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COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **[Pricing Recovery Broadens Across CRE Property Spectrum]**

  自五月起，商業地產價格以較其他經濟指標更快的速度回升

  Commercial real estate pricing continued to recover through May 2012 at a fairly surprising pace across the board given the disappointing level of U.S. job growth and other economic factors, with gains expanding from the best institutional-grade buildings to smaller and more general quality properties.

- **[U.S. REITs Perform Well While The Rest Of The World Lags]**

  美國房地產信託基金表現良好，優於世界其他地區

  In spite of lingering and persistent economic uncertainty in the US, which has recently translated into a worrying dip in domestic retail sales, REIT industry analysts and investors emerged from the industry's annual REIT Week gathering in New York this summer with marked optimism about the outlook for commercial real estate in the second half of the year.

- **[Big Sales, Public Offerings Spotlight Hot Summer For Hotel Investors]**

  七月酒店投資火熱

  A summer heat wave has left many sweltering through much of the nation this summer, but the hotel investment market is generating some July heat of its own during the peak month for vacations, as evidenced by a pair of blazing hotel acquisitions and financings.

RETAIL

購物商場

- **[Wal-Mart And Target Open Smaller Stores In Urban Cities]**

  大型連鎖超市Wal-Mart和Target在城區開較小店鋪

  Wal-Mart Stores and Target are opening smaller stores in urban parts of Southern California, with Wal-Mart Neighborhood Market opening in Huntington Beach and City Target arriving in Los Angeles neighborhood Westwood. Both retailers plan to open more of such stores in the region, with each planning one for the urban core of Los Angeles in coming months.

- **[Starbucks Plans 3 New Evolution Fresh Stores]**

  連鎖咖啡店巨頭Starbucks計劃在西雅圖和舊金山開三家 Evolution Fresh 品牌果汁店

  Coffee giant Starbucks aims to capitalize on the growing premium juice market with the opening of two Evolution Fresh units in Seattle and a third in San Francisco.

- **Five Guys Burgers: America's Fastest Growing Restaurant Chain**

  Five Guys Burgers——美國增長最快的連鎖餐廳

  Five Guys Burgers & Fries took its name from the five sons of founder Jerry Murrell, all of whom work with their 68-year-old father to lead what has become the country's fastest-growing restaurant chain and the one to beat when it comes to better burgers.

- **Chipotle Sees Slower Growth At Established Stores**

  連鎖快餐店Chipotle穩步增長但低於分析師預期

  Denver-based burrito chain Chipotle's same-store sales rose 8% in the second quarter, a healthy rise but one that fell short of analysts' estimate of 10.1%. The lower-than-expected growth figure came amid a general slowing of the economy and reduced consumer spending.

MULTIFAMILY

公寓樓

- **Multifamily Strength Enticing Banks Back into CRE Lending**

  公寓樓走強吸引銀行貸款

  Interest in multifamily properties is leading the comeback, but many bank executives said that is just the jumping in point and not the sole purpose for getting back into lending.

- **Fundamentals Shift, But Multifamily REITs Still Benefit**

  基本面不穩定，但公寓樓為標的的房地產投資信託基金仍在獲利

  REITs investing in residential apartments have benefitted from the tighter rental market. As total-return data from the National Association of Real Estate Investment Trusts (NAREIT) shows, REITs investing in residential apartments have turned in strong short-, mid- and long-term performances during the past decade.

INDUSTRIAL

工業倉庫

- **Watson Land Co. Plans $80-Million Industrial Project In Chino**

  洛杉磯和長灘港口吞吐量增加促使開發商Watson Land Co.在奇諾市建造造價八千萬的工業混用物業

  Increasing shipping traffic at the ports of Los Angeles and Long Beach has prompted developer Watson Land Co. to build an $80-million industrial complex in Chino on speculation of finding renters at a later time.

- **Despite Lack of Rent Growth, Large Warehouse Portfolios Attract Renewed Investor Interest**

  儘管租賃增長不明顯，大型倉庫投資組合吸引機構投資者

  With demand for U.S. industrial space rebounding and still relatively little new supply on the horizon, institutional investors are once again out scouring the market for warehouse portfolios, prompting heated bidding for larger and pricier transactions.

OFFICE
辦公樓

- **U.S. Office Rent Growth Lags despite Rising Tenant Demand**

  美辦公樓租金收入尚未反映租賃需求的增長

  Although rising levels of office absorption and a falling U.S. vacancy rate signal a strengthening market, the gains have yet to translate into meaningful rent increases for office landlords in most markets.

- **Office Recovery Stalls on Less-than-robust Economic Activity**

  辦公樓復蘇停滯，第二季度空置率仍為 17.2%

  High hopes for an ongoing recovery in the U.S. office sector were frustrated in the second quarter as vacancy remained unchanged at 17.2%, this despite a respectable 4 million plus square feet increase in occupied space. Expectations for higher rents were similarly dashed with the quarter’s feeble showing of just 0.3% gains in both asking and effective averages.

FINANCING
貸款與資金

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

  消費者市場利率：房貸、基本利率、等等

Pricing Recovery Broadens Across CRE Property Spectrum

自五月起，商業地產價格以較其他經濟指標更快的速度回升

By Randyl Drummer (CoStar)

Commercial real estate pricing continued to recover through May 2012 at a fairly surprising pace across the board given the disappointing level of U.S. job growth and other economic factors, with gains expanding from the best institutional-grade buildings to smaller and more general quality properties.

The two broadest measures of aggregate pricing for commercial properties within the CCRSI that comprise the equal-weighted U.S. Composite Index, which tracks investment grade and general commercial sale prices, each posted gains in May over year-ago levels, based on 853 repeat sales recorded during the month and more than 100,000 repeat sales since 1996, according to July's CoStar Commercial Repeat Sale Indices (CCRSI) report.

In another promising sign for the investment market and prospects for firmer pricing, the percentage of commercial properties selling at distressed prices in May was the lowest since mid-2009. Rising occupancy levels in most markets and increasing rents in the multifamily sector have dampened the overall level of distressed trading, helping lift commercial property pricing.

Both the U.S. Value-Weighted Composite Index and the U.S. Equal-Weighted Composite Index posted year-over-year growth in May, a sign that the pricing recovery is reaching across all size and quality categories within U.S. commercial property.

The U.S. Value-Weighted Composite Index weights each repeat sale by transaction size or value and is heavily influenced by larger transactions. The index reached its highest level in more than three years, since early 2009, reflecting the sharpening appetite of investors for high-end assets, especially within primary gateway metro areas and for institutional-grade multifamily assets.

Meanwhile, the 6.6% increase of the Equal-Weighted Composite Index in May over the same month last year was the largest gain since before the start of the Great Recession in 2007. Improvement in the equal-weighted index, which measures each sale pair equally and better reflects the market influence of the smaller transactions that make up the bulk of CRE transaction volume, has picked up speed over the last several months.

In fact, the uptick in pricing shows that demand growth for smaller and lower-quality commercial property assets has caught up with demand for institutional-quality properties in recent quarters. Over the past year, growth in demand has been consistently strong for investment grade, while generally trending up for the general commercial sector.

However, the equal-weighted index has only recovered 8.8% since it reached its trough in March 2011, compared with a 36.1% improvement for the value-weighted index, which bottomed earlier, in January 2010.

Strong leasing activity in technology driven office markets such as San Francisco and Austin, TX and in lower-cost national distribution warehouse hubs such as Chicago and Dallas, TX has driven relatively strong absorption over the past year of institutional quality properties.

A slackening of demand in the retail market eroded the top-line numbers for general-grade properties, despite moderate absorption in the office and warehouse markets in second-quarter 2012.

U.S. REITs Perform Well While the Rest of the World Lags

美國房地產信託基金表現良好，優於世界其他地區

Source: FTSE Global Markets

When the lights failed in the midst of NAREIT's annual Investor Forum at the New York Hilton in June the temptation to draw allusions with making property investments in the dark were inevitable. Even so, the power cut out could not disguise the fact that real estate investment trusts (REITs) have been a shining light in the US investment sector so far this year, with strong performance driven by growing optimism about the prospects for commercial real estate in the US in the second half of 2012. Mark Faithfull looks at the drivers of change.

