COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **China Eagerly Buying Up American Assets**

  中國公司大舉收購美國資產

  Facing a sharp economic slowdown at home, Chinese companies are plowing money into U.S. assets at a record pace, making huge bids for American energy, aviation, entertainment and other businesses.

- **When It Comes to Buildings, Do Curb Appeal and Sound Management Outperform?**

  外型美觀管理得當的物業較整體經濟更快復甦

  Research indicates that properties with curb appeal and excellence in building operations and management achieved a higher rate of tenant retention during the Great Recession and regained tenants much more quickly as markets recovered. Rental rates in these properties did not decline nearly as much, started recovering earlier and have moved up much more quickly than rents in other properties of the same class.

- **Does Rebound In Commercial Construction Have Legs?**

  商業地產建造的強勁反彈是全美非住宅類地產開發的曙光，亦或僅是曇花一現?

  The strong rebound reported in CRE development may represent light at the end of the tunnel for the U.S. nonresidential construction sector after several dark years, or it may just be a flicker that fades in the face of flagging confidence among investors and builders in recent months.

RETAIL

購物商場

- **The Heat Is On for Grocery-Anchored Retail**

  食品銷售提振商店營業額

  Most of the growth in food sales is now found in supercenters and warehouse club stores. More recently, dollar stores, such as Dollar General and Family Dollar, and drugstores, such as Rite Aid, CVS, and Walgreens, have all increased sales by expanding their in-store retail food offerings.

- **Food Prices Will Rise, USDA Report Says**

  美農業部稱食品價格將上漲

  The U.S. Department of Agriculture forecasts the price of food to remain high through the end of this year and into 2013.

- **[Store-Opening Plans Grow More And More Ambitious]**

  零售業者新店開張數量增長

  U.S. retailers' plans for store openings keep growing and reached a four-year high last month, RBC Capital Markets reports. Over the next two years, retailers will open 78,325 stores, an 11% increase over the 24-month period that ended last year. It is also a 0.6% increase over plans announced in June.

- **[Foot Traffic Data Can Yield Competitive Insights]**

  購物商場通過客流數據分析競爭優勢

  Successful retail centers use shopper foot-traffic information and analyze the resulting data for competitive advantage. This data can show information about shopper habits, spending trends and the most visited retail locations on a daily and hourly basis.

- **[While Reducing Square Footage Saves in Short Run, Sales in Both Online and Catalog Channels Benefit from Retail Store Presence]**

  縮小店面可短期節流，而通過網路和郵寄目錄的渠道可開源

  With retailers just recently beginning to recover from the effects of the enduring global recession, pressure is mounting for managers to eliminate inefficiencies in their channel portfolios, and, in an increasingly digital world, many are taking the axe to their retail store operations to fund their digital footprints.

- **[Whole Foods Sets 1,000-Store Goal]**

  連鎖食品超市 Whole Foods 設定千店目標

  Whole Foods Market said it would triple its store count to 1,000, adding locations in smaller markets and underserved communities.

- **[Uniqlo Founder Forges Ahead With Growth Plans]**

  日本服裝品牌 Uniqlo 創立人在美開店雄心勃勃

  Uniqlo founder Tadashi Yanai has ambitious plans to open hundreds more stores in the US and make his company the top clothing retailer in the world, with revenue of $50 billion by 2020.

OFFICE
辦公樓

- **L.A's Office Vacancy Increases Slightly to 12.5% in Q2 2012**

  2012 年第二季度洛杉磯辦公樓空置率輕微上升至 12.5%

  The office vacancy rate in the Los Angeles market area increased slightly to 12.5% at the end of the second quarter 2012, but is still down from four quarters ago.

FINANCING
貸款與資金

- **Bankers Note Some Easing of CRE Lending Standards**

  商業地產貸款標準放寬

  A modest fraction of domestic banks reported that they had eased lending standards on commercial real estate loans in the past three months, while a relatively sizable fraction, on net, continued to indicate that demand for such loans had strengthened.

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

  消費者市場利率：房貸、基本利率、等等

China Eagerly Buying Up American Assets

中國公司大舉收購美國資產

By David Pierson and Don Lee (LA Times)

BEIJING — Facing a sharp economic slowdown at home, Chinese companies are plowing money into U.S. assets at a record pace, making huge bids for American energy, aviation, entertainment and other businesses.

The increase in investment, already at least $8 billion this year, comes despite lingering American anxieties about potential breaches of national security and loss of technology to the powerful Asian competitor.

Thus far, economic relations with China have received little attention in the political campaigns of either major U.S. party. But analysts said the country's stepped-up investments, though welcomed by many budget-strapped state and local governments, could revive what has long been a contentious issue.

With U.S. real estate prices depressed and many firms in the West starved for cash, the Chinese see a prime opportunity to rummage through the bargain bins of rich countries to gain technological know-how and international reach.

They're also hedging against rising costs and uncertainties inside China. The world's second-largest economy is struggling with its slowest growth rate since the financial crisis in 2008.

"The Chinese growth model is changing fundamentally," said Thilo Hanemann, research director for the New York-based Rhodium Group, which tracks Chinese direct investment.

"Chinese companies need to escape the profit squeeze in low-end manufacturing and move up and down the value chain. Expanding investment in developed economies is an essential part of that," Hanemann said.

Natural resources remain a major target for the Chinese, who have scoured the globe for oil and minerals to fuel the nation's rapid industrial development. In April, China Petrochemical Corp, also known as Sinopec, closed a $2.5-billion deal to buy a one-third stake in Devon Energy Corp. of Oklahoma City.

Across other industries, Chinese corporations are buying into American companies for their prowess in branding, marketing and research capabilities.

Conglomerate Dalian Wanda Group paid $2.6 billion this year for the heavily indebted AMC Entertainment, one of the largest movie theater chains in North America. The deal gives Wanda a foothold in the U.S. entertainment industry and a chance to gain expertise in the day-to-day operations of movie theaters.

Just this month, Chinese auto parts giant Wanxiang Group Corp. announced plans to provide a $465-million rescue package for struggling battery maker A123 Systems Inc., based in Waltham, Mass. The agreement gives

Wanxiang, one of China's biggest private companies, a chance to buy a majority stake in a world-class battery developer for electric cars.

Chinese investments in U.S. companies hit a record of nearly $9 billion in 2007, according to separate data compiled by Dealogic, a research firm, and Derek Scissors, a Heritage Foundation analyst who follows Chinese investments. Their figures don't include Chinese purchases of American bonds, private real estate purchases and many smaller acquisitions.

Nor do the data capture direct investments such as that announced this year by Uniscite Inc. in China's Shanxi province. The maker of plastic films said it would build a new plant in Laurens County, S.C., to manufacture packaging products for the food industry.

Companies like Uniscite are being aggressively recruited by state and local governments, many of which have offices or representatives in China.

"We have a concerted effort to punch above our weight in China," said Dan Hasler, commerce secretary of Indiana. He said the state has sent 14 different delegations to China in the last year to woo businesses.

Although China has tight capital controls, that nation's government officials want companies to go after new technologies and diversify their markets.

"The Chinese government has given an implicit green light to reach overseas to secure assets that will help Chinese businesses thrive in the long term," said David Wolf, the Beijing-based head of the Wolf Group Asia consulting firm.

That's worrying some Washington officials, who fear that the United States is selling off valuable assets to the Chinese, ultimately at the expense of American jobs.

Rep. Cliff Stearns (R-Florida) has warned that Wanxiang's investment in A123 could end up as a transfer of taxpayer-funded intellectual property to a "foreign adversary." The battery maker was the beneficiary of a $249-million clean-energy grant from the Department of Energy.

Meanwhile, both Democrats and Republicans have raised concerns about a massive $15.1-billion bid by the state-owned China National Offshore Oil Corp., or CNOOC, to buy Nexen Inc., a Canadian oil company with operations in U.S. waters in the Gulf of Mexico. As such, the agreement is subject to review by the Committee on Foreign Investment in the United States.

