending marks the fifth consecutive monthly gain, with all major sectors showing modest increases.

The December increase followed a 0.6 percent rise in November, the Commerce Department reported Thursday. It closed out a year in which construction spending rose 3.8 percent. While it was the sixth consecutive annual increase, it was the most meager since a decline in 2011, when companies were breaking free from recession.

For December, spending on housing projects rose 0.5 percent while nonresidential construction was up a stronger 1.1 percent. Spending on government projects rose 0.3 percent as strength at the federal level offset a drop in state and local construction.

For the year, spending totaled $1.23 trillion. The 3.8 percent gain for the entire year followed increases of 11 percent in 2014, 10.7 percent in 2015 and 6.5 percent in 2016.

Construction spending has been slowing for the past two years, reflecting in part problems home builders are having getting land to build new homes and a budget squeeze that has forced state and local governments and federal agencies to scale back building projects.

Residential construction was up 10.6 percent for all of 2017 while nonresidential building showed a slight 0.6 percent increase. Spending on government projects fell 2.5 percent, the second straight annual decline. Spending by state and local governments was down 2.7 percent while spending by the federal government posted a small 0.3 percent increase.

For December, the seasonally adjusted annual rate of $1.253 trillion was a record monthly number. Economists believe construction will support overall economic growth this year, helped by an acceleration in home building.

Strength of the Inland Empire

加州的內陸地區房地產情勢持續走高

By: Alex Girda, Commercial Property Executive

Riverside and San Bernardino counties are in the midst of a housing boom. Rents continue to grow at a solid rate throughout the Inland Empire, a direct result of steady job gains, at a time when the area's economic cornerstone—its industrial sector—is surging in all major metrics. Meanwhile, multifamily transactions have slightly tempered, due to an ongoing single-family housing wave, which has inflated construction activity and property values to new highs. Area rents grew the fastest in the Renter-by-Necessity segment, as the bulk of demand is in low- to middle-income housing.

Cargo volumes have grown in the nearby ports of Los Angeles and Long Beach, leading to further expansion in the trade, transportation and utilities sector. Employment growth has been diverse, as all but two sectors improved year-over-year through September. Continued economic development will soon present the area with a need to refurbish its transportation grid, as increased freighting will require improvement in infrastructure across the two counties. Riverside is looking to cash in on the effect of California Senate Bill 1, which should result in roughly $430 million in aid for the county as it looks to improve its aging infrastructure.

Multifamily development in the Inland Empire is tepid, in line with the broader, post-recession trend, with 3,200 units underway as of November. Another 12,000 are in the pipeline, as inflating home prices slowly push up demand for rentals.

Fed leaves rates unchanged, sees inflation firming

美聯儲維持利率不變因應通貨緊縮

By: Reuters Staff, Reuters

(Reuters) - The U.S. Federal Reserve kept interest rates unchanged on Wednesday but said it anticipated inflation would rise this year, in a sign it is still on track to raise borrowing costs again in March under incoming central bank chief Jerome Powell.

KEY POINTS:

- Fed says annualized inflation expected to move up this year
- Fed drops language on inflation expected to expected to remain at 2 percent this year.
- FOMC unanimously selects Fed Governor Jerome Powell as chairman to replace Janet Yellen

COMMENTS:

DAVID KOTOK, CHAIRMAN AND CHIEF INVESTMENT OFFICER, CUMBERLAND ADVISORS, FLORIDA:
"No surprise, an affirmation of this policy direction that will lead to higher rates and the continuing shrinking of the balance sheet. To shrink the balance sheet and raise the policy rate - and at the same time the deficit will expand predictably - means that three forces will be at work against the bond market, which will work to elevate interest rates. There's a fourth force lurking, which is huge and it's the ECB moving away from negative rates. The negative rates from the ECB and (their) policy has been a force that has sucked down interest rates in the US."

MIKE TERWILLIGER, PORTFOLIO MANAGER, RESOURCE CREDIT INCOME FUND, NEW YORK
"On the eve of the 'Big Game' (NFL Super Bowl) this weekend, to borrow a football expression, 'Do Your Job' for the FOMC means combating inflation. The Fed's acknowledgment of the quickening pace of inflation today put three hikes in 2018 into the 'base-case' and perhaps raises the prospects for a fourth."

SCOTT KIMBALL, DIRECTOR AND PORTFOLIO MANAGER, BMO GLOBAL ASSET MANAGEMENT, MIAMI
"All things considered, I'd have a hard time thinking that anyone walked away with any kind of surprise here. It was Janet Yellen's last meeting, and rates were unchanged, as expected. In the language of the Fed, they say monetary policy remains accommodative, which makes sense, and that inflation is likely to reach targets in the medium term.

