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  Utility companies finding themselves in competitive situations as more companies deregulate are partnering with retailers including Marks & Spencer in the U.K., Coles Supermarkets in Australia and Best Buy in the U.S. to sell their electric services directly to consumers. "The better job we do to present a range of energy solutions beyond just providing power, we become a lot more valuable to that consumer," says Jason Few, president of Texas-based Reliant, which has teamed with Best Buy.

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  Landlords are keenly aware of the limited tenants in the market place and the need to maintain occupancy in a highly competitive market. Landlords will continue to be aggressive in structuring leases to capture tenants as early as possible, while blocking them from the competition.
- **[Big-Box Space Remains Hard to Fill]**
  大型店面依舊難以填補

  Retail owners are still struggling to fill vacant space that went dark after big-box retailers left. Colliers International reports that one-third of the 205 closed Borders stores are still vacant one year later. Another stressor for retail owners is the change in the way consumers are shopping.

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Tax Collectors Checking Business Licenses

加州稅務機構加緊檢查銷售稅和營業執照合規情況

By Marc Lifsher

The California Board of Equalization announced Monday that it's sending inspectors to retailers and businesses in 34 state ZIP Codes to make sure their sales tax and business license documents are in order.

The visits also have an educational purpose: to answer questions about how the state sales and use tax functions and provide advice on how to collect the levy more efficiently.

The good news about the inspection program is that nearly all of the affected businesses are correctly following the law, said board Chairman Jerome E. Horton.

"We find 98% of all businesses complying," he said.

The new round of inspections will take place in parts of Los Angeles and Orange counties, the Inland Empire, the San Francisco Bay Area and the Central Valley, the board said.

Seven special teams will check tax permits at retail stores and offices. Businesses that are found out of compliance will be instructed about how to register with the Board of Equalization.

Since 2008, board inspection teams have visited more than 311,000 businesses in 461 ZIP Codes. The inspections help the state recoup some of the estimated $2 billion in due but uncollected sales tax payments, the board said.

California Outperforms U.S., Adding 33,900 Jobs in May

加州人才市場表現領先，五月增加三萬余個就業崗位

By Ricardo Lopez

California's labor market outperformed the U.S. in May, reviving hopes that the recovery will strengthen as the summer tourism season kicks into high gear.

Employers added 33,900 jobs to payrolls last month, according to data released Friday by the Employment Development Department That's the largest monthly gain since September 2011, adding jobs in the last 10 months. The gains helped push down the state unemployment rate to 10.8% in May from 10.9% in April.

[For the record, June 15, 1:38 p.m.: An earlier version of this post said the state has added jobs in nine of the last 10 months. April's job numbers, however, were revised upward showing a gain of 1,300 jobs. May is the 10th straight month of job growth.]

The strong job gains surprised economists after a dismal federal jobs report showed the U.S. created only 69,000 total jobs last month.

"Given what happened at the national level, this is a really impressive number for California," said EsmaelAdibi, director of Chapman University's A. Gary Anderson Center for Economic Research. "California was underperforming the U.S. since the recession…[and] is now in 'catch-up' mode. When you do down so deep, you come back stronger."

Eight sectors posted job gains led by leisure and hospitality, with 13,200 jobs added. Professional and business services and educational and health services also showed solid gains, adding 10,500 each.

Three categories lost jobs, however. The biggest losses were in the government sector, which shed 3,300 jobs in May, followed by trade, transportation and utilities; and other services.

Over the past 12 months, California has added 221,500 jobs, a gain of 1.6%.

Strong job growth in the leisure and hospitality sector suggests consumers are once again spending, Adibi said.

"Consumers were very depressed during the recession. Now they're satisfying their pent-up demand," he said. "Once you gain a little confidence, people will buy a car, eat out, make a trip."

Adibi, however, cautioned that he expects the labor force to swell this summer as college graduates enter the job market. And Friday's job report is likely to reinvigorate discouraged workers.

"If the job creation is not very strong in the summer, you'll see an uptick in the unemployment rate," he said.

Economists are also worried about California's budget woes. State legislators are scrambling to pass a budget to meet a constitutional deadline.

Stephen Levy, a senior economist with the Center for the Continuing Study of the California Economy, said Friday's report was encouraging.

"You don’t want to make a huge deal, but it is a good month," Levy said.

Los Angeles County's unemployment rate fell to 11.4% from 11.6%, adding 8,000 jobs in May. The leisure and hospitality sector performed the strongest, adding 9,100 jobs, mainly in accommodation and food services.