In 2005, CNOOC withdrew an $18.5-billion offer for American oil giant Unocal because of fierce political opposition in Washington. The deal's collapse had a chilling effect on Chinese companies aiming to invest in the U.S.

One of the leading impediments then — and now — is the suspicion that Chinese companies act on behalf of China's Communist Party rulers, rather than shareholders. State-run firms represent about 90% of Chinese outbound investment, according to the Heritage Foundation.

China contends that this investment has kept American companies alive and created thousands of U.S. jobs. Chinese President Hu Jintao said as much during a visit to the U.S. last year when he toured Wanxiang's existing Illinois facility and met with other Chinese companies that had U.S. operations.

Compared with Japan and other economic powers, China's foreign investment is still relatively modest. With global holdings estimated at $364 billion, China is on par with Ireland or Sweden, according to the research firm Rhodium Group.

Although China tops the list of nations holding U.S. Treasury bonds and other so-called liquid assets, it accounts for only about 3% of all foreign investment into the U.S., the world's No. 1 recipient of such investments, according to Commerce Department figures. In 2010, foreign direct investment into the U.S. totaled $194 billion — 84% of which came from six European countries, Japan and Canada.

Still, the Asia Society estimates Chinese overseas investment will climb to $1 trillion by 2020, presenting a major opportunity for foreign markets.

One Chinese company looking to increase its American presence is Xinjiang Goldwind Science and Technology Co., China's second-largest wind turbine maker. The company has invested more than $200 million in U.S. wind farms in Illinois and Montana.

"This is a strategy of globalization for Goldwind," said Tim Rosenzweig, chief executive of Goldwind USA. "If you can enter the U.S. and compete ... that means you're a global player."

When It Comes to Buildings, Do Curb Appeal and Sound Management Outperform?

外型美觀管理得當的物業較整體經濟更快復甦

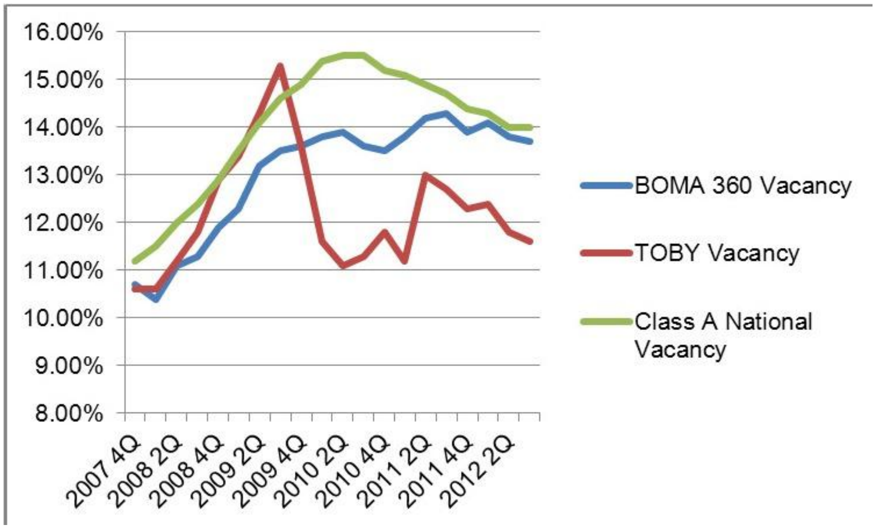
By Mark Heschmeyer(CoStar)

It certainly appears to be true that society favors the beautiful. In real estate there is even a phrase for it: curb appeal. And Realtors know there can be a payoff to property that looks better than the other houses -- or buildings-- around it.

But while beauty may be in the eye of the beholder, is there perhaps a correlation between better economic benefits in a building and its appearance? It being August and an opportune time for a 'soft' news feature, this week CoStar News analyzed the performance of two very specific subsets of office properties and compared their performance with all existing Class A office buildings in the country.

The buildings in the subsets achieved a higher rate of tenant retention during the Great Recession and regained tenants much more quickly as markets have recovered. Rental rates in these properties did not decline nearly as much, started recovering earlier and have moved up much more quickly than rents in all other Class A properties.

"It's pretty clear, these buildings held their occupancy better during the worst of the recession. In the heat, they held on to their tenants and were the first to recover while the rest have been playing catch up," said Joseph W. Markling, chairman of BOMA International and managing director of Strategic Accounts at CBRE, who reviewed the analysis.

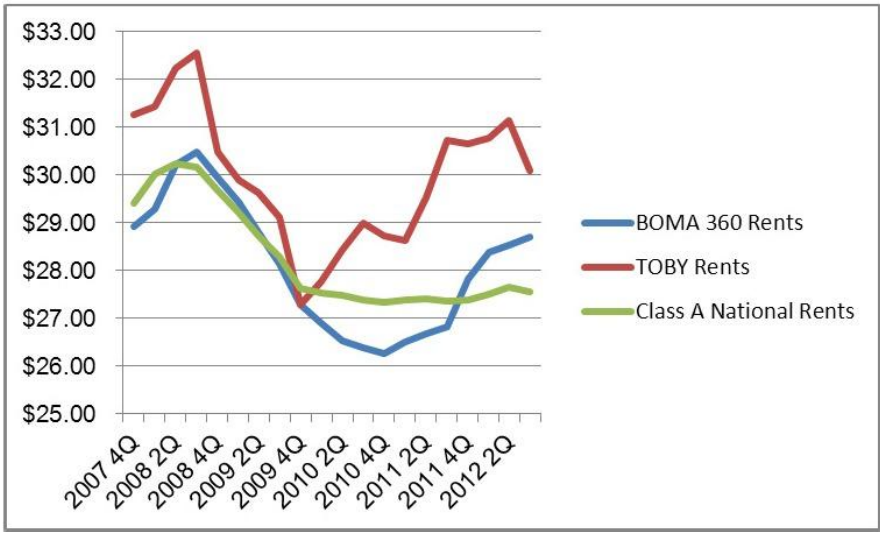


CoStar News worked with BOMA in compiling the two database subsets based on BOMA's own standards: one subset consisted of properties that were awarded regional honors as "The Office Building of the Year (TOBYs) in 2011-'12;" and a second subset had received a special designation for their all-around excellence in building operations and management.

Each year, BOMA International awards the TOBYs locally, regionally and internationally. Separately, beginning four years ago, BOMA developed what it calls its BOMA 360 Performance Program - a benchmark used to recognize owners and managers who achieve ongoing standards of operational and management excellence in commercial properties.

The TOBY subset of properties CoStar compiled contains 127 regional TOBY award winning individual buildings totaling 37.6 million square feet. The BOMA 360 subset included 485 buildings totaling 186.9 million square feet.

Beauty's Only Skin Deep



Of course, BOMA 360 designations and the TOBY awards are not architecture beauty contests, Markling said. Rather, the designations and award are meant to be a measure of the total building experience, he said.

"If you ask what are the five best-looking buildings in a market, some [of the BOMA building subsets] might not make the list," Markling said. "But they do show that managers and owners have done the best with what they have."

In other words, looks alone are not what is selling the building to tenants or investors.

Still, Markling acknowledged curb appeal can be a major factor in getting them in the door in the first place. At that point, though, good management and ownership takes over.

By the time a prospective tenant meets a broker to see space, they have already driven through the neighborhood, viewed the building's exterior, driven into its parking garage, walked to its elevator. They're coming into the meeting with their first impressions already formed, Markling said.

From there on out, "you have to sell them on the 'whole experience.' Aesthetics is important, but you have to match it with functionality."

In that regard, owners and managers step up their game when managing and marketing the elite properties, Markling said, a fact that no doubt helps account for their success.