In spite of lingering and persistent economic uncertainty in the US, which has recently translated into a worrying dip in domestic retail sales, REIT industry analysts and investors emerged from the industry's annual REIT Week gathering in New York this summer with marked optimism about the outlook for commercial real estate in the second half of the year.

The US REIT sector has raised $25.6bn in the year to date, with the most active sector retail having raised $6.9bn, followed by healthcare with $5bn. Key sectors including retail, multi-family residential, industrial and even CBD offices have shown encouraging signs of recovery and at the halfway point of the year, the FTSE NAREIT All REIT Total Returns Index was up 10.88%, after a blip in May when it hit its highest year level.

Meanwhile, a survey conducted by consulting specialist PwC and the not-for-profit research facility Urban Land Institute confirmed growing -optimism, with survey participants forecasting "good-to-excellent" profits for 2012 up from 42% at the begin-ning of the year to 48% in the most recent report.

Actually, the survey builds on a very positive 2011, when the total returns of listed US equity REITs—which is far larger than the relatively minor unlisted REIT sector—were approximately four times those of the broader stock market. The total return of the FTSE NAREIT All Equity REITs Index was up 8.28% for the year and the FTSE NAREIT All REITs Index, which includes both equity and mortgage REITs, was up 7.28%, compared with a 2.11% gain for the S&P 500.

The gain for equity REITs in 2011 came on top of a 27.95% jump in 2010 and a 27.99% increase in 2009—years in which the S&P 500 gained 15.06% and 26.46%, respectively. Much of REITs' performance advantage has come from the stocks' dividend payouts, since almost all of a REIT's taxable income is paid to shareholders as dividends. The FTSE NAREIT All Equity REITs Index's 8.28% total return in 2011 included a share price return of 4.32%, and the FTSE NAREIT All REITs Index's 7.28% total return included a share-price return of 2.37%. "The strong, continuing income stream from REITs is an important component of the appeal of REIT shares for investors," says NAREIT president and chief executive officer Steven Wechsler. "REIT dividends boost an investment portfolio’ s performance in good times and help insulate it from downside shocks in turbulent market conditions.”

In all, REITs raised $51.3bn in public equity and debt in 2011, beating the previous 2006 record of $49bn. REITs have used the equity raised to manage their leverage and at December 31st last year, the listed US REIT industry’s ratio of debt divided by total market capitalisation stood at 38.6%, a little below its historical average and a relief to those concerned at leverage rates during the trough of the downturn.

Indeed, the Americas region was the only segment of the global listed property market to deliver positive returns last year. On a dollar basis, the Americas sector of the FTSE EPRA/NAREIT Global Real Estate Index delivered a 3.99% total return for 2011, compared with negative total returns of 13.38% for Europe; 18.20% for the Middle East/Africa and 19.74% for Asia/Pacific.

Improved fundamentals

Ratings agency Fitch Ratings believes that US equity REITs are likely to see improved fixed charge coverage and property fundamentals, while maintaining strong capital market access. It highlights opportunities for multi-family REITs, in particular, for the remainder of the year. Conversely, it believes that suburban office REITs will continue to face challenges.

With continuing macro-economic uncertainty, it is no surprise that value-added opportunities, new leasing strategies and the strategic disposal of non-core assets were the major themes discussed by the nation’s biggest real estate investment trusts at the National Association of Real Estate Investment Trust’s (NAREIT’s) annual investor forum. There is also an inevitable (and global) shift towards premium product and those with prime assets undoubtedly sit prettiest; the flight towards quality combined with a low level of supply, looks to be boding well for Class-A real estate holders.

In order to sweat such assets, Chicago-based retail giant General Growth Properties (GGP) is to focus on raising occupancy above the current 94.7% rate, while it plans to drop its US mall count from 135 to 125, while growing its Brazilian mall portfolio from 15 to 19 properties. “Our focus is about leasing, leasing, leasing,” says chief executive officer Sandeep Mathrani.

GGP has revamped its senior management team and shed more than 1,000 employees since emerging from bankruptcy in 2010. It derives about 80% of its income from its 85 Class A malls. “We are trying to sell off our lower productive malls, which generally range in the $330 to $340 per sq ft sales range,” says Mathrani. Average sales for the trust’s portfolio are at $530 per sq ft.

However, he also believes there is still scope for profit development with retail properties away from prime. “Someone asked me what I would do if I had $1bn to invest, and I said, it depends on the desired horizon,” he recalls. “If I’m looking at five years to pull out profit, I’d put it all in Class B malls which have a shorter return time, if it was longer term I’d go with core malls.”

Meanwhile, Ohio-based DDR Corp, which owns 481 value-oriented shopping centres across 39 states was also upbeat about the state of retail, and claims that 90% of the portfolio is performing at Class A levels, with 94% average occupancy overall. The REIT is focusing on leasing its core properties while also disposing of non-core assets, such as the recent sale of an office portfolio in Maryland for $31.1m. “We have been trying to sell the stuff that doesn’t belong,” says Dan Hurwitz, president and chief executive officer. “With that sale we are almost purely a shopping centre REIT, and we are going to move to sell more to become a purely prime centre REIT.”

He feels the biggest issue for retail is that there is insufficient development to keep up with tenant growth desires and that such development is being held back by the gap between landlords’ rental expectations and how much retail tenants are prepared to pay. Because of this, he believes that owners will focus on investing in their existing real estate holdings, rather than constructing new centres. “It’s much wiser for a developer or owner to take capital and invest into existing assets and -maximize the value of what you have,” he says.

However, all is not well in the US retail sector. Retail sales in the US unexpectedly fell in May for a second consecutive month, prompting economists and analysts to cut their fore-casts for economic growth as lukewarm job and income gains kept consumer -confidence low. The 0.2% decrease matched April’s drop, Commerce Department figures from Washington reveal. Sales excluding car dealerships slumped by the largest margin for two years.

Commentators have put the poor sales data down to the most subdued wage gains for a year and an unemployment rate running at a little above 8%, both of which, along with uncertainty over the global economy, are taking their toll on consumer confidence. Federal Reserve policy makers are gathering this week to determine whether further stimulus is needed for the US economy to help fuel the three-year expansion programme.

The two month drop comes in sharp contrast to the preceding months when retail sales rose an average of 0.5% a month from September through to March. The latest data for chain-store sales in June is less hopeful. The Johnson Redbook index of weekly retail sales rose at just a 2.0% rate in the most recent figures for the week ended June 9th, down from a 3.3% rise the week before. This was the smallest gain in more than 14 months and month-to-date sales rose 2.5% over the last year and 0.6% relative to May.

In the office sector, SL Green Realty Corp, New York City’s largest office landlord, says it is re-entering Manhattan’s Midtown South after selling off assets in the Manhattan sub-market in 2006 and 2007. Marking its return to the area, the REIT recently purchased 304 Park Avenue South for $135m and SL Green president Andrew Mathias says the company is planning more acquisitions in the Flatiron District and Gramercy Park: “We are actively looking for other opportunities. There is a very broad base of tenants looking for that Downtown/Midtown South-type lifestyle.”

The REIT has determined to focus away from buying projects at the circa $1,000 per square foot rate but instead buildings in the $400 to $500 range, providing value-added opportunities for asset management. “The key is to buy in a location where you have a desirability advantage and then -maximize your premium. There are lots of options out there and the key is just to make it so attractive to tenants," he says.

Douglas Linde, president of Boston-based REIT Boston Properties, which owns and operates class A properties in five markets, including New York, Boston, Princeton, San Francisco and Washington DC, adds of demand: "There are tenants out looking for 100,000 sq ft blocks of space that need to make a decision by early 2013 or 2014."

Industrial and multi-family

One of the highlights among REITs has been the performance of the industrial sector. Year-to-date total returns for the sector were 13.63% and the multi-family sector has also witnessed a significant boost from the housing crisis, up 8.2% in 2012 alone.

Ric Campo, chairman and chief executive officer of Camden Property Trust, says that his company is ramping up its development pipeline and -maintains that he still sees room for growth. "The fundamentals in our business right now are incredible," he says. "They're about as good as they get right now. The position from a supply-and-demand perspective is really good."