Orange County added almost 6,000 jobs in May, 3,400 of them in leisure and hospitality as employers ramped up payrolls in anticipation of the summer tourism season. On Friday, Disney’s California Adventure theme park in Anaheim opened its $1.1 billion 12-acre expansion dubbed "Cars Land" to much fanfare, with people lining up the night before to enter the theme park.

The Inland Empire also saw job gains; employers added 3,100 jobs to their payrolls, mainly in wholesale trade.

How a Detroit Landlord Made His Property Hot

底特律房東利用社交網絡吸引年少多金者

By Melinda F. Emerson

As we all know, Detroit has taken some hits during the economic downturn. But residents like Eric Brown, a real estate developer, are fighting back. The president of Urbane Apartments, Mr. Brown used his social media savvy to turn his Motor City apartment complexes into attractive locations for young professionals. He has built an online community and made Urbane Apartments a hub for all things cool and fun in Detroit.

Urbane Apartments consists of 15 apartment communities in and around metropolitan Detroit, with two in the downtown area. Each community is branded individually to reflect the unique features of the units and neighborhood. Essentially, Mr. Brown took 1960s vintage apartments, refurbished them and turned them into units that have created a buzz among young, professional singles who are willing to pay top dollar. Urbane Apartments' rental fees are among the highest per square foot in the Detroit area.

The units, some of which are in green buildings, feature amenities like colorfully painted walls, new hardwood or bamboo floors, black-on-black appliances, loft-style sliding doors, granite counter tops and modern lighting. Even during the heart of the recession, the company says its occupancy rates were 80 percent to 85 percent; they are now 98 percent to 100 percent. "Our product is fresh, and we've matched our marketing angle to that," Mr. Brown said. "Our business has a lot of character. We're a whimsical, eclectic and fun place to live — not luxury. We're not a BMW. Once we got clear about who we were and were not, it got easier to do our business."

From the time he started the business in 2003, Mr. Brown said, he wanted to set himself apart from how most apartment units have been marketed by focusing on aspects like search engine optimization. "Traditional advertising is very expensive, particularly if you're smaller," he said. "I got slotted into looking like everyone else, which made me a commodity. I want to break away from being an apartment commodity. At the time, I figured, if we can build enough S.E.O. into what we are doing with our Web site, we can start to enhance the apartment experience, then people will start talking about it, and we will have built-in salespeople."

He started a Web site and introduced a blog, The Urbane Life, that discusses "everything hyper-local Detroit" — the best sushi, the best hamburger, the best place to get your shirts cleaned and pressed. The blog averages 35 to 38 posts a month, and is written by a small staff of writers, including a few residents. "The blog talks about everything except our apartments," Mr. Brown said. "But every article links back to our apartment Web site, and we have almost 3,000 articles — that's a ton of content. If you're moving, you want to know about the features of an apartment, but that's just one piece. You also want to know about your neighborhood."

As a result, Mr. Brown said, the blog has become “a marketing machine.” Urbane Apartments has served as the media partner for a local festival and a restaurant association’s Restaurant Week, as well as the sponsor of a successful Ladies’ Night Out organized by a merchants’ association. For the Restaurant Week promotion, Mr. Brown featured short videos on his Web site that received 3,000 views over three weeks. He is now in discussion with 35 restaurant owners to do cross-promotion for free product offers on his Facebook page.

“We hitch our wagon to others’ wagons to build our brand,” he said. “For example, most women at the Ladies’ Night Out event weren’t renters, but they have sons or daughters or nieces or nephews or friends who might be. These types of events can get them talking about us. It’s a win-win for everyone because it gets more people in our partners’ doors, too. We’ve taken partnership marketing to the next level.”

In addition, the Web site promotes the company’s flexible pet policy (any breed of dog of any size is allowed at no cost), its convenient office hours (the leasing office is open from 8 a.m. to 9 p.m., Monday through Friday, and from 9 a.m. to 6 p.m. Saturdays and Sundays) and a “no pressure” policy that allows apartment hunters to see units on their own and to come back whenever they wish to show a significant other or take measurements. “There are so many rules, but do they even make sense?” Mr. Brown asked. “We went through all of the crazy rules and started to blow them up. It starts to create buzz.”

Urbane Apartments attracts 75,000 unique visitors a month to its Web site, and it has 11,000 Facebook likes, 12,000 Twitter followers and an e-mail list of 16,000. “We’re talking to people all day long on Facebook and Twitter — we mine for new potential customers there,” Mr. Brown said. “You have to embrace your customers and have a conversation with them. Social media is like word-of-mouth on steroids. We craft content on our Web site that can be shared, which raises our chances exponentially for exposure. It takes a while, but you have to plant the seeds. And what you’re putting out there has to be something of value, it has to help communicate and it has to give people something to talk about.”