"As an owner, asset manager and property manager, at this level you know you are good and believe that you should outperform the market. At the same time, there is additional pressure to take it up another level and really stand out," he said.

The TOBYs, Markling said, are a more of a personal program; it's a head-to-head competition that asset and building managers enter into.

"It's like winning the Oscars; in that for that particular year, you outperformed the competition," he said.

The BOMA 360 program is more of a corporate-level decision with the owner to participate.

"These numbers show that the designation can statistically put you out in front," Markling said.

Of course, it has yet to be seen when the market has fully recovered and all classes of properties are hot again and the demand for space is high and the offerings few, whether the advantages will hold, Markling said.

"But at least now we know, that when you really need to perform when times are tough, we can show a differentiation," he added.

The Role of Curb Appeal

A building's curb appeal is clearly a factor, according to other industry experts CoStar contacted.

"I believe the higher up the ladder/closer to the decision maker the more important the location/quality becomes," said Stephen Evans, senior vice president, investments for KBS Realty Advisors in Washington, DC, noting that many clients, mxployees and prospective employees equate a company's building with the company itself.

KBS acquires first class office buildings and has one property in the BOMA 360 performance program: the two-building Mid America Plaza in Oakbrook Terrace, IL.

"We recently purchased an office building [the McEwen Building acquired for $40 million in May 2012] in the suburbs of Nashville, which is within a mixed-use project that includes a quality office building, attractive retail tenants within the building, and a Whole Foods, BrickTops restaurant and other amenities in the shared parking lot," Evans said. "During tenant interviews prior to our purchase, plus discussions with a prospect tenant for the one vacancy, a very highly ranked criterion for locating in the building is that tenants drove the competition and decided 'I want to be at the McEwen Building.'"

"We also see this trend with assets KBS purchased over the past 10 years; those that are of higher quality/better location outperform/out lease the more non-descript commodity buildings," Evans said. "So a tenant -- at least the decision maker -- is giving some weight to 'I want to work there.'"

Stewart Proctor, principal of Structure Commercial Real Estate in Tallahassee, FL, recently relocated the headquarters for a national company.

"The CEO who was leading the company when they moved was very focused on exterior curb appeal," Proctor said but added that, "We were working with the CFO, he was obviously focused on price point, but curb appeal did play in the decision. Not so much how the building looked form the street, but address, and what the surrounding neighborhood is like, and the affect that has on his 100+ employees, their mutual comfort, safety and productivity."

Tenant Retention High

Separate studies also show that the BOMA 360 buildings have a much easier time retaining tenants, which also no doubt plays to their economic advantage.

"If an employee has worked in a Class A environment, then a company trying to recruit him or her to their Class B office may have a tough time -- and to a Class C? Forget about it," said Michael Bull, president of Bull Realty Inc. in Atlanta.

On the other hand, Bull said, "if you never fly first class to Vegas and stay in a high roller suite, then you are fine in coach and staying in good hotel. If you never drive a best-in-class 120-mph performance boat, then driving a 50-mph boat is still fun for you."

According to a new study by Kingsley Associates, buildings that have earned the BOMA 360 Performance Program designation have higher tenant satisfaction scores in 52 out of 54 categories compared to commercial office buildings without the BOMA 360 designation. Most notably, 92 percent of tenants in BOMA 360 buildings report high overall satisfaction.

Kingsley Associates surveyed tenants in categories including maintenance, leasing, security and air quality. BOMA 360 buildings outperformed a comparable set of commercial office buildings without the designation in all of the top survey categories.

74% of tenants in BOMA 360 buildings noted they are satisfied with the value they receive for the rent they pay, compared to 68% of tenants in other buildings.

More than 90% of tenants rated personnel in BOMA 360 buildings as "good" or "excellent." And

80% of tenants in BOMA 360 buildings rated the indoor air quality "good" or "excellent" compared to 74% of tenants in other buildings.

No Guarantee of Success

The 1.5 million-square-foot Columbia Center office tower in downtown Seattle received a regional TOBY this past year. Today, more than one-third of the building is vacant.

There is a $300 million loan on the property rolled up into a commercial mortgaged back securities: Morgan Stanley Capital I - 2007-HQ12.

The loan was transferred to special servicing in February 2010. As of that time, the sponsorship, Beacon Capital Partners, informed the Master Servicer and the Special Servicer, LNR Partners Inc. that they could no longer invest in any improvements on the property and starting in March 2010, could no longer pay debt service.

After origination of the loan, the law firm of Heller Ehrman filed for bankruptcy and did not occupy the law firm's fully built out space, approximately 147,000, according to the CMBS servicer's note. In addition, the largest tenant, Amazon, which occupied 177,311 square feet vacated at lease maturity in 2/2011.

The loan maturity date was extended from this May 2012 to May 2015 and returned to the Master Servicer for monitoring. The loan status is classified as a performing matured balloon note.

"I am sure curb appeal affects everyone's decision to a certain degree," said Eric Haskins, senior vice president, LEED green associate with Jones Lang LaSalle in Portland, OR, talking generally about office properties. "I would say it will affect the owner/user's decision the most because they are buying the building and operating there. The next closest would be the tenant, but I have to say some tenant's don't care and are all about the bottom line. The ones that are concerned the most are more often concerned about recruitment because they are in a highly competitive industry and they want to make sure their office is appealing to talented recruits."

"As for the investor," Haskins added, "I think neighborhood and surrounding marketplace always factor heavily into their decision, but as one investor once said, 'there is no such thing as an ugly 100% leased building.'"

Does Rebound In Commercial Construction Have Legs?

商業地產建造的強勁反彈是全美非住宅類地產開發的曙光，亦或僅是曇花一現？

By Randyl Drummer (CoStar)

The strong rebound reported in CRE development may represent light at the end of the tunnel for the U.S. nonresidential construction sector after several dark years, or it may just be a flicker that fades in the face of flagging confidence among investors and builders in recent months.

A report issued by Fitch Ratings is optimistic, concluding that increasing demand for commercial space coupled with almost no new supply in recent years has fueled stronger activity in 2012. Meanwhile, spending on commercial construction projects put in place jumped 23.1% to $143.2 million through the first half of the year from the same period in 2011, according to U.S. Census figures analyzed in a report by Fitch Director Robert G. Rulla.

Congressional approval in June of a new $105 billion federal highway bill will enable state and local governments to plan new longer term projects with more certainty, another potential boost for the nonresidential sector, Fitch said.

The benefits of the new highway bill are not likely to accrue until 2013 and the sector is by no means out of the woods. Public construction will remain flat through the end of the year before growing 2% in 2013, and highway/street spending will remain under pressure through at least the end of the year, according to Fitch.

Other factors that could level off growth in new commercial construction activity before year end include slow U.S. economic growth, lingering problems in key European economies and ongoing issues with developer access to construction financing.

While the latest Federal Reserve survey suggests that banks are easing lending standards, that view isn't unanimous. Another survey indicated that standards remain tight, with little evidence that CRE credit availability has improved meaningfully. Fitch believes financing will remain constrained as cautious institutions continue to be picky about financing development projects.

For better or worse, developers aren't proceeding with the confidence that marked earlier recoveries. The Construction Confidence Index (CCI) compiled by the Associated Builders and Contractors (ABC), measuring sales prospects, staffing levels and profit in the U.S. nonresidential construction industry, reflected declines in all three areas during the second quarter. The setback reversed much of the progress made in the first quarter, although the index values remain above 50, indicating that construction spending is still poised to expand, albeit at a slower pace.

Construction sales expectations fell from 68.3 in the first quarter to 62.3 at midyear. Profit margins fell from 57.9 to 53.5 and staffing levels declined from 64.3 to 59.8.

ABC Chief Economist Anirban Basu said the nonresidential construction industry continues to struggle to establish sustained momentum despite data indicating that the nation is now in its fourth year of economic expansion. Construction spending levels have barely managed to edge higher in recent months.