William Bayless Jr, president and chief executive officer of Austin-based American Campus Communities, a student accommodation REIT worth $4.8bn, says privatisation of on-campus student housing is becoming more popular in the industry, even among major public institutions and the Ivy League. "It has become mainstream," he insists. "Historically, the Ivy League and premier flagship institutions were very proud of their own internal abilities in terms of delivering real estate and capital assets. And that has evolved, given financing limitations. Even the wealthiest institutions have said, if there are companies that have a core competency that can help us deliver better market-based products more cost-effectively and more efficiently, then we should not waste our own precious dollars," he adds.

Virginia-based AvalonBay Communities, an equity REIT with 199 apartment communities containing nearly 60,000 units in nine states and Washington DC, says the REIT saw growth exceeding 10% for the second consecutive quarter in Q1 and is expecting $2bn in this cycle. Timothy Naughton, president and chief executive officer of AvalonBay, says the company will continue to focus on coastal markets as supply becomes limited and pricing increases. "We do believe there is a significant amount of pent-up demand," he says. "There are about four million young adults living at home, just given long-term trends, and they will all form households."

However, for all the positive noises, the two major concerns affecting the outlook for commercial real estate continue to be the financial crisis in Europe and weak new jobs growth domestically. US REITs have bucked the bad news over the past 18 months and all the indications are that commercial real estate could enjoy a very positive 2012 when the final numbers are rolled. But there are enough known unknowns to send the jitters through even a resurgently confident market and the ongoing lurches across the eurozone especially could yet dent a very American comeback.

Big Sales, Public Offerings Spotlight Hot Summer For Hotel Investors

七月酒店投資火熱

By Randyl Drummer (CoStar)

A summer heat wave has left many sweltering through much of the nation this summer, but the hotel investment market is generating some July heat of its own during the peak month for vacations, as evidenced by a pair of blazing hotel acquisitions and financings at the outset of the third quarter.

Major deals announced just this week include DiamondRock Hospitality Co.'s blockbuster $495 million portfolio acquisition from Blackstone, and Pebblebrook Hotel Trust's purchase of two hotels in Seattle and Portland for a total $63 million this week.

The deals appear to confirm forecasts of industry analysts that the second half of 2012 will bring a steady stream of investor capital into the hospitality and lodging space.

REITs such as Pebblebrook and DiamondRock are also teeing up on public offerings despite tepid overall stock market performance of late, a sign of confidence in a hotel market prospects despite the ongoing unevenness of the economy.

The national hotel sector has shown steady improvement in room demand and revenue, while average daily rates and RevPAR are steadily closing in on previous peaks, according to Marcus & Millichap's second-quarter Hospitality Research report. U.S. RevPAR (revenue per available room) growth was up a strong 8% in second-quarter 2012, according to Smith Travel Research (STR), following 7.9% growth in the first quarter.

Analysts' expectations for solid leisure travel and business traveler volume in coming months are based partly on lower prices for gasoline. And revitalized asset performance with little new hotel stock being added continues to push investors to acquire properties, according to the report authored by David Luther, national director for M&M's National Hospitality Group.

"With almost no supply growth and if the economy actually shows improvement, we believe these figures could remain in the mid-high single-digits for some time," said William C. Marks, REIT analyst with JMP Securities.

Following positive sentiments the June NYU Lodging Conference and given recent Smith Travel Research trends, Marks expects lodging companies to report in-line quarters and strong outlooks for the second half of 2012.

Industry forecasts predict that overall U.S. hotel transaction activity is expected to accelerate during the second half of 2012. That's in addition to some fairly hefty deals during the second quarter, including the following:

Oaktree Capital Management partnered with Woodridge Capital Partners to purchase the storied Fairmont Hotel in San Francisco from Maritz, Wolff & Co.for close to $200 million;

Loews Hotels & Resorts last month closed the acquisition of the 632-room Renaissance Hotel & Spa in Hollywood, CA from CIM Group in a deal valued in media reports at around $165 million;

RJL Lodging Trust acquired the 226-room Courtyard by Marriott NY in the Upper East Side from Madison Equities LLC for $82 million.

The second-quarter deal volume doesn't include an agreement by French hotelier Accor SA to sell the Motel 6 division to an affiliate of Blackstone Real Estate Partners VII for a total value of $1.9 billion, a deal that hasn't yet closed.

Also last month, Marriott International revealed an aggressive plan to invest $2 billion in hotels globally over the next few years, followed by an announcement by rival Starwood Hotels & Resorts Worldwide Inc. to double its presence in China.

Transaction volume will only increase through the end of the year, with buyers including both REITs and private equity companies, analysts said.

"It is our belief that with continued improvement in equity valuations and limited supply growth, hotel REITs, which were responsible for a large portion of 2010/2011 transaction activity, may be back at the negotiating table soon," Marks said in a report to investors on the hotel and resorts sector.

For example, a key strategy for Starwood Hotels & Resorts is potential asset sales to unlock value in an "asset light" strategy.

"Until recently, market turbulence has slowed down transaction activity as buyers and sellers remained cautious. However, dispositions are becoming more and more likely and [Starwood] management has specifically referred to the potential for 'non-trivial' levels of asset sales," Marks said.

The luxury segment had RevPAR growth of about 10% in the second quarter, with other segments posting growth ranging from 6.1% to 8.2%. Every one of the top 25 markets may have registered positive RevPAR growth during the quarter, including Dallas and Washington, D.C. that were negative in the first quarter, with 11 markets posting double-digit RevPAR gains.

San Francisco, Houston, St. Louis, and Los Angeles all posted greater than 14% RevPAR growth during the quarter.

According to preliminary month-end data released by STR last week, positive trends continued during June, with average U.S. RevPAR growth up 8-10%, with 3-5% percentage point increase in occupancy. The luxury segment had RevPAR growth of 10-12%, with other segments ranging from 7-10%.

The continuing trend of low supply makes it a seemingly good time to be a net buyer, Marks said. Citing Host Hotel management comments at the NYU conference, Marks said hospitality companies do not need debt markets to return to 2006 levels to get deals done.

"We do know from our covered companies that many REITs are focusing on identifying individual assets to pick off, rather than portfolio deals, to avoid competing with private equity money," Marks said.

Marcus & Millichap reported that investors generally remain focused on hotels in major markets, which typically benefit from stronger local economies and a broader, more diverse array of demand drivers. "Nationally, investors' appetites for troubled properties also remains keen, but opportunities are dwindling as more lenders work out distressed situations," the report said.

On the financing front, funding from the Small Business Administration (SBA) continues to support additional investment activity, especially for select- and limited-service properties selling for less than $10 million. Deals involving larger full-service assets, however, may be held in check in the coming months due to widening spreads in the CMBS market, Marcus & Millichap said.

Wal-Mart and Target Open Smaller Stores in Urban Cities

大型連鎖超市 Wal-Mart 和 Target 在城區開較小店鋪

By Shan Li (Los Angeles Times)

Putting aside their big-box ways, giant retailersWal-Mart Stores Inc.andTarget Corp.are going urban with a new look and a metro-oriented feel as they expand in Southern California, starting this weekend.

Locally grown produce is in plentiful supply. Grab-and-go sandwiches are ready. And many of the shopping carts are smaller. Grand opening signs are in place. Patio furniture is nowhere in sight.

The discount chains are hustling to expand as big-box retailers race to slide smaller stores into dense city neighborhoods, putting them head-to-head against dollar stores and local markets already there. Retailers such asBest Buy Co.are also eyeing urban centers as drivers of growth.

"Retailers once opened a lot of stores in rural areas because that is where people were going," said Brian Sozzi, chief equities analyst at research firm NBG Productions in New York. "Now as people move back to the city for higher-paying jobs or lower commuting times, they are trying to get into cities."

On Friday, Huntington Beach residents will see a new grocery-centric Wal-Mart Neighborhood Market opening on Beach Boulevard not far from the ocean. On Sunday, shoppers in Westwood will be able to start browsing at the new CityTarget on Weyburn Avenue near UCLA.

Both retailers plan to open downtown Los Angeles stores in the months to come, CityTarget in October and Wal-Mart Neighborhood Market in Chinatown early next year.

To penetrate the urban core, Wal-Mart and Target are opting for smaller-than-normal footprints and a carefully selected assortment of goods.