Global Retailers Team with Utilities to Sell Electricity

電力公司聯合全球零售商銷售電能

By Selena Williams (Wall Street Journal)

Will consumers buy electricity from the same stores where they go for groceries or big-screen televisions?

Increasingly, the answer is "yes."

Utilities around the globe are teaming up with retailers such as Marks & Spencer Group PLC in Britain, Coles Supermarkets in Australia and Best Buy Co. BBY -1.15% in the U.S. to sell energy and related products directly to consumers. The utilities believe they can benefit from the retailers' superior customer-service practices and the trust consumers have in popular retail brands. Retailers see a growing market in energy-conscious consumers who now shop for everything from power suppliers and energy-efficient appliances to solar panels, insulation and home-energy-management systems.

As more utilities have been forced to compete in deregulated markets, establishing alliances with retailers has helped them build customer loyalty and reduce customer churn. Having a presence in popular retail environments also gives the utilities an opportunity to package their basic energy services with products from smart thermostats to energy-efficient appliances.

Stores of Energy

"The better job we do to present a range of energy solutions beyond just providing power, we become a lot more valuable to that consumer," says Jason Few, president of Reliant, the Houston-based unit of power provider NRG Energy Inc. NRG +1.26%

Reliant has teamed up in Texas with electronics and appliance retailer Best Buy, in whose stores the utility now markets electricity plans and free home-energy monitors that help customers figure out how they can reduce their electricity consumption and save money. Similarly, Constellation, owned by Chicago-based power generator Exelon Corp., EXC -0.08% is experimenting with selling electricity plans through Best Buy stores in Illinois. Best Buy is based in Richfield, Minn.

In Britain, Marks & Spencer, whose department stores feature staples from socks to scones, is selling natural gas and electricity from SSE SSE -0.75% PLC, one of the U.K.'s big six energy suppliers. The traditional dry-goods merchant resells the power under the M&S Energy brand. Customers sign up for the energy plans online. Marks & Spencer also offers insulation and solar panels and provides advice on energy-efficient appliances.

Neither company will say how many customers have signed up for M&S Energy gas and electricity. An SSE spokesman cites Marks & Spencer's "sector-leading customer service." Adam Elman, head of M&S Energy, says Marks & Spencer sees "a massive growth opportunity" in energy-management products and services, such as energy-efficient or smart appliances.

Tapping new revenue streams from energy-saving products and services is especially important for energy companies in Europe, whose profits have been squeezed by higher wholesale fuel prices, says Greg Bolino, executive director of management consulting in Accenture's Resources Operating Group. The British utility Centrica CNA -0.75% PLC has entered its British Gas unit in a partnership with supermarket giant J Sainsbury PLC to sell energy and energy-efficiency products and services, solar panels and more efficient boilers.

While the terms of many of these alliances vary, most agreements so far involve co-marketing of each company's products and services and don't include sharing of profits. According to Mr. Bolino, this could change as companies invest more in partnerships selling energy services and as those partnerships grow.

Milk and Electricity

In the meantime, after years of operating as monopolies with a captive customer base, utilities clearly feel they have much to gain from the marketing experience and brand awareness of retailers. In Australia, utility AGL Energy Ltd. in April linked up with Coles Supermarkets, a unit of Wesfarmers Ltd., WES +0.22% via the Coles customer-loyalty program Flybuys. The program gives AGL residential customers rewards points for discounts on Coles purchases, and gives Coles shoppers points if they switch their gas or electricity account to AGL before July 31. Points can be used for purchases at Coles, the online travel site Webjet.com and other merchants.

The Australian partnership, like many of the others, gives the utilities a lot more insight into the consuming habits of their customers. "The data is one of the key things that attracted us, as it will help us to develop propositions that better meet consumers' needs," says Michael Briggs, market and segment strategy manager for Australia's AGL Energy.

For instance, a shopper who buys a lot of organic goods might be more receptive to solar panels, Mr. Briggs says, although he adds that it is too early in the AGL partnership to have concrete examples of this working.

Still, Accenture's Mr. Bolino agrees that using shopping data to tailor energy products and services to customers is a vital part of the programs.

Says Mr. Bolino, "You've got to be able to understand consumers, to segment them and understand which ones are going to want what sort of things, and retailers are better at understanding the customer."

7-Eleven Exercises the Principles of Smart Growth

連鎖便利店 7－Eleven 靠智慧的策略在逆境中快速擴張

By Elaine Misonzhnik(RetailTraffic)

In a market where only select tenants are undertaking rapid expansions, convenience store chain 7-Eleven has been one of the stand-outs. Last year, the chain opened more than 600 stores in U.S. and Canada. This year, it plans to achieve a new opening target of 630 stores, most of it on the U.S. side of the border.