Contractor attitudes won't likely improve until positive economic data emerges and the federal government resolves fiscal issues that in a worst case could plunge the nation back into recession in 2013, Basu said.

"Nonresidential construction firms have become unnerved by the possibility of the nation falling off a fiscal cliff due to a number of tax increases and spending cuts that take effect at the end of the year," Basu said. "This would limit private nonresidential construction, which is among the nation’s most cyclical industries."

Recession would also further hammer already weak federal, state and local government finances, likely leading to further declines in public spending, Basu said.

Among the most interesting findings in the CCI is that the proportion of contractors expecting substantial deterioration in business performance has risen from just 2% during the first quarter to nearly 13% in the second quarter.

Construction employment declined in 31 states between July 2011 and July 2012 and in 28 states in the past month, according to an analysis of U.S. Labor Department data by the Associated General Contractors of America. The drying up of public construction funding offset employment gains in homebuilding and nonresidential construction.

"Public construction cuts in particular are taking their toll on construction employment in many parts of the country," said Ken Simonson, the association’s chief economist. "With economic growth remaining sluggish, there is a chance construction employment will begin to slip in even more places."

Worse, if economic growth slows as businesses worry about future tax uncertainty, private demand for construction is likely to lag, the AGC said.

The Heat Is On for Grocery-Anchored Retail

食品銷售提振商店營業額

By Mark Heschmeyer (CoStar)

The historic drought ravaging America's farmland is likely to deliver another blow to grocery store-anchored shopping centers already losing sales to nontraditional retailers that have invaded their turf.

Since the late 1990s, nontraditional retailers have steadily increased their relative share of food-at-home sales, at the cost of traditional grocery stores, according to the U.S. Department of Agriculture. Most of the growth in food sales is now found in supercenters and warehouse club stores. More recently, dollar stores, such as Dollar General and Family Dollar, and drugstores, such as Rite Aid, CVS, and Walgreens, have all increased sales by expanding their in-store retail food offerings.

And it hasn't been getting better recently. The 3 million square feet of retail absorption in the second quarter of this year was the lowest since 2009, with neighborhood shopping centers feeling the sharpest pinch, according to Suzanne Mulvee, senior real estate strategist for CoStar Group.

Economic pressures on traditional grocery store anchors, which already operate on slender margins, are continuing to see rising price competition from big-box retailers benefitting from size and scale with suppliers such as Wal-Mart, Costco, Sam's Club and Target, Mulvee said this past week in CoStar Group's State of the U.S. Retail Market - Mid-Year 2012 Review & Forecast.

Total leasing volume for traditional grocery stores has slid 60% since 2007, according to CoStar data. (There is one bright spot for some grocery chains: Leasing for high-end, specialty and organic grocers is up 72% over that same time period.)

This year has delivered additional bad news though. Overall retail sales hit a disappointing stretch. Year-over-year increases in retail sales growth (excluding automobile sales) of around 6% in March dropped to around 3% in June, according to Mulvee. While recent reports from retailers suggest that the sales bleeding stopped in July, sales remain a concern in the fragile recovery due to factors such as the expiration of unemployment benefits and rising fuel prices, soon to be joined by the dry heat blast across much of the country.

The multiple heat waves that have slammed most of the United States this year are among the many factors that have been blamed for the last few months of retail sales, according to Garrick Brown, director of research for Terranomics and the ChainLinks Retail Advisors Group.

"But there is a bigger story brewing and that is the impact that the accompanying drought will have on the retail world by next year, Brown said in a recent Terranomics' Weekly Retail Newsline.

"Corn prices have already increased by roughly one third this year and nearly 90% of the U.S. crop has been affected by the ongoing drought. Since corn is so widely used; from corn syrup in sodas and other processed foods, to animal feed, the impact on food pricing next year is likely to be strong," Brown wrote. "Analysts are already projecting that beef prices will rise 5% next year, if not more. Milk and eggs are likely to increase at a rate just below that of beef."

So, what does this have to do with grocery store-anchored retail real estate?

"A strong rise in food prices could prove to be catastrophic next year for a number of grocery chains," Brown said. "Smaller, unionized shops have struggled in recent years against the rapid expansion of discount grocers and non-unionized players who have vastly increased their grocery presence, like Walmart and Target."

"A squeeze in grocery pricing will only further benefit the discounters, wholesalers/warehouse clubs and the large, non-unionized chains," Brown said, adding: "Look for the rate of grocery consolidation to pick up next year."

"And grocery stores won't be the only ones to feel the pinch. Casual dining chains will also be put between a rock and a hard place as they try to weigh how much of the additional food costs that they can pass on to consumers before they lose them to cheaper alternatives," Brown said.

Food Prices Will Rise, USDA Report Says

美農業部稱食品價格將上漲

By Ricardo Lopez(LA Times)

The price of food items such as beef, pork and dairy products is expected to stay high through the end of the year and into 2013, according to a U.S. Department of Agriculture forecast released Friday.

The Midwest drought, the worst in decades, has driven up corn and soybean prices, which, in turn, caused retail food prices to rise.

The July's food price outlook, compiled monthly by the USDA, was largely unchanged from the month before, forecasting the price of all food to rise between 2.5% and 3.5% through the end of the year.

Next year, the department predicts that food prices will rise by as much as 4% as the effects of the drought become more pronounced on the nation's food supply.

For many food items, the report was largely unchanged but still elevated.

-- Beef and veal will rise between 3.5% and 4.5% in 2012, and by as much as 5% next year.

-- Pork will rise between 2% and 3% this year, and up to 3.5% next year.

-- Dairy products will rise by 3% this year and 4.5% next year.

Store-Opening Plans Grow More And More Ambitious

零售業者新店開張數量增長

Source: ICSC

U.S. retailer store-opening plans hit a four-year high in July, according to RBC Capital Markets, whose research team tracks 2,000 chains each month. The retailers in the firm's database say they plan to open 78,325 stores over the next 24 months, up 11 percent from the 2-year period ended in 2011 and 0.6 percent from June. Dollar General, Family Dollar, Five Guys Burgers and Fries, and Subway have the most new stores on the drawing board, according to the RBC report.

Plus-size apparel, specialty gifts, and crafts are the merchandise categories that show the biggest increase in store-opening plans versus a year ago, the report says. Coffee, discount department store and office-supply chains are at the other end of the scale. "Retailers have been steadily increasing store opening plans to the current highs in anticipation of a long term improvement in the U.S. economy," wrote analyst Rich Moore in the report. "The result of the strong and steady demand by retailers for new space is that quality vacancy in malls, community centers, and outlet centers is dwindling quickly." Despite the lack of new quality space, developers are hardly gassing up the bulldozers just yet, because the economics still do not add up, Moore says. Even so, he says, if the economy permits, an increase in development plans could be the 2013 retail surprise.

Foot Traffic Data Can Yield Competitive Insights

購物商場通過客流數據分析競爭優勢

By Oliver Boucke, Research Director, ShopperTrak(Retail Digital)

What is the recipe for success for the biggest and most successful shopping malls in the world? Is it location? Is it the glitz and glamour of the building that encourages shoppers from far and wide? Or is it the amazing selection of retailers on offer?

Shopping centres are still suffering from a world-wide economic downturn, although perhaps not as badly as the much maligned high street. In fact, compared to the traditional town centre, shopping malls have many advantages. Some offer free parking, or easy access from motorways and indoor protection from the weather – all of which have helped their performance through the recession years.

Obviously there's no magic formula that can be replicated time and time again to create the best mall experience. But at this moment in time, it has never been more important for malls and retail outlets to examine how the information at their fingertips can provide useful insights into operational efficiencies and benchmarking performance insights.