"The subtle message is that they will continue to press rates higher. Their end game is not to get to a restrictive state."

JASON WARE, CHIEF INVESTMENT OFFICER & CHIEF ECONOMIST, ALBION FINANCIAL GROUP, SALT LAKE CITY
"It's right in line with what I expected, no change in rates, no change in the balance sheet reduction pace; it's a gentle hand-off to Jerome Powell, it is 'The economy is doing OK; we're not changing anything in terms of the outlook to the economy, but inflation might be starting to creep up a bit.' That's what we got. Markets are saying it's not hawkish or dovish, it's very neutral."

KEVIN LOGAN, CHIEF U.S. ECONOMIST AT HSBC SECURITIES, NEW YORK
“One important thing did change: In December they said that inflation expectations on a 12-month basis are expected to remain below 2 percent in the near term. This time they said inflation on a 12-month basis is expected to move up this year and to stabilize near the target … So they’re more confident in their expectations of rising inflation.”

”At the margin you could say that this might suggest that three rate hikes are more likely than two.”

JJ KINAHAN, CHIEF MARKET STRATEGIST, TD AMERITRADE, CHICAGO
“They expect economic conditions will evolve to warrant further gradual increases. That is what we all said. Maybe people were looking for a hint of three or four (hikes) but there is nothing there that would hint towards that.”

BRIAN BATTLE, DIRECTOR OF TRADING AT PERFORMANCE TRUST CAPITAL PARTNERS, CHICAGO
“There was no surprise, no change. There was some slightly more aggressive text about the economy evolving and the need for gradual increases.”

“It was a good, maybe slightly more hawkish, meeting. The important thing was that it was unanimous vote for no change to rates.”

“It should be a worry for equities and the bond market that the Fed might be more aggressive than it has been in the past.”

RANDY FREDERICK, VICE PRESIDENT OF TRADING AND DERIVATIVES FOR CHARLES SCHWAB, AUSTIN, TEXAS
“It looked pretty much as expected. I did not see anything that surprised me. There were no dissents. They are expecting gradually rising rates. They expect inflation, which is still below target, to creep up towards two percent. Pretty much right in line with what I would have expected. I think the market reaction was very subdued, at least till this point.”

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WALTER TODD, CHIEF INVESTMENT OFFICER, GREENWOOD CAPITAL, GREENWOOD, SOUTH CAROLINA
“This doesn’t change the outlook for the Fed for 2018. It still looks like they are on pace to do continued, gradual hikes, probably three this year.”

“I would classify it as right down the middle, neither hawkish or dovish.”

“A couple years ago, everybody watched the Fed with a fine-toothed comb and I think as this economic cycle has started to accelerate, these meetings have become a little bit less and less important. Certainly the ones where you're not expecting anything to happen, which is the case here -- no press conference, no hike expected. So I don't think it means a whole lot for the market."

BRUCE BITTLES, CHIEF INVESTMENT STRATEGIST, ROBERT W. BAIRD & CO, SARASOTA, FLORIDA
"It's more of the same. Equity markets are rallying a little on that. The Fed kept rates the same yet the economy is doing well. That's a good configuration for equity markets."

"The Fed left open the door for a March increase but that's built in already. As long as the yield on the 10-year (Treasury bond) continues to behave and stay below 3 percent, Fed policy is not likely to hurt the stock market."

MARKET REACTION:
STOCKS: The S&P 500 firmed then backed off slightly and was last trading up 0.18 percent

BONDS: U.S. Treasury yields firmed, 2s were near 2.16 pct; 10s about 2.75 pct; 2-10 spread was at 59.33 basis points

FOREX: The U.S. dollar firmed a bit against the euro and yen

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

消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	1.25-1.50	1.25-1.50	1.50	0.50	0.75	1.25
Prime rate*	4.50	4.50	4.50	3.75	0.75	1.25
Money market, annual yield	0.29	0.33	0.36	0.25	-0.02	-0.13
Five-year CD, annual yield	1.55	1.55	1.56	1.21	0.31	-0.03
30-year mortgage, fixed	4.37	4.38	4.39	3.73	0.31	0.49
15-year mortgage, fixed	3.80	3.80	3.81	2.99	0.54	0.71
Jumbo mortgages, $424,000-plus	4.64	4.64	4.96	4.21	0.31	0.10
Five-year adj mortgage (ARM)	4.20	4.28	4.35	3.20	0.88	0.40
New-car loan, 48-month	3.59	3.56	3.59	2.85	0.42	0.65
Home-equity loan, $30,000	…	…	…	…	…	…

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