But the company does have very specific preferences about where it would like to put new 7-Eleven stores.

“We really aren’t just taking over locations that are available,” says Dan Porter, vice president of real estate. “We are following our defined network plan that clearly articulates where we want to be and then we will wait for that location to be available. We are a very patient, disciplined retailer as we make prudent decisions to make sure we have high-quality stores.”

Bright lights, big city

The chain will only go after sites that offer high population and office worker density within less than a mile of its stores, that are located near high traffic-generating facilities such as hospitals and universities, and that boast easy access, either through a highway or a mass transit system.

What’s more, 7-Eleven prefers to open new locations in or near markets where it already has a product distribution system in place, to ensure that its fresh foods can get to the stores in time. In the coming year, for example, it will be opening stores in the five boroughs of New York City, Westchester County, Western New York State and Northern New Jersey, as well as in Philadelphia, Boston, Baltimore, Richmond, Va., Charlotte, N.C., Miami, Orlando and Jacksonville, Fla., Chicago, Detroit, Kansas City, Dallas-Fort Worth, Denver and Salt Lake City, among other large metropolitan areas.

On the micro scale, the retailer wants to stay away from shopping centers that house many stores that sell the same products as it does, to cut down on competition. 7-Eleven sells a variety of foods and beverages and features in-store video rental kiosks. So while it will occasionally go into the same properties as, say, a Starbucks, it will probably nix locations where it will be positioned next to a coffee shop, a frozen drink shop and a sandwich shop at the same time.

Fitting in

On the flip side, the retailer takes extra pains to remain flexible when it comes to store layout and transaction type. When possible 7-Eleven prefers to buy its buildings—just last week, for example, the company bought 23 former Quix stores in north and central Texas from Strasburger Enterprises.

But it can also lease stores or develop build-to-suit properties. Incidentally, while 7-Eleven is largely a franchise operation (today, 80 percent of its stores are run by franchisees), all real estate documents are backed by the corporation, according to Porter.

“We never defaulted on a lease,” he notes. “We are an investment grade tenant.”

7-Eleven stores average between 2,000 sq. ft. to 3,000 sq. ft. in size. The chain does have a strong preference for corner locations, parking availability (or high pedestrian traffic in urban centers) and the option to operate 24 hours a day. In the past few years, 7-Eleven has been able to take over some vacant video stores and former Payless Shoe Source stores.

But Porter reiterates that the retailers’ expansion program is site-specific, rather than opportunistic.

“We target those locations [that are] best for a 7-Eleven store,” he says.

The Next Wave of Food Courts?

中國的購物商場美食區發展動力十足

By Carolyn Surh

Food courts in China today offer a range of experiences, from the simple stands one might see in the U.S. to high-end, luxurious food spots. Experts say China is not simply one contiguous market where food-court restaurants can be plugged in uniformly across the board, but a collection of different markets with varying levels of commercial development and, therefore, tastes.

The variety and move toward more upscale food courts, many believe, could give U.S. restaurants a glimpse of things to come state-side. After all, these restaurants, which come in both quick- and full-service formats, are often the primary draw for Chinese shopping malls. Meanwhile, in the U.S., just 7 percent of U.S. shoppers specifically seek out the food court at a mall, says David Foster, a food consultant with Foster and Associates, citing a study by the International Council of Shopping Centers (ICSC).

Retailers desperate to regain their footing after the recession, therefore, would be wise to take note of Chinese food courts. But these watering (and feeding) holes are a far different beast than typical U.S. food courts.

Chinese food courts range in size, but are typically 15–20 percent larger than those in other major Asian markets, including Thailand, Singapore, and Malaysia. Shanghai's newly opened food court Réel Kitchen houses 11 full-service restaurants, along with 24 quick-service eateries and 11 snack stalls, and boasts more than 66,700 square feet of dining space that seats 1,000. One location of Food Republic, a Singapore-based company and largest food-court operator in China, can attract 3,000–4,000 diners per day.

In the U.S., just 7 percent of U.S. shoppers specifically seek out the food court at a mall.

American shopping-mall food courts are generally around 15,000 square feet and have about 15 eateries, Foster says.

"It has been my experience that a strong [Chinese] mall food court can serve as many as 20,000 guests per week or more," Foster says. "This, too, can vary widely, dependent upon the quality of the mall and the location of the food court within the mall."

How do Chinese food courts pull it off? The answer may be in the huge culinary variety offered at the many shops within each court.