The most successful shopping malls across the globe all share a similar trait. By using shopper foot traffic information and analysing the resulting data, they can transform insight into competitive advantage. ShopperTrak works with major shopping malls such as Liverpool One, MetroCentre (Gateshead) as well as Mall of the Emirates in Dubai, just to name a few, and has seen them doing just this.

Liverpool ONE is one of the UK's leading retail and leisure destinations and part of its huge success is due to its unique offering in terms of customer traffic data availability: centre total, in-mall zones as well as store level traffic.

Matt Bell, Business and Customer Service Director, explained, "At Liverpool ONE, we believe that the key to our ongoing success is to work in partnership with all of our occupiers. Individual store - and retailer category - conversion rate monitoring combined with actual sales turnover performance is invaluable in ensuring that our marketing and operational activity supports the needs of both our occupiers and customers."

"We also provide our occupiers with the information they need to ensure that all elements of their activity - from staffing levels to merchandising - maximises their trading potential."

Foot traffic data is much more than just numbers. By examining patterns and trends, shopping mall managers can open up information about shopper habits, spending trends, prime retail locations, daily and hourly patterns of traffic and much more. Data can be used to identify which locations and outlets perform better than others, how mall-wide promotions can help flagging outlets, right through to setting rents and service charges based on location.

By reviewing data from shopping malls as well as benchmarking against previous years' figures, it is possible to watch trends unfold and centre managers can adapt their sales and management techniques accordingly.

When this data is integrated with sales and transactioninformation, it gives retailers the ability to see how traffic trends directly link to sales spikes, as well as in-store conversion rates (i.e. the proportion of shoppers actually making a purchase).

Here are the top five ways that leading shopping malls can use foot traffic data:

1. Focus on increasing sales, rather than just traffic

Many shopping mall owners consistently focus on increasing visitor numbers in order to increase sales. The soaring traffic growth of a new centre usually lasts just three years or so with as much as 80% of the growth commonly achieved in the first year.

The best way to increase sales performance from outlets is to target an increase in sales per customer. This is best done through detailed targeting of the ideal type of high-spending customer and encouraging them to visit through targeted marketing efforts. Higher sales transactions can also be achieved by re-scheduling store staffing levels – to match store (traffic) selling opportunities – which ultimately provides better customer service.

By focusing on increasing spend per head, it is possible to continue the sales growth trend for the future.

2. Measure the effectiveness of marketing promotions

All shopping malls run regular marketing promotions for the entire mall, sometimes working with specific retailers. However, these campaigns are useless without proper measurements in place to examine just how effective they have been.

By analysing foot traffic and sales conversion reports during a period of promotion, activity spikes can be used to measure effectiveness.

3. Labour scheduling

By analysing the trends and patterns in foot traffic, shopping malls can cascade useful information to all of the retail outlets to help them plan labour scheduling.

If stores know that visitor numbers spike at 3.30pm on Fridays, for example, they can ensure resources are on the shop floor.

It is essential for retailers to manage their staffing levels because shoppers won't hang around if they can't get the assistance they need or have to queue to make a purchase

4. Tenant engineering

Placing retail outlets in the best location within a mall is a bit like fitting a jigsaw together. Sometimes it fits, but other times it needs a bit of re-organisation. By using foot traffic patterns and trends, managers can use hard evidence to ensure all the different parts fit together for the best results for each retail outlet.

If a certain retail outlet is performing below expectations, it could be down to location. By changing the location of the outlet and placing it nearer to a heavy foot traffic area, this can help reverse the fortunes of the outlet.

5. The importance of entrances and exits

Huge shopping malls have multiple entrances and exits. By using data to discover the most popular entrance and exit, managers can ensure flagship stores are placed in key locations to channel shoppers through them.

For example, in Liverpool One, John Lewis has a stunning flagship store placed at the main entrance from the car park which brings customers directly into the heart of the store, before channeling them through to the rest of the mall.

Retailers Report Finds Growth in Grocery Segment

零售商報告顯示食品超市增長明顯

By Mark Heschmeyer (CoStar)

Washington, July 2, 2012 – There were only modest shifts in position among the nation's very largest retailers last year, according to STORES 2012 Top 100 Retailers report. Wal-Mart – bigger than the next four largest retailers combined – remains in the No. 1 spot. Indicative of a supermarket growth trend seen throughout the report, Safeway moved back into the top 10 following a five-year absence. The annual ranking of U.S. retailers by domestic sales, featured in the July issue of STORES magazine, was compiled by Kantar Retail and sponsored by American Express Merchant Financing and SAP.

"Full of peaks and valleys, the scope of the retail industry leaves every company vulnerable to evolutionary changes, which in recent years include consumers' shopping behaviors, price index changes, economic factors, and good old-fashion competition," said Susan Reda, editor, STORES media. "When it comes to grocery retailers, fundamental shifts in how their customers shop – primarily because of the 'need versus want' argument – have changed which companies might excel faster than others."

Maintaining its No. 2 spot and still the largest supermarket company in the United States, Kroger has found success nationwide while still maintaining its locally-recognized banners and is looking forward to expanding its footprint even more in the year ahead. Sales at Kroger ($85 billion) grew 9.1 percent from 2010 to 2011.

With sales topping $36 billion on growth of 5.6 percent, Safeway (10) rejoins the top 10 for the first time since 2007. New programs like its mobile-driven "Just For You" platform, which offers its customers a personalized digital shopping experience, are helping boost the company's growth. Safeway swapped positions with No. 11 Sears Holdings on this year's list. The only other change within the top 10 was a swapping of positions by No. 5 Costco and No. 6 The Home Depot.

New to the list this year, Harris Teeter Supermarkets secures the No. 80 spot. The Charlotte-based company saw sales grow 4.5 percent to $4.2 billion in 2011, while its store footprint in the United States grew 2.5 percent over that same time frame.

Roundy's Supermarkets (89) also made the list for the first time. Sales at the Milwaukee-based grocery company grew 2.2 percent last year to $3.8 billion. The company went public on the New York Stock Exchange in February.

Grocery chains H.E.B. (26), Whole Foods Markets (37), Aldi (40) and Wegman's (65) also enjoyed double-digit growth last year.

Rounding out the top 10 are Target (3), Walgreens (4), CVS Caremark (7), Lowe's (8) and Best Buy (9).

"Food and fuel inflation contributed to the rise of many grocery and club retailers, but there was a real separation amongst those that were able to deliver strong brand and value propositions, including pure value players like Dollar General and Aldi to higher-end companies like Whole Foods Market and Apple," said Alexandra Mansfield, global data manager for Kantar Retail. "Amazon was the real standout this year, continuing to change the landscape and shoppers' expectations by capitalizing on the desire to save time and money, the 'new convenience'. It will not surprise us if they crack the top 10 in 2012." 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.

Rank	Store	2011 U.S. Sales (000)	Sales Grwth ('11 v '10)
1	Wal-Mart	$316,083,000	2.6%
2	Kroger	$85,491,000	9.1%
3	Target	$68,466,000	4.1%
4	Walgreens	$66,330,000	8.3%
5	Costco	$64,221,000	8.9%
6	The Home Depot	$62,075,000	3.1%
7	CVS Caremark	$59,688,000	3.9%
8	Lowe's	$49,282,000	2.3%
9	Best Buy	$37,551,000	1.2%
10	Safeway	$36,923,000	5.6%

The STORES Top 100 Retailers are listed by U.S. sales, which may include estimates for private or closely-held companies. Retailers included in the Top 100 either have group headquarters located in the United States or are foreign entities with significant operations in the U.S. market. For retailers with group headquarters located overseas, data is presented for North American operations only. Revenues from major non-retailing operating segments are excluded where data availability allows.