At 31,000 square feet, the Neighborhood Market in Huntington Beach is about one-sixth the size of a Wal-Mart Supercenter and takes over a space formerly occupied by a Rite Aid pharmacy. The supermarket concept carries fresh produce, bread and general merchandise, part of a push by the world's biggest retailer to open 20 such grocery stores in California in the next year.

A day before opening, fresh peaches were stacked in a pyramid and pineapples lined up in neat rows in the produce department. Steaks and chickens glistened under cellophane in the meat section. A pharmacy is tucked to one side, next to the magazines and beauty products.

"Huntington Beach is the first among several Neighborhood Markets announced in California," said Steven Restivo, Wal-Mart's senior director of community affairs. "Similar to the downtown site, it will have a focus on full-line groceries with a limited assortment of health and beauty, cleaning products, pet supplies, pharmacy."

In contrast, CityTarget stores are essentially a smaller version of the standard Target with a heavy emphasis on household basics for urban residents on foot and commuters taking public transportation.

The 92,000-square-foot Westwood store opening Sunday, which sits across the street from a Trader Joe's and underneath a Ralphs supermarket, has the feel of a Target tweaked to maximize efficiency.

Shopping carts are small. There is no children's or patio furniture. Bags of pet food go up to only 17 pounds, unlike the 40-pound packages that can be found at standard Target stores. A digital screen at the entrance updates shoppers on the local weather.

Cary Strouse, the company's vice president of stores for the Western region, said that urban shoppers tend to buy less per trip than their suburban counterparts but frequent their local stores more often on an as-they-need-it basis.

"It's about what the guests can or can't carry home. Often, they ride mass transportation," Strouse said. "So you see a lot of household basics."

Analysts say retail chains are rushing into cities after saturating suburbia throughout the country, following dollar stores that have proved urban cores can be extremely profitable with the right assortment of goods.

"You have retailers like Family Dollar or Dollar General going to urban areas that have been very, very successful," said Britt Beemer, a retail expert at America's Research Group. "What's made Wal-Mart and Target begin to rethink their position has been the success of dollar stores that go into these urban centers. They are their best-performing stores."

Elise Perlmutter, a longtime New York resident who now lives in Westwood, thinks it's about time. Despite the years spent in car-centric Los Angeles, Perlmutter, 42, said she has always pined for an all-purpose store within walking distance from her home, just like in her old neighborhood in Manhattan.

"I have been waiting for this for a long time," said the online ad saleswoman, standing outside the CityTarget a few days before opening. "I'm a regular Target shopper, but I have to drive to the nearest one and take the 405. It's so crowded that I just can't go over the weekends. Now I can just walk here."

But as many former suburbanites can attest, adjusting to urban life is not always a smooth transition. Neither the CityTarget in Westwood nor the Neighborhood Market in Huntington Beach has prompted much local controversy, but Wal-Mart's plans for a grocery store in L.A.'s Chinatown have generated angst.

Starbucks Plans 3 New Evolution Fresh Stores

連鎖咖啡店巨頭 Starbucks 計劃在西雅圖和舊金山開三家 Evolution Fresh 品牌果汁店

By HANG NGUYEN (The Orange County Register Business)

NEW YORK – Starbucks already conquered the coffee market. Now it wants to mix it up with fresh juices.

The Seattle-based company will announce on Friday the opening of three more Evolution Fresh juice stores, in addition to the one it opened earlier this year. Starbucks is also expanding distribution of ready-to-drink bottles of Evolution juice in supermarkets and other stores to capitalize on the rapidly growing market for premium juices.

The move is just Starbucks' latest push to move beyond its cafes at a time when the company is facing growing competition from fast-food chains that serve specialty coffees.

The ready-to-serve premium juice market has been a bright spot in the broader U.S. beverage market. Volume of premium juices was up 25% in the second quarter, according to the industry tracker Beverage Digest, with brands such as Bolthouse, Naked and Odwalla seeing significant gains.

"It's clearly part of the American lifestyle at this point," said Arthur Rubinfeld, president of global development for Starbucks and Evolution Fresh retail.

Starbucks purchased the Evolution Fresh brand late last year for $30 million. The California-based company uses fresh fruits and a process called high-pressure pasteurization to make the juice without heating it. Starbucks says that gives Evolution juices an advantage over competitors, since more of the nutrients are preserved.

The first Evolution store opened in March in Bellevue, Wash,. and also sells food such as wraps, salads and vegetarian and vegan offerings. Another store will open Friday in downtown Seattle. A second Seattle location and a San Francisco location will open this fall.

Around the same time, Starbucks also plans to open its first Tazo tea shop, which will offer more than 80 varieties of tea drinks, as well as packaged chocolates, infused sugars and honeys, near its headquarters in Seattle.

Additionally, the company in June bought a San Francisco-based bakery chain, La Boulange, that will start replacing the baked goods and pastries sold at Starbucks cafes. The company plans to make the bakery more of a national chain in the years ahead.

Five Guys Burgers: America's Fastest Growing Restaurant Chain

Five Guys Burgers——美國增長最快的連鎖餐廳

By Monte Burke (Forbes.com)

Jerry Murrell says it's time for lunch, and he knows exactly the place to go. The 68-year-old founder and chief executive of the brightest star in the restaurant industry jumps into his blue Ford pickup parked at the company's headquarters, a redbrick building in an unremarkable office park hard by Interstate 95 in Lorton, Va. He negotiates the back roads of the town--once home to a 10,000-inmate correctional facility--to a strip mall, which, of course, has one of his restaurants, Five Guys Burgers and Fries. He ambles in and, without glancing at the sparse menu he personally designed, orders a burger and some fries.

The staff--a gaggle of twentysomethings--is jumpy, deferentially calling him "Mr. Murrell." They have reason to be nervous. For the past two days this store, along with a dozen others, has been involved in an intense "fry calibration" class led by Murrell's third-eldest son, Chad, who has drilled them on the proper mix of starch, water and temperature needed to create the perfect french fry (Murrell believes cooking is about feel; there are no timers in his restaurants). "Fries are much harder than burgers," says Murrell. "We work day and night on them, all the damn time."

Such are the problems of being the fastest-growing restaurant chain in the U.S., which has doubled its number of stores since 2009. Murrell initially had the idea for a higher-quality burger restaurant back in 1986, as a way to keep his family nearby and, perhaps, make a little money on the side. He has succeeded grandly on both counts. He, his wife and all five of his sons (the "five guys") work for the company, live within 20 minutes of one another and vacation together every summer. And the money? The private burger chain has 1,039 stores open in the U.S. and Canada, and another 1,500 committed to build. Since 2006 the company has grown 792%, according to Technomic, a Chicago-based food industry research group. (Its nearest competitor is Jimmy John's, which grew 241% over the same period and has 1,329 stores.) Five Guys, with a mix of company-owned (200) and franchised (839) stores, has sold out all of its franchise rights in North America. The entire chain, including sales at the franchises, will surpass $1 billion in revenues this year, up from $950 million in 2011. Corporate revenues, from company-owned stores and franchise fees, will be roughly $275 million, with a cash flow of $50 million.

The seven Murrells each own equal shares of the -company, which add up to 75%. Miller Investments, a boutique Philadelphia firm, owns 20% of the company, and a few of Murrell's school buddies own the remaining 5%. The company is worth an estimated $500 million, which puts the Murrells' stake somewhere around $375 million. Not a bad return on an initial -investment of less than $70,000.

Five Guys rules what's known as the "better burger" category (hamburgers in the $8 range) of fast-casual restaurants, a $2.2 billion segment that grew 16% last year. (Five Guys represents nearly half of the segment.) The entire burger category is a $40 billion industry in the U.S., dominated by McDonald's, Burger King (BKC - news - people) and Wendy's. Growth there has been slower, at 3.2% last year. Should McDonald's and the others be worried about Five Guys? "We could never compete with them on price," says Murrell. Still, the big boys have taken notice. Both McDonald's and Burger King have -introduced burgers made with higher-quality Angus beef, moves Darren Tristano, an analyst at Technomic, views as a direct response to the "better burger" chains. "Five Guys' burger is better than McDonald's," says Tristano. "Americans have always fallen in love with a better product."

But still, there are those damned fries. Murrell sits at the table in the Lorton Five Guys and cracks open a few peanuts as he awaits his meal. When it arrives he digs into the brown paper bag for a fry. He scrutinizes it, holding it between forefinger and thumb. Then he takes a bite. After a few slow chews he nods his head. "Not bad."