Korean, Japanese, Taiwanese, Singaporean, Vietnamese, and, of course, Chinese restaurants dot food courts across China. Along with the ubiquitous spicy, stir-fried dishes that many Americans associate with China, passersby might also find a restaurant that serves hot pot, a popular soup-based meal similar to fondue in which eaters cook meats, vegetables, and noodles in a large pot of boiling soup, then dip into sauces that can be customized from a variety of ingredients, including soy sauce, sesame paste, chilies, garlic, and scallion.

Another popular food-court offering in China is dumplings, which come in several varieties: pan-fried like potstickers, for example, or boiled like wontons. They can be shaped into small rounds or larger half-moons, and filled with meat, a combination of meat and hot soup, chopped green vegetables, or seafood.

There are also plenty of curry houses in Chinese food courts, as well as quirky concepts like Toast Box, a chain restaurant dedicated to thickly sliced toast spread with butter or peanut butter.

Not all Chinese food-court restaurants are in the business of serving full meals. Snacks, sweet drinks, baked goods like breads and pastries, chocolates, and dessert items are also popular offerings. Specialty drinks are particularly in demand, with long lines of customers waiting for sweet tea, juice, or milk-based drinks that can be customized by adding fruits, chewy tapioca “pearls,” chocolate, coffee, or even small beans commonly found in Asian desserts.

In China, Asia-based food-court operators have especially seen success. Food Republic, for example, has been operating in China for 15 years, says divisional CEO Jenson Ong, and other successful food-court operators hail from nearby Hong Kong and Japan. Offering a wider variety of foods, Ong says, and larger portions than those in other Asian markets gives Chinese food-court locations a unique attraction.

But serving small, hand-held snacks that allow eaters to nibble from one stall to another has been a recent trend, echoing the street-food experience commonly found across Asia in open-air marketplaces. Typically, street food refers to snack-like items such as chicken wings, fish, or meatballs on skewers; fried tofu; or smaller portions of one-dish meals, such as noodle soups served from small kiosks.

Food Republic strove to capture and elevate this trend by “providing street food in comfortable and hygienic environments,” Ong says. “We gear toward better dining experiences while bringing local delicacies under one roof.”

Réel Kitchen, meanwhile, features snack food and drink kiosks organized into rows and separated from the main dining area, giving it a marketplace feel.

China’s tier-one cities, such as Shanghai, Beijing, Guangzhou, and Shenzhen, offer the widest range of cuisines. One in four foreigners in China lives in Shanghai, according to the Shanghai Statistics Bureau, meaning Western-style eateries are more prevalent in food courts.

Big-Box Space Remains Hard to Fill

大型店面依舊難以填補

By Kris Hudson (Wall Street Journal)

Close to a year after Borders Group Inc. collapsed, suburban shopping centers still are struggling to fill the vacated big-box space—and to cope with changes in the way Americans shop.

Many shopping centers that lost Borders after the chain announced its liquidation are suffering high vacancies, falling rents and even debt defaults. Values have been falling in particular for the suburban shopping centers that rely heavily on big-box stores and have been bearing the brunt of the impact from online retail competition.

Take the case of the Regency Park Shopping Center, outside of Kansas City, Kan. The former Borders store there stayed shuttered for months, and when its landlord—Dallas-based real-estate investor Henry S. Miller Cos.—finally filled it with a Natural Grocers, the rent was "significantly lower," said Greg Miller, a senior vice president.

By then Regency Park had defaulted on its $25 million mortgage. The center has a vacancy of 30%, and its value had declined to $9.3 million in December, from $32.8 million in 2006, according to loan data provided by Trepp LLC, a debt-analysis firm.

"It's been a two-steps-forward, one-step-back deal," Mr. Miller said.

A new survey of 205 closed Borders stores shows that one-third are still vacant, according to brokerage Colliers International. Those stores that filled the former Borders space are leasing at rates roughly 30% lower on average than what Borders paid, Colliers said.

"Some landlords have been reluctant to, in effect, take the lower rents that retailers are offering [to pay]," said Mark Keschl, Colliers's national director of retail brokerage. "Now that they're going on sitting vacant for roughly a year, we think landlords will be a little more practical."

Some popular malls and downtown shopping areas have been able to replace Borders without cutting rents thanks to their locations and appeal to residents and tourists.

But many big-box centers that depended on stalwarts like Borders, Best Buy Co. and Office Max have suffered higher vacancy, weaker cash flows and other problems as these retailers have closed or shrunken stores.