Kantar Retail (www.kantarretail.com) is a global retail insights and consulting business that works with clients to transform the behavior of shoppers and retailers. Kantar Retail serves the world's leading retailers and manufacturers and has offices in 15 markets around the globe. By combining the resources of Cannondale, Glendinning, MVI and Retail Forward, the company solves client issues from tactical to strategic. Kantar Retail is headquartered in London and is part of the Kantar Group of WPP.

STORES Media is the publishing group of the National Retail Federation (NRF), the world's largest retail trade association. STORES Media offerings include STORES magazine (print, digital and mobile versions), STORES.org, STORES Knowledge Series and STORES Weekly. STORES products report on the broad spectrum of strategic issues facing senior retail executives, including: retail technology, supply chain and logistics, credit and payment systems, loss prevention, human resources, omni-channel retailing, communications, marketing, merchandising and other vital store operations.

While Reducing Square Footage Saves in Short Run, Sales in Both Online and Catalog Channels Benefit from Retail Store Presence

縮小店面可短期節流，而通過網路和郵寄目錄的渠道可開源

By Mark Heschmeyer (CoStar)

With retailers just recently beginning to recover from the effects of the enduring global recession, pressure is mounting for managers to eliminate inefficiencies in their channel portfolios, and, in an increasingly digital world, many are taking the axe to their retail store operations to fund their digital footprints.

For example, Gap is closing 200 U.S. stores, while Lowe's is closing 20 stores and scaling back its plans for store expansion.

But the strategy shift prompted the American Marketing Association to ask the question: Does opening retail stores help or hurt a retailer's online sales? The answer they found was surprising.

"In the long run, sales in both the online and catalog channels benefit from the presence of retail stores. The physical presence of a store attracts new customers to the direct channels and encourages existing customers to buy more," concluded Dr. Jill Avery, assistant professor marketing at the Simmons School of Management and lead author of the analysis.

Ryan McCullough, a real estate economist for CoStar Group also recently analyzed the effect of e-commerce across a variety of retail segments. McCullough compared 2010 retail sales growth by segment against the change in occupied square footage of a sampling of retailers in fiscal year 2011.

In a period of record-high profitability, such as is the case today, one might expect retailers to expand their footprints at the same rate or faster than their sales growth if their physical stores are indeed productive.

McCullough concluded that auto parts, warehouse club, and sporting goods retailers are still wringing solid productivity out of their storefronts.

The electronics/appliances segment also appears to have productive at least through the end of 2011. This year, though, Best Buy, which had been expanding through the end of FY 2011, has since announced plans to shutter about 50 of its stores this year. Other retailers in this category, like RadioShack, have been reducing their physical presences for the past several years, so absorption is likely to be weak from this group going forward.

On the cannibalized end, there is a conspicuous gap between total sales in clothing/accessories and the segment's corresponding physical demand growth. With e-commerce in this segment growing at a much faster rate than overall e-commerce, it is easy to speculate on what has lured those dollars away, McCullough said.

"Don't make the mistake of thinking that the slowdown in leasing from clothing retailers is a temporary phenomenon," McCullough warned. "Conservative growth is likely to be the new normal for retailers in this segment no matter how profitable they become."

Whole Foods Sets 1,000-Store Goal

連鎖食品超市 Whole Foods 設定千店目標

By Leslie Patton and Bryan Gruley (Bloomgerg)

When Whole Foods Market Inc. (WFM) announced last year it was opening a store in downtown Detroit, the reaction was predictable: Whole Foods? In Detroit?

The move reflects a new direction for America's largest purveyor of natural goods, according to Walter Robb, the chain's co-chief executive officer.

"We're accelerating growth," Robb said in an interview at the company's Austin, Texas, headquarters. "That's going to take us places we have not been to before."

As Whole Foods prepares to open the Detroit store in May, it's planning to triple its store count to 1,000 and boost sales by opening locations in underserved areas and smaller markets. Whole Foods is just the latest grocer to see opportunity in so- called food deserts and other areas where finding fresh fruit and vegetables is a chore.

A chain known for selling organic bok choy and mushroom- infused brie seems an odd fit for neighborhoods dominated by discount grocers, said Jack Horst, a partner at Kurt Salmon, a consulting firm.

"How successful are you going to be when you're in a neighborhood that skews toward more middle-class or to people who shop more at a Save-A-Lot?" said Horst, who's based in Atlanta. "Maybe they don't need five different kinds of kale."

Supermarkets are fighting for share as Americans eat out more and grocery-store sales stagnate. Industry revenue will grow an estimated 0.4 percent to about $491 billion this year, according to a June report from researcher IBISWorld Inc. Sales at Whole Foods may rise 16 percent to $11.7 billion in the company's fiscal 2012, according to data compiled by Bloomberg. Its "niche product lines and loyal customer base" will help propel continuing sales growth, IBISWorld said.

Trading Premium

Whole Foods, which boosted profit for three years running, has become increasingly valuable to investors relative to other U.S. companies. It trades at more than twice the valuation of the Standard & Poor's 500 Index, while Kroger Co. (KR), Safeway Inc. (SWY) and Target Corp. (TGT) trade at a discount.

The company has been talking to the mayors of Chicago and Newark about opening its doors in areas with few or no grocery stores, Robb said. Mayor Rahm Emanuel "wants to bring more food service to the south side of Chicago," he said.

"It's an effort for us to stretch ourselves" and it's generating interest across the U.S., Robb, 58, said.

The Detroit store -- the site is in the city's Midtown neighborhood -- will be near Wayne State University and the College for Creative Studies, aligning with Whole Foods' strategy to open units in areas with educated populations. Still, only 27 percent of Detroit residents have a bachelor's degree or higher, compared with 34 percent in Chicago and 36 percent in New York, according to the U.S. Census Bureau's 2010 American Community Survey.

Smaller Markets

Whole Foods is also planning to open more stores in smaller markets -- those with populations of about 75,000 are up for consideration. Whole Foods has recently opened locations in Glen Mills, Pennsylvania; West Des Moines, Iowa; and is targeting Wichita, Kansas, for another.

These smaller units have to slim down their food options, Robb said. "Instead of having an eight-foot rice section, you might have a four-foot rice section, maybe just a few less varieties," he said.

Whole Foods faces plenty of competition. Chains including Bentonville, Arkansas-based Wal-Mart Stores Inc. (WMT) and Supervalu Inc. (SVU) have announced plans to open hundreds of stores in food deserts in partnership with First Lady Michelle Obama and her efforts to bring fresh produce to low-income Americans.

And traditional grocers are "raising their game" with fresh fruits, vegetables and meats, which is Whole Foods' specialty, Horst said.

Lowering Prices

Supervalu, based in Eden Prairie, Minnesota, is lowering fruit and vegetable prices and has trained its employees to help shoppers pick and cook fresh foods. Wal-Mart, which recently began selling and advertising USDA Choice steaks in the U.S., has also said it's reducing produce prices to make healthier food more affordable.

Even pharmacy Walgreen Co. (WAG) has promised to open or convert at least 1,000 so-called food oasis stores in areas with little access to grocery stores in the U.S. These locations are carrying 750 more food items such as Greek salads, cantaloupe and frozen tilapia.

Whole Foods will also look to boost revenue by opening more locations in its existing strongholds, Robb said. "We're nowhere near saturated in Chicago or Boston or Los Angeles or San Francisco."

Major Markets

People in major Whole Foods markets spend more on food than in less-populated areas, according to data from Census Bureau. Households in San Francisco spent $4,214 on food to eat at home in 2010 and Chicagoans spent $4,250, on average, compared with $3,300 in Baltimore and $3,690 in Phoenix.

Whole Foods may open stores as small as 15,000 square feet and as big as 75,000 square feet, according to company filings. The company will need to shrink its average store size to scale to smaller markets, said Scott Van Winkle, an analyst at Canaccord Genuity Inc. in Boston who advises buying the shares.

“The question is: Can they properly size their investment for that market?” Van Winkle said. “You know they can operate and you know they can attract consumers.”