MURRELL WAS BORN AND RAISED in a middle-class family in Alpena, Mich. His father "wasn't around much," says Murrell, and had an aimless professional career, doing stints in a car factory and as a stunt pilot. His mother was the opposite, a diligent saleswoman for Stanley (SXE - news - people) Home Products, a sort of Amway for brushes, mops and household cleaners. Murrell took to food early in life. "When I was a kid I'd wake up early on summer mornings, ride my bike to the brook and catch a bunch of trout and cook them up for breakfast," he says.

But any ambition he had in the food world was put on the back burner. "My mother always told me that if I didn't study, I'd be flipping burgers somewhere," says Murrell. "Little did she know." He went to Alpena Community College for two years, then to the University of Michigan, where he took a job running a fraternity house kitchen to help pay tuition. (His father died while he was in college.) He graduated in 1967 and, though he says his "heart wasn't into it," took a job with AXA Equitable.

Murrell then went through some calamitous years. He got married and had three sons (Jim, Matt and Chad). His mother died. He got divorced and shared custody of the boys. In 1974 he and his sons moved to northern Virginia. There he met a woman named Janie Androsik. They married in 1981. Two years later they had their first son, Ben.

In 1986, as his older boys neared the end of high school, Murrell came up with a proposition: The boys could go to college if they desired, or he could use their education money to start a restaurant. The idea was that the entire family would pitch in. Matt says his father's initial ambition was just to keep the family together. "His own family wasn't as close as he would have liked," he says. The decision to forgo college was a no-brainer for the kids. "I was pretty -excited when the old man said he was starting a business," says Matt, who is now 43. "The idea of going to college terrified me."

For a little less than $70,000 Murrell opened the first Five Guys in Arlington, Va. “It was in the middle of nowhere, there was no parking and no place for customers to sit and eat,” he says. The “five guys,” originally, were Murrell and his four boys. Jim, Matt and Chad all worked in the restaurant, doing everything from cooking to cleaning the bathrooms. (Ben was too young to work.) Janie kept the books. Another son, Tyler, was born in 1987. From that point on the “five guys” referred to his sons, says Murrell.

There were tough times early on. Employees stole money from the register. There were intrafamily squabbles. “We’d have arguments, and one brother would walk out of the restaurant in a huff,” says Matt. “Then you’d realize, ‘Damn, I have to finish his shift.’” One fight escalated to the point where Matt tried to hit Jim with a mop but ended up popping himself instead.

But the store thrived, thanks to word of mouth and some positive reviews in the local press. Murrell quit his job at AXA. “We all started dreaming then,” he says. “Not of being huge but of duplicating what we’d done in that one store. It seemed simple enough.” The difficulty came with raising money. “The banks just laughed at us,” says Murrell. So he turned to 100 friends and acquaintances and asked for loans of $10,000 to $30,000. “We gave them high interest, and we always paid them exactly on time each month,” he says. (Murrell is a fanatic about being on time; he used to fine his kids for being late to their shifts.) A second restaurant opened in 1989. A handful more opened in subsequent years. The new places had a positive effect on family harmony. “We needed to spread everybody out a bit,” says Janie, now 62. “We were all working together while living under the same roof.”

As they expanded Murrell was adamant about one thing: The menu had to stay the same. Just burgers and fries, and good ones. The burgers were handmade and never frozen. The hand-cut fries, also never frozen, were sourced from northern climes (“Denser texture,” says Murrell). “We kept trying to refine what we already did,” he says. He set his house on fire while trying to figure out how to cook better fries. There were some brief pokes at adding new items to the menu. Coffee was a disaster. “Kids just don’t know how to do coffee right,” Murrell says of his employees. They tried a chicken sandwich for a week, then pulled it. “My fear was that we’d add something new and not be good at it, then some reviewer would write about how bad our coffee was and not how good our burgers and fries are,” says -Murrell. A hot dog, a veggie sandwich and a grilled cheese sandwich eventually did make it onto the menu.

From the beginning the seven Murrells have made business decisions by a unanimous vote. To this day the entire family meets every Tuesday at 1 p.m. at the Lorton headquarters to talk business. The meetings can get boisterous. “We have soundproofed walls in the meeting room, and my office is on one side and Janie’s is on the other,” says Chad. “We don’t want the rest of the office hearing us go at it.”

Their biggest decision came in 2002. By then there were five restaurants, all in northern Virginia. There appeared to be an appetite for more, and franchising seemed like the way to do it. Murrell was initially against it. “I just wasn’t sure I could get strangers to buy into our concept,” he says. But his sons--led by Matt--pushed him. Matt bought his father a copy of Franchising for Dummies, co-written by Wendy’s founder Dave Thomas. The book struck a chord. And around that time the family met Mark Moseley, the former Washington Redskin and the last “straight ahead” kicker in the NFL. Moseley had a burger joint of his own and had been interested in franchising “before my partner sold it out from under me,” he says. Moseley and the Murrells met with Fransmart, a franchise-development company. The family all voted in favor of the move. Moseley was hired to head up franchising.

Within three days of the decision, Murrell says, the franchising rights to Virginia were sold out. “Word just got out,” he says. And thus began one of the most remarkable franchising runs in recent restaurant history. Fransmart tapped its national database for potential franchisees. Five Guys caught fire, says Dan Rowe, the founder and chief executive of Fransmart, when existing franchisees starting adding additional stores. “The biggest problem Five Guys had was herding the new franchisees and getting them to buy into the concept,” he says. “Everyone came in with their own opinions about what should be on the menu.”

Other “better burger” chains existed before Five Guys. In-N-Out Burger, a western chain, was founded in the late 1940s. Fuddruckers started in 1980. But the revolution started in earnest in the mid-2000s with the rise of Five Guys. Smashburger soon followed suit and now has 162 units. Famed New York City restaurateur Danny Meyer founded Shake Shack in 2004, which has 15 restaurants. Meyer says he doesn’t see Murrell as a competitor but rather as “a friendly restaurant colleague.” Murrell actually asked Meyer to speak at a Five Guys franchisee convention in 2009, which Meyer says struck people as “odd.” He went anyway and talked about hospitality. Says Meyer: “A rising tide lifts all burgers,” perhaps the first time that phrase has ever been uttered.

Five Guys got some great press. In 2009 President Obama stopped in for a cheeseburger, with dozens of cameramen in tow. The next year golfer Phil Mickelson, unprompted, told a roomful of reporters that Five Guys served “hands down the best burger I’ve ever had.” (It was revealed a week later that Mickelson was an investor in Five Guys franchises.)

Potential franchisees came knocking. Murrell says he looks for a franchisee to have a net worth of at least $1.5 million and liquidity of $500,000. Franchisees pay an upfront fee of $20,000, then an additional $75,000 per store. The typical franchisee has 10 to 15 restaurants, which cost $350,000 to $500,000 to open and average $1.2 million in annual revenues. Five Guys collects 6% of gross revenues, which it pockets. -Another 1.5% is collected but given to the employees for what Murrell calls his “audits,” in which stores are monitored by -independent examiners for quality of service, safety and cleanliness. Crews that score well collect $1,000, awarded weekly.

Tom Horton, a managing partner in Richmond, Va.-based Monument Restaurants, is Five Guys’ biggest franchisee, with 75 stores open across the South, Midwest and California, and the rights to develop another 275. He says he became a franchisee in 2004 “because I tried the product and I liked it.” It’s been a good investment: Horton says that individual restaurants break even within two and a half years and have operating margins in the midteens.

Most franchisees have worked out well, but there have been a few problems. One sought to sue Five Guys for terminating his franchise rights after he closed a store without their permission. (Five Guys eventually bought him out.) Others have been nudged to sell their stores to more aggressive franchisees. But the biggest problem Murrell faces with his franchisees is their constant attempts to get him to add items to the menu. They push for chicken sandwiches and coffee. Recently they've been asking for milk shakes. "I bet we've had the shake conversation 6,000 times," says Horton. But Murrell always sticks to his guns. When he analyzes the demise of franchises like Boston Market, he sees one constant: "They all started to offer too many items and got away from their core."