After the Oaks Square Shopping Center, in Gainesville, Fla., lost its Borders, other tenants demanded rent decreases to make up for the fact that their big-name neighbor had gone dark, according to Trepp. The landlord, Retail Property Group, replaced Borders early this year with shoe seller DSW Inc., DSW -11.34% but the servicer overseeing the center's $14.6 million mortgage started foreclosure proceedings last February. Retail Property, which has sued the servicer in an effort to pay off its loan at a reduced amount, declined to comment.

Among those still looking to fill a Borders vacancy is the Watters Creek shopping center in the Dallas suburb of Allen, Texas. "We have a [tenant] looking at taking the entire thing, but we haven't made a deal yet," said Terry Montesi, chief executive of Watters Creek's owner, Trademark Property Co.

Some industry watchers believe that big-box centers are facing problems that go beyond a weak economy. Rather, they suggest that these shopping centers are going to suffer long-term declines because Internet shopping offers more choice and greater ease.

"When [the big-box format] originated, it was about wide selection in a certain category," said Suzanne Mulvee, retail strategist at CoStar Group, a real-estate-research company. "They had the biggest selection, and that's why you'd go there. Now the biggest selection is online. So I am concerned about this sector long-term."

Overall, national vacancy statistics on big-box centers don't appear too grim, and new construction is scant. With some retailers expanding, like DSW and Ross Stores Inc., ROST +2.39% the vacancy rate has declined to 6.6% after hitting a multiyear high of 7.9% in 2009, according to CoStar. Even so, rents are near the lowest level they have hit since 2006, and the vacancy rate is rising again and will likely hit 6.8% by the end of the year because of more closings, CoStar reports.

Some large landlords are better positioned to keep their big-box centers filled because they have more clout with retailers and better properties. DDR Corp., DDR +0.94% which counts many big-box centers among its 469 properties, posted average occupancy of 93.7% in the first quarter, up from 92.6% a year earlier.

"We've replaced Linens and Circuit with Bed Bath & Beyond, BBBY +2.19% Marshalls, Ross, Wal-Mart, WMT +0.55% " said Paul Freddo, DDR's senior executive vice president of leasing and development, referring to the closed Linens 'n Things Inc. and Circuit City Stores Inc. "We sit here three years later a much better company because of it."

But California developer Peter Pau also is giving up on the big-box concept in the Bay Area suburb of Newark, where this year he bulldozed most of his Mowry Crossings shopping center. The 200,000-square-foot center had only one viable tenant—a BJ's Restaurant—after losing its Mervyns, Circuit City, Petsmart and Babies "R" Us. Mr. Pau still owns the project because he had paid its mortgage, but he now intends to rebuild it as a retail format other than big-box.

“It is no longer a power-center,” Mr. Pau Said. “We aren’t banking on big-box tenants.”

Tenants Continue To Rule the Market

房客繼續控制租賃市場

By Mark Heschmeyer (CoStar)

This week's disappointing job growth numbers make it abundantly clear that it's still a tenants' market out there and no amount of aspiring to the contrary will make it easier for landlords fighting to attract and retain them.

The job news "is an obstacle and a cautionary line creating uncertainty in the short-term outlook," said Carl Conceller, principal of NAI Desco in St. Louis, MO. "Landlords are keenly aware of the limited tenants in the market place and the need to maintain occupancy in a highly competitive market. Landlords will continue to be aggressive in structuring leases to capture tenants as early as possible, while blocking them from the competition."

For the record, here's a summary of monthly jobs number released this past week by the U.S. Department of Labor: Total nonfarm payroll employment grew by just 69,000 jobs; following 77,000 new jobs in April.By comparison, the average monthly employment gain in the first quarter of the year was 226,000.

In May, employment rose in health care, transportation and warehousing, and wholesale trade -basically the industrial sector. While construction, accounting and bookkeeping services, in services to buildings and dwellings and professional and business services lost jobs - basically the office sector.

"The report was disappointing, but not unexpected considering the negative economic news of late regarding the European debt and its potential impact on the U.S. economy," Conceller said. "The report, in conjunction with the European debt crisis, has obviously disrupted markets and caused uncertainty among U.S. businesses."

Larry Hausman, senior associate of Marcus &Millichap in Louisville, KY, said that if landlords were smart they would make whatever deals they can get done and still make a profit.

The job numbers don't make prospects for the investment market very attractive either, Hausman said.

"Investors are going to shove their hands even deeper into their pockets, choosing to take their licks against inflation while staying in cash a while longer," he said. "There will be fewer buyers until Europe stabilizes and more than 125,000 new jobs are created each month (what is needed to break even after population growth)."

NAI Desco'sConceller had a different take on impact of the disappointing job numbers on investing.