Uniqlo Founder Forges Ahead With Growth Plans

日本服裝品牌 **Uniqlo** 創立人在美開店雄心勃勃

By Seth Stevenson (Wall Street Journal)

TADASHI YANAI, FOUNDER OF THE GLOBAL clothing retailer Uniqlo, is on the other end of a videoconference screen. From his Tokyo office, Yanai-san speaks enthusiastically about Uniqlo's innovative fabrics. "Americans believe cotton is best," he says, "but we've invented new fabrics that will change your lifestyle." First, Yanai marvels over Heattech, a proprietary warmth-generating Uniqlo cloth developed in partnership with the Japanese company that provides carbon-fiber for Boeing 787 Dreamliners. Next, he boasts that Airism, Uniqlo's cooling fabric, is "so light you don't even know you're wearing it. It is the number-one must-buy product for summer."

I ask if he wears it on steamy Tokyo workdays. He smiles broadly and, at that moment, the richest man in Japan unbuttons his shirt to show me his Uniqlo underwear.

Yanai is refreshingly open about his goals these days: making Uniqlo the number-one apparel retailer in the world. His target—$50 billion in yearly revenue by 2020—will require whiplash gains above Uniqlo's current revenue of $12 billion, driving the company ahead of front-runners Inditex (which owns Zara), H&M and Gap. This swaggering ambition might ring hollow if Yanai hadn't already turned heads among apparel-industry cognoscenti. He established a beachhead in the American market, opening three attention-getting stores in New York City—including a gargantuan flagship on Fifth Avenue, the second-biggest store in the Uniqlo empire. He lured designer Jil Sander out of retirement for a wildly successful multi-season collaboration. And then there's the retail environment: Yanai's scripted sales techniques and sleek spaces are studied by Uniqlo managers in Japan before being spread to markets around the globe.

Uniqlo will open two new U.S. stores this fall—in San Francisco and New Jersey—while also launching an e-commerce site. The company hopes to add "hundreds and hundreds" of stores here, from coast to coast, at a rate of 20 to 30 a year. In short, Uniqlo is vowing to beat Gap at its own game, clothing all of America in basics at affordable prices. Can a brand rooted in Japan—one employing a distinctly minimalist aesthetic—become a mainstream U.S. retail force, invading malls in the Midwest and in Sunbelt suburbs?

Yanai thinks it can, largely because he sees zero difference between shoppers in Manhattan and in Milwaukee. In this sense, he draws inspiration from a noted American minimalist: Steve Jobs, another retail entrepreneur who had boundless confidence and a knack for turning simplicity into chic. It's become almost cliché to compare successful emerging brands to Apple, or to equate an iconoclastic business leader to Jobs. But this is precisely how Yanai views his mission and himself. To him, Uniqlo is less like other clothing companies and more like Jobs's high-tech corporate temple: on a constant quest for innovation, guided by a holistic vision that aims to do much more than simply move merchandise.

Uniqlo's creative director, Naoki Takizawa, a former Issey Miyake chief designer, tells this story about the first time he met Yanai: "I had been trained to imagine specific customers when I designed an item—their demographics, their income levels, their lifestyles. But Yanai-san said he didn't want a fashion designer who defines target customers. 'Leverage your competence for the mass public!' he told me. It's why he made Uniqlo's slogan 'Made For All.' He wanted me to think about the Apple iPhone, which wasn't made for a certain customer but was, instead, about creating a perfect product. It's for everyone. It's effective and reliable. But its design scheme still gives it strong branding. He wanted me to achieve the same thing with clothes."

BUILDING ON A SLEEPY FAMILY APPAREL business that had existed since 1949, Yanai opened his first Uniqlo (shortened from "Unique Clothing Warehouse") in Hiroshima in 1984. Expanding steadily over the following decade, he launched strip-mall and suburban stand-alone stores throughout Japan and, finally, breached Tokyo city limits with a Harajuku flagship shop in 1998. Soon after, Uniqlo hit upon the product that would transform the retailer from a ho-hum chain store into a Japanese household name: A $20 fleece jacket, in a rainbow of colors, found the sweet spot of the recession-strapped Japanese middle class. No longer an expensive technical fabric meant for mountain climbing, fleece could be worn on the street or around the office. Uniqlo fleece became ubiquitous in Japan—in the year 2000 alone, it sold 26 million. It also gave Yanai a taste of what it's like to leave your mark on an entire society.

But Yanai wasn't nearly satisfied. As far back as the mid-'90s, when Uniqlo was still a small-time regional player, he'd already begun writing memos laying out detailed plans for global expansion. By the early 2000s, convinced that the brand had conquered Japan, he began to turn his focus overseas, to Europe and East Asia.

Yanai is a man of ruthless ambition and bold declarations, bucking the mold of the traditional, cautious Japanese executive. Last year, he wrote an essay for McKinsey Quarterly in which he complained that "Japan's biggest problems are conservatism and cowardice" and that "Japanese businesspeople and companies are lacking in individuality." During our videoconference, he pleaded with me, "Please write that Japan's leaders must speak out. We have had 22 years of a stagnant slump. I tell people that we must have the courage to share what we feel, but no one follows me."

The Japanese business leaders he admires hail mainly from the technology sector—self-made men like SoftBank's Masayoshi Son and Nidec's Shigenobu Nagamori. But, in general, he says, "We lack an entrepreneurial culture in Japan." His real heroes are Sam Walton and Jobs, which is why he yearned to plant his flag in America—where entrepreneurial chutzpah is a religion.

In 2005, Uniqlo landed on U.S. shores, opening a trio of small shops in New Jersey malls. They performed poorly and were soon shut down. "No one knew who we were," U.S. CEO Shin Odake says. "You can't succeed as a casual clothing store when you have no brand recognition; you're in a small, ordinary space with less than 10,000 square feet. People need a reason to get excited about you."

Undaunted, one year later Yanai rebooted Uniqlo in America—this time with a 36,000-square-foot store in SoHo, lower Manhattan's fashion mecca. Two more New York City locations followed within a few years: a glassy, gleaming 64,000-square-foot shop on 34th Street and another 89,000 square feet parked on a prime stretch of Fifth Avenue. The Fifth Avenue colossus expanded a space previously occupied by Brooks Brothers and is backed by a $300 million, 15-year lease.

"Flagship stores on high-profile streets are extremely important to the brand outside of Japan," says Odake. "They make a statement. They spur word of mouth. We can attract higher-level talent. I'm not sure Jil Sander would have worked with us back in 2005, before we had these stores."

When Uniqlo announced its partnership with Sander in 2009 (they parted ways amicably in 2011, after several seasons of her +J line), the German designer's minimalist aesthetic was well-tailored to the Japanese chain and became a cult favorite among fashion cognoscenti. Uniqlo's bread and butter is solidly made, stylishly cut basics: oxford shirts; polos; V-neck sweaters; unadorned denim. As the brand grows in the U.S., it has drawn comparisons to Zara and H&M. But Uniqlo is not, in fact, "fast fashion" (even though Yanai's umbrella company—which has additional holdings in Theory, Helmut Lang and the French chains Comptoir des Cotonniers and Princesse Tam Tam—is registered under the name Fast Retailing Co., Ltd.).

A brand like Zara attempts to chase trends, reacting nimbly season after season. When an unanticipated mini-fad for purple crocheted tops emerges, Zara will scramble to move a new item from the factory floor to store shelves in about two weeks. Uniqlo employs a nearly opposite supply-chain strategy: It places gargantuan orders up to a full year in advance, allowing it to negotiate rock-bottom costs for high-quality work. It then passes on those savings to its customers. Because it sells wardrobe essentials, it can count on fairly stable demand. "Our predictive planning is very accurate," says Odake, "so we rarely do heavy markdowns. We don't operate any outlets in Japan."