The Five Guys franchise agreement is so tight that Murrell says he isn't sure he'd sign it. Horton agrees that Five Guys holds the firm upper hand. "They maintain first right of refusal," he says. "If you make a deal to sell your operation to a guy who's wearing green shoes, the Murrells can decide they don't like green shoes and nix the deal."

Still, Horton says, the Murrells have made some concessions along the way, especially during the worst part of the recession, when they eased their demands on franchisees to open new stores. After all, Five Guys had its own troubles during that time. "We were expanding like crazy and had all these leases and contracts signed, when suddenly we -couldn't get any money from lenders," says Murrell. They could have sold the business, of course. But Murrell didn't want to do that. Instead, Miller Investments doubled its equity stake.

But the recession ended up being a good thing for Five Guys. They got better real estate for their restaurants and hired better employees from competitors. A former Checkers executive is in charge of building new stores, and a former Burger King franchiser runs the Murrells' 200 company-owned stores. And the money came eventually: Five Guys now has a $100 million line of credit with GE and 6,000 corporate employees.

Murrell's sons have all settled into different roles in the company. Jim, 45, helps manage the entire operation. Matt opens new sites. Chad, 40, does the manager training. Ben, 29, is the IT guy. And 25-year-old Tyler oversees the bakeries that provide the Five Guys buns. The family still has their fair share of disagreements. Moseley remembers walking out of a meeting with a potential franchisee and seeing the boys and their father screaming at one another in the parking lot. "I thought there was going to be a -knock-down, drag-out brawl," says Moseley. "Then Jerry turns to me and says, 'Can't you see we're having a friggin' family meeting here?'"

Five Guys does have its share of real potential problems. "Everything has moved so fast," says franchisee Horton. With companies like Shake Shack and Smashburger on the scene, "it's become a much more competitive business." Even Five Guys' own restaurants are beginning to compete amongst themselves, a problem Starbucks (SBUX - news - people) ran into in the early 2000s. "Whenever we open a store within 10.5 miles from another, they eat away at each other," says Murrell. "That's a problem that I don't know how to get around." Ed Rensi, a former McDonald's CEO who has recently opened his own "better burger" concept, Tom & Eddie's, warns: "The faster you go, the harder it is to execute."

But potential investors don't seem to mind. Murrell says he meets with banks who want to take him public every three months or so. And he has met with private equity firms, including the Carlyle Group, interested in buying a majority stake. Murrell says he always politely listens but wants to stay private and in control for the time being.

And why stop now? Though the U.S. and Canada are sold out, Murrell keeps buying back franchises whenever he can so he can run them. "Those stores are more profitable, and they serve as good models for our franchisees to see that we do everything we ask them to do," he says. Murrell is even expanding overseas. He has an agreement with -Freston Road Investments, a British firm run by Charles Dunstone, the founder of British mobile phone retailer the Carphone Warehouse, to open 200 to 300 stores in Great Britain starting next year. He's had offers to open stores in the Middle East but says, "We'll get our feet wet in England."

Murrell has no immediate plans to step down, but his success has given him a bit more free time these days. He says he's working on his golf game, "but those damn windmills keep getting in the way." He goes deep-sea fishing in the Bahamas and Maryland. But he generally likes to keep life simple. "I look at him like a football coach," says Moseley. "He's the leader, and he hires good people and lets them do their jobs." Murrell likes to say that he had little to do with the success of Five Guys and that it was all due to Janie and the boys. Others have a different take. "He's a self-effacing guy, kind of a good old boy," says Horton. "But he's a benevolent dictator for sure." Says Chad: "It's his genius." And what motivates him? "He likes the money."

Murrell admits he likes the money but says it's more than just about him. "I enjoy seeing the kids, the managers and the franchisees make money. I like to see everyone have fun."

Chipotle Sees Slower Growth At Established Stores

連鎖快餐店Chipotle穩步增長但低於分析師預期

Source: Reuters

July 19 (Reuters) - Chipotle Mexican Grill Inc on Thursday said the sluggish U.S. economy slowed growth in sales at established restaurants during the second quarter, sending its shares down more than 6 percent.

The Denver-based burrito chain is one of the restaurant industry's best-performing names - frequently posting results that many operators would envy - and the unexpected deceleration took investors by surprise.

The company's sales at restaurants open at least 13 months, were up a healthy 8 percent, but fell short of the 10.1 percent gain analysts had expected, according to Consensus Metrix.

Chief Executive Jack Hartung said those sales cooled in late April and continued on that trend through May and June. He pegged the retreat to "a general slowing of the economy and reduced consumer spending".

Despite the disappointing sales, executives said they believed they still had the power to raise menu prices.

ITG Research analyst Steve West said he had expected Chipotle's same-store sales to land where it did, based on data that showed weaker spending growth by Chipotle diners.

Chipotle directly competes with Jack in the Box Inc's Qdoba burrito chain and other upstarts.

Earlier this month Yum Brands Inc's Taco Bell chain, which boasts about 50 percent market share in the Mexican fast-food category, debuted its "Cantina Bell" menu across the United States. That menu is similar to the one found at Chipotle, but prices are lower.

Shares of Chipotle, which was spun out of McDonald's Corp in 2006, fell 6.4 percent to $378 in extended trading.

Chipotle's second-quarter profit grew more than 61 percent to $81.7 million, or $2.56 per diluted share.

Analysts, on average, expected a profit of $2.30 per share, according to Thomson Reuters I/B/E/S.

Revenue for the quarter was $690.9 million, up almost 21 percent.

Executives forecast mid-single-digit percentage growth in sales at established restaurants for the full year and guided to an effective tax rate of about 39 percent.

Chipotle fired hundreds of workers in 2010 and 2011 after audits by the U.S. Department of Homeland Security's Immigration and Customs Enforcement (ICE) arm turned up undocumented workers on payrolls in Minnesota, Virginia and Washington, D.C.

The U.S. Securities and Exchange Commission, Homeland Security and the federal prosecutor's office for Washington, D.C., are investigating the company's compliance with immigration laws.

Fundamentals Shift, But Multifamily REITs Still Benefit

基本面不穩定，但公寓樓為標的的房地產投資信託基金仍在獲利

BY ED MCCARTHY, CFP (AdvisorOne)

Despite the slow improvement of home prices, apartment rents continue to increase.

The average Manhattan apartment rented for more than $3,400 this spring, an increase of 3% from last year and an all-time high, according to a report at MarketWatch.com.

Rents in large West Coast cities have been increasing rapidly, too. Real estate research firm Reis Inc., says that rents in the San Francisco area were up 5.9% in the spring from the previous year and were the fastest-rising rents in the U.S.

REITs investing in residential apartments have benefitted from the tighter rental market. As total-return data from the National Association of Real Estate Investment Trusts (NAREIT) shows, REITs investing in residential apartments have turned in strong short-, mid- and long-term performances during the past decade.

Table: FTSE NAREIT U.S. Real Estate Index Returns REITs

Compound Annual Total Returns (%)

	Dividend Yield %*	Year-to-date*	1-Year	3-Year	5-Year	10-Year
Residential Apartments	2.82	10.82	10.44	40.98	7.33	12.56
FTSE NAREIT All Equity REITS	3.25	16.11	12.48	32.40	2.60	10.32

*Through month-end June 2012. Data provided by NAREIT.

Calvin Schnure, vice-president, research and industry information with NAREIT, cites the slow economy as a driver of recent demand for apartments. “What happened with the apartment REITs over the past two years was they were really benefiting as housing demand shifted from single family into renter because of the housing crisis,” he says.

“People who either lost their homes and needed to rent, or might have considered buying but now they weren’t so sure because housing prices were weak or falling, or maybe they just couldn’t qualify for a mortgage—they went into apartments,” Schnure explains.

Schnure believes residential apartment REITs can still continue to deliver solid results but he says the factors driving the sector's performance are changing.

At the peak of the housing construction boom in 2006 builders supplied roughly an extra 2 million housing units more than what the population needed, he says—it was a speculative boom.

That condition of excess supply has changed, though, and since then, construction has been running well below the trend pace. Schnure maintains the pace of building isn't just below the boom's pace—it's below what's needed to keep up with population growth.