"Investors recognize that the markets are at historic lows. The current environment provides unique opportunities to acquire investment properties well below replacement value with significant upside growth and returns far greater than can be achieved in alternate investments," Conceller said.

"A major contributing factor to the investment market is the unusually low interest rates available to qualified investors," he added. "Additionally, foreign investors are reallocating capital into the US real estate market because of the relative stability of the U.S. economy when compared to many foreign markets, the aforementioned report notwithstanding."

Still, the latest job growth numbers proved to be a double whammy with little new hiring and more announced reductions. In May, the nation's employers announced plans to cut 61,887 workers from their payrolls, the most since last September 2011, according to the latest job-cut report also released this past week by global outplacement firm Challenger, Gray & Christmas Inc. The May job-cut total was up 53% from April and 67% over May a year ago.

May job cuts were dominated by the computer industry, propelled by Hewlett-Packards announced layoffs of 27,000 workers.

"We may see more job cuts from the computer sector in the months ahead. While consumers and businesses are spending more on technology, the spending appears to favor a handful of companies. Those that are struggling to keep up with the rapidly changing trends and consumer tastes are shuffling workers to new projects or laying them off altogether," said John A. Challenger, CEO of Challenger, Gray& Christmas.

Mark H. Fowler, senior vice president of Weichert Commercial Brokerage Inc. in Edison, NJ, said: "The market has definitely slowed down again. Smaller tenants were showing signs of entering the market, which we had not seen for a long time. However, that began to dry up well before last Friday's numbers."

"We are still seeing activity from medium to large tenant requirements but the bread-and-butter transactions are lacking," Fowler said. "I am not sure that demand will worsen as a result of the numbers but we probably face a long, slow summer."

"As for landlords, they have been itching to raise rents but this will only delay that process a while longer, as the advantage remains in the tenant's hands," Fowler said.

Board Sabotaged Association's Bank Account

業主委員會無視法律私定規則，業主怎麼辦

By Stephen Glassman and DonieVanitzian

Question: Our homeowner association board makes its own rules regardless of the law.

Before the new election, the outgoing president closed the association's bank account and reopened another, preventing the new treasurer from depositing checks.

The board was reelected by vote-rigging and without notifying owners of meetings.

Things got worse when the newly elected treasurer uncovered improprieties. Board directors were requesting $180 checks for mileage, $400 for holiday decorations and a $900 reimbursement for supposedly paying a gardener but had no actual receipts. Instead they would write something on paper and be reimbursed.

The treasurer put the board on notice of their violations and reported them to local law enforcement. The board responded by firing her and hiring an attorney to sue her. Directors then withdrew thousands of dollars from association operating funds to pay attorneys. What can owners do?

Answer: Under Civil Code section 1363.03(h) and (i), election results and votes are required to be preserved for up to one year in the event of a challenge. Not only must there be notice of the meeting at which the election is to be held, but under Civil Code section 1363.03(g) the election results must be communicated to the board and to the membership within 15 days of the election. If the election was not held in accordance with the required format for a secret ballot, the election itself is likely invalid.

An association's operating account is not intended to be used as a petty cash account or slush fund for the board's taking. Directors using those funds in that manner are violating their fiduciary duty to the association and its titleholders. When a board is unaccountable to the law and unresponsive to its titleholders who fund the association's operations, owners should take the allegations of theft to their local police department and county district attorney for investigation.

Directors have a duty to produce receipts before requesting reimbursement for expenses, yet even a receipt doesn't prove that the expenditure was valid.

The new board cannot unilaterally "fire" the treasurer unless its reason for doing so is stated in the association's governing documents, the Civil Code or Corporations Code regarding mental incompetence or a felony conviction. The board may be able to change the function of an individual director but cannot stop that director from attending the meetings.

Sabotaging the association's bank account and obstructing the new treasurer's duties could be evidence a district attorney and/or city attorney would need to show that certain directors are engaged in criminal activity.

Situations like those you describe are a warning that every titleholder's assets in the common interest development are at risk. Do not become complacent and accept the status quo.

Mixed Indicators Point to Right-Sizing Warehouse Investment Strategy

春季工業倉庫需求指標指向不一，但仍舊顯示良好的跡象

By Mark Heschmeyer (CoStar)

Leading indicators of warehouse demand have been mixed this spring and appear to be on shaky ground. Nonetheless, they still appear to be pointing in the right direction.

"On the bright side, companies continue to book record-breaking profits," Ki Bin Kim, analyst for Macquarie Capital (USA) Inc. wrote in a recent report. "However, retained earnings have not been used to expand or reinvest into businesses, in a significant manner."