This basics-not-fads approach is particularly well-suited to America's recessionary moment. "There are only a few categories that women will still pay designer prices for," says Janet Kloppenburg, an independent retail-apparel analyst. "It's the must-have handbag, the best-fitting jeans in the business, the Jimmy Choos or Louboutins. No one wants to pay up for basic underpinnings. You want to keep those inexpensive so you can free up your budget to mix in some more expensive fashion items. Uniqlo is budget-friendly, but it doesn't feel cheap."

TO MANY INDUSTRY OBSERVERS, Uniqlo's "Made For All" rallying cry and its assortment of solid-color casual wear are eerily reminiscent of Gap. Not today's Gap—a lumbering giant in decline—but Gap in its heyday, the late '80s and '90s, when its pocket tees and pleated khakis costumed the planet.

"Gap was rooted in the American lifestyle," says Yanai. "It was wanted by people. I purchased a lot of Gap clothes. But today there is nothing to be intrigued by. You don't feel any excitement." As for Gap subsidiary Banana Republic? "It was like a European luxury brand that was reinterpreted for America and made affordable. But now you don't feel that luxury anymore and, at the same time, it's gotten more expensive." With Old Navy—the low-cost corner of the Gap triumvirate—there is a sense that the designs lack focus. (Gap declined to comment for this article.)

Creative director Takizawa feels that if there's one thing Uniqlo can steal from Gap's dusty playbook, it's the genius for merchandising that Mickey Drexler, former CEO of Gap, now at J. Crew, once brought to the brand. "It was just simple clothes, a T-shirt. But he called it a 'pocket tee' and made it an item of desire. There would be a store window with only white pocket tees one week and then all different colors the next. There was excitement about the stores."

Uniqlo has managed to return excitement to the apparel store. Though its clothes are basic, its retail spaces are novel and edgy, with sleek lines, wide-open expanses and flashing video monitors. Uniqlo painstakingly curates its displays, taking orders straight from Tokyo. It stacks items high and fans out an impressive range of colors. Racks and shelves are impeccably neat, squared off, shipshape. Service is pinpoint attentive, modeled on Japan's more formal attitude toward retail transactions. Credit cards are handed back to customers with both hands, with a touch of pomp. Greetings are dictated by central headquarters and recited like mantras. Store managers from around the world are all flown to Tokyo to receive several months of indoctrination at Uniqlo's global training academy.

The upshot: "It's almost like an Apple store," says Kloppenburg. "It's a high-tech environment you might associate with a more prestigious product. They treat customers with low and moderate incomes in a way they might not be accustomed to."

At present, Uniqlo enjoys a singular niche in the New York marketplace. Its affordable clothes are tinged with hipness, stemming from the brand's Japanese provenance, limited American availability and Manhattan gloss. If there's a challenge still to be met, it's that the brand's vow to achieve an enormous American presence will eventually force it to expand beyond urban centers and prime nuggets of real estate. When your footprint is 200 to 300 stores, each venue can't be an eye-popping flagship destination. In Japan, where Uniqlo has blanketed the countryside with more than 800 stores, some of the brand's luster has been worn away by strip-mall locations and humdrum atmospheres. The Japanese slang term "Unibare" is meant derisively, applied to someone caught, embarrassingly, clad in one of Uniqlo's ubiquitous core items.

Fit is another possible hurdle. Uniqlo's cuts are ideal for Japanese bodies, but the brand will likely need to tweak its designs to outfit a more rotund slice of the American populace. This is a surmountable obstacle: Cutting and sewing are the last steps in the apparel-manufacturing process. Uniqlo can still order those same high-quality fabrics well in advance and adapt its sizing to an average American shopper.

For now, Uniqlo's American invasion is all systems go. The San Francisco store opening this fall will be 29,000 square feet over three floors. The Garden State Plaza store in New Jersey—Uniqlo's first tiptoe back into a U.S. mall after its failed 2005 foray—will be an imposing 43,000 square feet. U.S. CEO Odake has hinted that Uniqlo might run its entire global e-commerce platform from the U.S., where tech talent is abundant, and he openly suggests that he'd like to replace himself with an American executive to head up operations here. In a symbolic move, Yanai declared earlier this year that English is Uniqlo's official corporate language.

In May, Uniqlo appointed a slightly surprising brand ambassador: Novak Djokovic. The tennis player would seem at first glance to be a spokesman more suited to endorsing a sports brand like Nike or Adidas, rather than a casual-wear brand like Uniqlo. But he provides instant global visibility of a sort Yanai craves. What's more, while Djokovic is also constantly jockeying for supremacy with fierce competitors, he's already notched a signature accomplishment Yanai-san envies: He's reached number one in the world.

L.A's Office Vacancy Increases Slightly to 12.5% in Q2 2012

2012 年第二季度洛杉磯辦公樓空置率輕微上升至 12.5%

By CoStar Research

The office vacancy rate in the Los Angeles market area increased slightly to 12.5% at the end of the second quarter 2012, but is still down from four quarters ago. The vacancy rate was 12.4% at the end of the first quarter 2012, 12.6% at the end of the fourth quarter 2011, and 12.6% at the end of the third quarter 2011.

Class A projects reported a vacancy rate of 16.1% at the end of the second quarter 2012, representing no change from the end of first quarter 2012 when it was also 16.1%. Vacancy was 16.5% at the end of the fourth quarter 2011, and 16.2% at the end of the third quarter 2011.

Class B projects reported a vacancy rate of 12.3% at the end of the first and second quarters of 2012, 12.4% at the end of the fourth quarter 2011, and 12.6% at the end of the third quarter 2011.

Class C projects reported a vacancy rate of 5.1% at the end of the second quarter 2012, 5.2% at the end of first quarter 2012 and fourth quarter 2011, and 5.3% at the end of the third quarter 2011.

The overall vacancy rate in Los Angeles's central business district at the end of the second quarter 2012 increased to 12.0%. The vacancy rate was 11.8% at the end of the first quarter 2012, 11.9% at the end of the fourth quarter 2011, and 11.4% at the end of the third quarter 2011.

Bankers Note Some Easing of CRE Lending Standards

商業地產貸款標準放寬

ByMark Heschmeyer(CoStar)

At domestic banks, lending policies for loans to businesses generally eased in the past three months, and demand increased somewhat, according to the Federal Reserve's July 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices.

While loan demand from large and middle-market firms strengthened somewhat further in the past three months, loan demand from small firms was unchanged, on balance, over this period.

A modest fraction of domestic banks reported that they had eased lending standards on commercial real estate loans in the past three months, while a relatively sizable fraction, on net, continued to indicate that demand for such loans had strengthened.

In contrast, foreign survey respondents indicated that standards on such loans were unchanged for the second straight survey and that demand had been noticeably weaker, on net, over the past three months.

However, the current standards on all types of CRE loans (construction and land development loans; loans secured by nonfarm, nonresidential structures; and loans secured by multifamily structures) are still tighter than were from 2005 to 2007.

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

消費者市場利率：房貸、基本利率、等等

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	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.42	0.43	0.58	0.32	0.10	-0.06
Money market, annual yield	0.52	0.52	0.57	0.44	-0.05	-0.65
Five-year CD, annual yield	1.41	1.41	1.74	1.30	-0.33	-1.23
30-year mortgage, fixed	3.71	3.85	4.49	3.67	-0.76	-1.66
15-year mortgage, fixed	3.06	3.14	3.72	3.06	-0.54	-1.78
Jumbo mortgages, $417,000-plus	4.31	4.34	5.06	4.27	-0.74	-2.18
Five-year adj mortgage (ARM)	3.10	3.20	3.25	2.83	-0.15	-1.65
New-car loan, 48-month	2.99	2.99	4.46	2.98	-1.47	-4.41
Home-equity loan, $30,000	4.64	4.64	4.92	4.57	-0.11	-1.17