"A lot of things slowed in the economic crisis but one thing that did not slow was population growth," says Schnure. "So, the people who were 17 years old at the beginning of the crisis are 22 now and they're signing a lease right now or they want to sign a lease right now. This population growth is putting increasing burdens on our housing stock and we have not been building new housing. When you see these stories that the rental rates are starting to firm in a lot of cities, that means we're starting to see the signs that these markets are beginning to tighten."

The data support Schnure's case. He points to at least 3 million and possibly as many as 4 million or 5 million "shadow households." This group includes potential renters who have doubled up with roommates or are living with parents, for example.

When these persons start actively seeking rentals, they'll drive demand higher but they'll face a tighter supply in many markets due to a drop-off in apartment construction.

"In a strong year apartment construction is about 300,000 a year," says Schnure. "Working at a shortfall of 3 million rental units once the job market gets back on its feet, it's going to take 10 years to construct enough rental units to house the pent-up demand, the doubled-up population that's accumulated over the past couple of years. This is on a national figure of course--I'm not talking about specific markets." There may be some metro areas and some neighborhood where a few new apartment buildings open up, and that alleviate could the pressure on rents, he notes.

"But overall the magnitude of the pent-up demand, the doubled-up households and the people who are sharing living quarters is much greater than the construction even in the strongest year," the NAREIT executive notes.

Schnure believes that supply-demand imbalance bodes well for investors in residential apartment REITs, despite their stocks' higher prices.

What's his advice for investors who have watched apartment REITs move higher over the past two years and wonder whether they're fully priced?

"We're actually facing a situation where what these apartment REITs own, existing apartment buildings, are going to be in increasing demand, which actually sets the stage for continued strong gains," Schnure concludes.

Multifamily Strength Enticing Banks Back into CRE Lending

公寓樓走強吸引銀行貸款

By Mark Heschmeyer (CoStar)

The thaw in bank lending for commercial real estate appears to have quickened a bit in the second quarter based on comments from bank executives in their earnings conference call.

It is not a unanimous movement back into CRE lending as several of the larger banks are still working through mounds of distressed assets and many are still in cost-cutting mode. However, a number of others have decided the markets are ripening and the time is either right to return to CRE lending, or is fast approaching to do so.

Interest in multifamily properties is leading the comeback, but many bank executives said that is just the jumping in point and not the sole purpose for getting back into lending.

"We're not going into [the commercial real estate] market with just a bet that we're just doing multifamily," said Kirk W. Walters, senior executive vice president and CFO of People's United Financial Inc. "Certainly multifamily will be in the mix, it will be one of the things we'll be doing, but we'll be doing all types of commercial real estate."

"It's a business that we expect that we're going to build out, one that will be relationship oriented, and that we do have a good strong history on the commercial real estate side, but also other products and offerings that we'll be able to lever in that market," Walters said.

Nor are banks looking at just financing existing properties for investors.

Doyle L. Arnold, vice chairman and CFO of Zions Bancorporation, said the bank expects to see some growth in its construction and development category over the next several quarters.

"Most of the new construction loan commitments are in Class A apartment buildings," Arnold said. "Our multifamily lending continues to be the largest growth category or strongest growth category, up to about 10% annualized growth in the last six months."

Peter S. Ho, chairman, president and CEO of Bank of Hawaii, said in "commercial real estate and construction lending, we're actually up 5.6% year-on-year which is about the level that we think we can be looking at in the environment that we're in today. So, I think commercial has some upside, certainly that's what we're seeing in the pipeline."

James E. Rohr, chairman and CEO of PNC Financial Services Group, multifamily construction has been a big play this year but also sees the strength of the CRE market not in the product type per se but more in the borrowers.

"A lot of different REITs that are in [the market] have basically moved to quality. A lot of the foreign banks have moved away from that market, and clearly the quality that our bank -- and the calling effort and the history I think has worked very well for us in that space," Rohr said. "There has been some CMBS refinancing, and I think that's going to continue for the next two or three years."

Rene F. Jones, executive vice president and CFO of M&T Bank Corp., said most of the improvement in the CRE space "has lot to do with the low [interest] rate environment."

"We are finding that we are able to either restructure or workout transactions more favorably than we might have thought," Jones said. "And part of that is because other lenders or the markets are actually willing to sort of step in."

Banks also said the market has turned in their favor in regards to their foreclosed properties and distressed loans.

"We've continued to execute our strategy to aggressively liquidate foreclosed real estate," said Clarke R. Starnes, chief risk officer and senior executive vice president for BB&T Corp.

"This is having a very positive impact on reducing nonperforming assets and related credit costs and certainly contributing to higher earnings growth.

This quarter, we decreased foreclosed real estate $157 million or 41.5% compared to Q1. And since the second quarter of last year, foreclosed real estate is down $926 million or nearly 81%. As these balances are now down to $221 million, and we continue to be aggressive in our disposition as we go into the third quarter, we think we'll effectively complete the targeted OREO strategy in the next couple of quarters.

William Hartmann, chief credit officer of KeyCorp, said there is a tremendous amount of liquidity in the market and that is presenting more opportunities for the bank.

"We have had some performing but criticized loans where we've received some reverse inquiries from people who were willing to purchase those at relatively close to par," Hartmann said. "The accounting for that requires that, since there is a slight discount to our carrying value, that we actually move those into nonperforming in order to account for that discount -- that discount does flow through the net charge-offs, and then we could actually sell the assets."

Watson Land Co. Plans $80-Million Industrial Project in Chino

洛杉磯和長灘港口吞吐量增加促使開發商 Watson Land Co.在奇諾市建造造價八千萬的工業混用物業

By Roger Vincent (LA Times)

Increasing shipping traffic at the ports of Los Angeles and Long Beach has prompted developer Watson Land Co. to build an $80-million industrial complex in Chino on speculation of finding renters at a later time.

Watson land will erect three structures housing a combined total of more than 1 million square feet on a 49-acre parcel at Kimball and Mountain avenues that it assembled over the past year, Vice President Craig B. Halverson said. Construction will begin in the second quarter of 2013.

Watson doesn't have tenants lined up for the buildings, which could be used for manufacturing, warehousing or distribution. Halverson said the company is comfortable creating them "on spec" because demand is rising for facilities that serve businesses using the ports.

"Vacancy is way down," Halverson said."Absorption has been strong and we think it will continue to be strong for the near term."

The planned buildings at Watson Commerce Center in Chino will be 530,000, 400,000 and 100,000 square feet. When they are complete, Carson-based Watson Land will have 4 million square feet of industrial property in Chino.

Despite Lack of Rent Growth, Large Warehouse Portfolios Attract Renewed Investor Interest

儘管租賃增長不明顯，大型倉庫投資組合吸引機構投資者

By Randyl Drummer (CoStar)

With demand for U.S. industrial space rebounding and still relatively little new supply on the horizon, institutional investors are once again out scouring the market for warehouse portfolios, prompting heated bidding for larger and pricier transactions.

Institutional funds such as Blackstone Group LP and AEW Capital Management, private REITs and equity firms such as Industrial Income Trust, Verde Realty and Cole Capital have been the most active buyers of industrial real estate so far in 2012. THe lack of available high quality core properties is causing capital to flow into stronger secondary markets such as Phoenix, Houston and Portland, according to information poresented during CoStar's Second Quarter Industrial Review and Outlook this week.

Returns on warehouse and distribution property investments have exceeded its office and retail counterparts in recent quarters, although the relatively small average deal size of between $10 million and $25 million commanded by even top-grade warehouse properties often deters institutional investors from dealing for individual properties since they face more competition from prospective buyers.

The largest industrial property transaction of the first quarter was a portfolio purchased by Verde Realty from AEW Capital for $290 million. However, three deals in a single week early in the second quarter eclipsed that amount, led by Blackstone's massive $770 million purchase of 65 assets across nine states totaling 16.6 million square feet from Australia-based Dexus Property Group.

"The portfolio premium is back in the market," after large trades all but disappeared from the market during the recession, said Rene Circ, director of industrial research for CoStar's Property and Portfolio Research (PPR). "The story from this quarter is that industrial is back on investors' radar. These portfolios are trading because the large institutions want to play a lot of capital at a time. Paying $10 million (to buy) one building at a time is way too inefficient for them."

And stronger trading activity may prompt some opportunistic investors to attempt to "roll up" their own portfolios in hopes of selling it and capturing the premium that buyers are willing to pay, added PPR Senior Economist Shaw Lupton.