Since the fourth quarter of 2008, corporate profits are up 105% but business spending on fixed investments that has remained flat at 0.5%, Kim reported. Also, the slowing growth rate of corporate profits isn't helping the situation.

"Combined with no new net supply [sometimes even negative supply, according to CoStar Group] and continued gains in e-commerce that require additional distribution centers, we expect U.S. industrial absorption to improve by 200 basis points (bps) by the end of 2013," Kim reported. "This implies that the national occupancy rate improves to 93.2% from 91% today, all else equal."

"This is one of the primary reasons we remain bullish on industrial," Kim said.

Shaw Lupton, senior real estate economist for CoStar Group, said that based on current conditions, the warehouse market is ripe for value-add and opportunistic investment strategies.

"Whether the inclination is to acquire and rehab undercapitalized/underleased multitenant properties, buy land parcels with development potential, or construct ginormous boxes, it's important for investors to understand how changing market conditions affect the competitive landscape differently across warehouse markets and tenant profiles," Lupton said. "Knowing this can mean the difference between pulling the trigger on a right-sized building for the market or diving headfirst into an investment bloodbath."

Most markets have seen big box space blocks of at least 500,000 square feet soaked up rapidly in recent quarters, Lupton said.

"Less talked about is that in most markets, occupancy has significantly improved in locally oriented product within space blocks under 50,000 square feet," he added.

"But buyer beware -- not everyone is having a party. Regional space is still struggling in most markets - the 100,000-square-foot to 250,000-square-foot blocks remain a lot closer to recession highs than prerecession bottoms," Lupton said.

Phoenix is a prime example. The market as a whole is seeing occupancy improve by leaps and bounds, but the number of vacant blocks for midsized buildings is at a 6-year peak.

The Inland Empire looks to be one of the better markets; it has about half the number of vacant blocks in the 100,000-square-foot to 250,000-square-foot range as at its prerecessionary peak, but these blocks are still at two-thirds of their cyclical high.

Chicago is also starting to make progress, but like most markets, it has a long way to go before reaching equilibrium, Lupton said.

There will certainly be opportunities in the midrange of the market as fundamentals continue to firm up. But investors may want to build more downtime and rent concessions into their underwriting of regionally oriented product in places like these and in other pockets of the U.S. market where fundamentals remain relatively soft, Lupton said.

According to Fitch Ratings, two developing trends that may impact U.S. industrial REITs in the coming months relate to Asia and property trade volumes. First, expansion in Asia may be a harbinger that REITs are looking to take advantage of tenants' global operations and economic growth in that region.

Secondly, increased deal flow among established and newer REITs, institutions, and end users may result in continued capitalization rate compression, which indicates good liquidity for the property type.

Industrial REITs continue to be active buyers and sellers, indicative of good liquidity in the asset class. Likewise, unencumbered property pools continue to allow industrial REITs flexibly to engage in portfolio recycling and pledge assets to obtain additional funding.

Indicative of further momentum, limited new supply has bolstered industrial occupancy rates to 90.8% in 2011 from 90% in 2010, according to CoStar numbers cited by Fitch. The rating agency anticipates that these factors will collectively spur low single-digit same-property NOI growth for the remainder of 2012, continuing the upward path that began from the first-quarter 2010 trough.

Several companies have already revised their 2012 same-store NOI guidance upward, including Prologis Inc. to 1%-2% from 0%-1% originally; First Industrial Realty Trust Inc. to 2.5%- 4.5% from 2%-4% originally and EastGroup Properties Inc. to 0%-2% from (0.5%)-1.5% originally.

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

消費者市場利率：房貸、基本利率、等等

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	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	-	0.00
Prime rate*	3.25	3.25	3.25	3.25	-	0.00
Libor, 3-month	0.47	0.47	0.58	0.25	0.22	-0.14
Money market, annual yield	0.50	0.50	0.63	0.44	-0.12	-0.81
Five-year CD, annual yield	1.38	1.39	1.92	1.30	-0.50	-1.24
30-year mortgage, fixed	3.80	3.83	4.71	3.80	-0.80	-1.86
15-year mortgage, fixed	3.16	3.18	3.89	3.16	-0.63	-2.03
Jumbo mortgages, $417,000-plus	4.41	4.40	5.22	4.39	-0.70	-2.38
Five-year adj mortgage (ARM)	2.92	2.91	3.36	2.83	-0.28	-2.02
New-car loan, 48-month	4.35	3.92	4.46	3.05	-0.53	-3.01
Home-equity loan, $30,000	4.70	4.70	4.92	4.65	-0.11	-1.14