Along with low U.S. interest rates and an increasing demand for well-located logistics property by companies reconfiguring their supply chains, part of the reason for the uptick in investment sale volume is the continued strength of warehouse fundamentals, which rebounded from a relatively soft first quarter.

The U.S. industrial market posted 35.5 million square feet of total positive net absorption in the most recent quarter - well above the historical average of 21 million square feet -- with 142 markets showing positive absorption, the most since demand began to rebound in 2010.

The national vacancy fell to 9.2% in the second quarter, down 30 basis points from the first three months and 92 bps lower than a year ago. Despite the higher absorption, lower vacancy and very little new construction, asking rents remained flat for the quarter in most markets.

"It’s still a market that’s getting better, but there’s still too much space available, that explains why rents are still not coming back," Circ said. "We’re not expecting a huge increase in demand for industrial real estate. Given the miniscule amount of new construction, vacancies will continue to trend downward, and it’s very easy and quick to build warehouses, so it’s almost certain more building will occur."

"I can see a scenario in the next quarter before the election where only the companies that have to pull trigger will do so."

However, on the investment side, foreign capital continues to see upside in North American logistics and industrial property, as evidenced by the recent entry into the market by Australian CRE investor and developer Goodman Group, according to Jones Lang LaSalle.

Goodman Group expects to invest $1.5 billion in the sector across North America, mainly in new developments, through an agreement with Irvine-based Birtcher Development.

Jones Lang LaSalle, which acted as strategic advisor on the Goodman-Birtcher agreement, views the influx of foreign capital to the U.S. industrial market as one of the key trends driving the resurgence of the sector.

The venture will focus on the West Coast logistics hubs of Los Angeles, San Francisco and Seattle, and East Coast markets including New York, New Jersey and Central Pennsylvania.

"With favorable market conditions, increasing demand and a lack of large facilities in A+ locations, the time was right for Goodman Group to move into the U.S. industrial real estate market," according to Tim O’Rourke, executive vice president at Jones Lang LaSalle.

U.S. Office Rent Growth Lags despite Rising Tenant Demand

美辦公樓租金收入尚未反映租賃需求的增長

By Randyl Drummer (CoStar)

Although rising levels of office absorption and a falling U.S. vacancy rate signal a strengthening market, the gains have yet to translate into meaningful rent increases for office landlords in most markets, CoStar Group reported this week in the company's Second-Quarter 2012 Office Review & Outlook.

This week, CoStar analysts drilled deeper into the office market numbers in a report on the national office market at midyear 2012 presented to CoStar clients. And while they see encouraging signs in the broader CRE market, specifically in the office and industrial sectors, they cautioned that the recovery is likely to be slow and dependent on the rate of job growth.

"Overall for the office market in terms of demand, it's a pretty good story," said Hans Nordby, managing director of Property and Portfolio Research (PPR), CoStar's analytics and forecasting division. Nordby was joined by Walter Page, PPR director of research; and Jay Spivey, CoStar senior director of research and analytics.

Although office job growth slowed on a year-over-year basis to 1.9% from last quarter's 2.8%, it's still growing at a much stronger rate than the broader U.S. economy, which remains a nagging source of concern to economists.

Office job growth is the life's blood of real estate fundamentals. And those fundamentals are starting to pick up momentum, with net absorption of U.S. office space more than doubling from 8 million square feet in the first quarter to 18 million square feet in the second quarter of 2012. Despite the surge in absorption "it's still not a screamer of a quarter" compared to the boom years of 2005 and 2006, Nordby noted.

Net absorption over the last year has totaled about 63 million square feet, translating to a 0.9% rate of growth in office demand, roughly half the rate of office job growth, Page noted. Houston, the nation's top energy market, led the nation in absorption growth at 3.1 million square feet of net absorption. The long-suffering Atlanta market is starting to show significant demand growth.

At the other end of the spectrum, the pullback by pharmaceutical and insurance companies has resulted in modest negative absorption in a handful of markets such as Northern New Jersey and St. Louis.

The office market is now reaping the benefits of job creation a year ago, especially in markets such as San Francisco, New York, Minneapolis and Detroit. Other sectors such as financial services and entertainment are starting to show job gains, nudging markets such as Orange County, CA into a stronger recovery.

The vacancy rate fell slightly by 20 basis points to 12.6% in the second quarter from the previous quarter, and is down 70 bps from a year ago. The slow rate of net absorption compared with the growth in office jobs is due to the shadow space from the high levels of job losses during the past recession without a corresponding loss of office demand. In short, tenants are burning off excess space that is left over from the recession, before the need to lease additional space will be realized.

Demand remains concentrated in top-tier 4- and 5-star buildings, achieving nearly double their fair share of absorption of tenants take the opportunity to move up to higher-quality buildings, Page said. As the recovery gains momentum and little new office supply on the horizon, absorption is spreading into lower-grade buildings, he said.

Gross leasing totaled roughly 95 million square feet per quarter between 2006 and 2009, a number that has shot up to 125 million square feet on average during the last three years as tenants have sought to upgrade their space, Spivey said. The 30% increase in leasing dovetails with a 10% decline in rents.

This year, deliveries of new office space as a percentage of inventory will total just 0.6%, far lower than the 30-year average of just over 2%, Spivey said.

Don't look for anything to change soon on the supply front. With no real uptick in construction starts, the office market is still 3-4 years away from achieving significant new supply, with the scant level of new construction tending to be highly preleased.

The higher absorption and lower vacancy has yet to translate into meaningful year-to-date gains in rents, which are up only 0.7% from the same time last year, much of that driven by a 1.6% hike in Class A rents. The prospect of future vacancy declines suggests that the scales are tipping toward positive office rent growth, but growth has been underwhelming as of the end of the second quarter of 2012.

However, face rents move much more slowly than effective rents, as evidenced by landlords who are starting to pull back from rent concession, tenant improvement allowances and other tenant perks in top markets around the country, Nordby said.

While government spending driven markets such as Washington, D.C. posted the strongest rent increases five years ago, technology and energy based markets such as San Jose and Houston are now leading the charge.

Office investment sales are at roughly the same level as the first half of 2011, however, sales volume has spilled beyond the top five U.S. markets into secondary markets with lower barriers to entry for new supply.

Office Recovery Stalls on Less-than-robust Economic Activity

辦公樓復蘇停滯，第二季度空置率仍為 17.2%

By Connie Vitucci (ReisReports)

High hopes for an ongoing recovery in the U.S. office sector were frustrated in the second quarter as vacancy remained unchanged at 17.2%, this despite a respectable 4 million plus square feet increase in occupied space. Expectations for higher rents were similarly dashed with the quarter's feeble showing of just 0.3% gains in both asking and effective averages. As a result, rents still remain stuck at levels last seen in 2007. What's behind this quarter's poor showing? Well for one, the job market, particularly the office-user sectors, remained sluggish, which contributed to the slowdown in office leasing. Add to this the ongoing debt and banking crisis in Europe, a close presidential race, and a potential for fiscal policy contraction (dare we say another U.S. recession) looming on the horizon, and it should come as no surprise that organizations have become much more cautious in their outlook and hiring. Indeed, the economy was unable to consistently add the more than 150,000 jobs per month needed, according to historical standards, to sustain a recovery. Hence you have GDP growth that came in well below expectations. Unless these things improve, it could be years before the sector is able to recover the space vacated during the recession and early stages of the economic recovery.

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	0.44	0.45	0.58	0.26	0.19	-0.04
Money market, annual yield	0.53	0.51	0.53	0.44	-0.05	-0.68
Five-year CD, annual yield	1.41	1.43	1.88	1.30	-0.47	-1.22
30-year mortgage, fixed	3.74	3.72	4.61	3.67	-0.87	-1.75
15-year mortgage, fixed	3.12	3.12	3.77	3.09	-0.65	-1.80
Jumbo mortgages, $417,000-plus	4.30	4.29	5.14	4.28	-0.84	-2.37
Five-year adj mortgage (ARM)	3.10	2.95	3.26	2.83	-0.02	-1.59
New-car loan, 48-month	3.07	3.07	4.46	3.05	-0.98	-4.20
Home-equity loan, $30,000	4.57	4.62	4.92	4.57	-0.20	-1.20