COMMERCIAL REAL ESTATE MARKET UPDATE

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- **LA Backs Deal For Downtown NFL Stadium**

  洛杉磯市議會全票通過市中心的全國美式足球聯賽體育場的建造工程

  The Los Angeles City Council voted 12-0 to advance construction of the $1.5 billion National Football League stadium project to be developed by the up-for-sale Anschutz Entertainment Group. "This is truly a game changer for Los Angeles," said Mayor Antonio Villaraigosa. The project is expected to create jobs in the thousands and additional tax revenue for the city.

- **California Retail Boom Bodes Well For Western Division**

  加州科技和旅遊業的上升形勢令零售地產再度蓬勃；洛杉磯空置率有望在 2012 年低降至 6％

  Rising activity in California's tech and tourism markets has helped many of the state's retail real estate markets begin booming again. In Los Angeles, about 800,000 square feet of new retail space is scheduled to open this year, with vacancy declining 30 basis points year-on-year to 6 percent at the end of 2012, Marcus &Millichap reports.

RETAIL
購物商場

- **Restaurants Take Space Vacated By Big-Box Retailers**

  餐館佔據大型零售商退出留下的空位

  Chain restaurants are taking up space vacated by big-box retailers, according to CoStar. A lack of new retail center development plus expanding restaurants is fueling the trend.

- **Why Stores Of The Future Will Have Smaller Footprints**

  研報稱未來零售商店將更適應電子商務因而實體店面將減少

  The era of the big-box bricks-and-mortar store is waning as retailers retool physical spaces to become smaller and more adaptable in the digital age, according to a report. "Forward-thinking retailers should diversify format portfolios, test smaller footprints and offer niche products targeted to specific shopper segments."

- **Staples To Close Stores, Cut Costs, Boost Online Presence**

  文具零售連鎖店Staples將關閉部分店面以縮減開支並推進網路銷售

  The chain is looking to accelerate the shutdown of 15 U.S. stores. By the end of its fiscal year, Staples said it expects to have 30 net store closures and 30 downsized or relocated stores in North America. The chain will also shutter 45 European locations as well as some of its European delivery businesses.

- **Sloan's Outlines Plans for Expansion, Franchising**

  源於佛州的冰品店Sloan’s計劃通過連鎖加盟向加州、喬治亞州和新英格蘭州擴張

  Sloan's, an ice cream restaurant brand based in Florida, is looking to expand through franchising. The brand -- which is looking to grow in the state and possibly enter markets in areas such as California, Georgia and New England -- expects to eventually have 200 locations across the U.S.

- **Landlords, Retailers Think Out Of the Box as Cycle Swings Upward**

  購物商場市場有望反彈，房東房客靠創新維持增長：有購物中心房地產投資信託基金以提供租金津貼和業務發展計劃為交換條件，向小型商家租出長期空置的鋪位

  Retailers and shopping center owners can expect to see a rebound despite the lackluster economic recovery, panelists at the ICSC Western Division Conference said. For now, retailers are focused on smart growth and landlords on creative ways of keeping their spaces filled with tenants. A Cleveland-based shopping center REIT, discussed an innovative tenant leasing program his firm introduced called "Set Up Shop," which offers rent perks and help with developing business plans to small tenants in exchange for leasing up chronically vacant space.

INVESTMENT

投資

- **Demand Grows For Net Lease Property Assets**

  9 月的兩個主要交易顯示淨租賃資產對投資者的吸引力

  Two major transactions in September illustrated the appeal net lease assets have for investors: The $2.95 billion acquisition of American Realty Capital Trust and the $480 million portfolio acquisition Lexington Realty Trust made. The low yield on alternative investments is driving this activity.

- **Investors Expected To Boost Retail Holdings**

  仲量聯行的報告稱 2020 年前零售地產的年度投資額將能衝擊 1,800 億美元

  Annual investment volumes in retail real estate could hit $180 billion globally by 2020 due to increasing cross-border activity, showing growth of around 50% on the projected volumes for 2012, according to Jones Lang LaSalle, which unveiled its projections in new global retail real estate report released at ICSC 2012 Retail Real Estate World Summit.

- **Economically We're in Recovery; Mentally We're Stuck in Recession**

  經濟數據顯示商業地產市場已在復甦，但業者情緒上仍處於衰退階段

  Despite improving job numbers, rising CRE and housing prices, declining vacancies and stabilizing rental rates, not to mention a new round of fed stimulus that will pump $40 billion a month into the mortgage markets, the prevailing sentiment in the commercial real estate industry still seems to be one of doom and gloom. And importantly that outlook is affecting which deals are getting done and which ones are not.

- **Investor Demand for CVS, Walgreens Driving Down Drug Store Cap Rates**

  投資者對藥糕店的需求拉低投資回報率

  The supply of new construction of drug stores has decreased by 19% in 2012, when compared to 2011. Investor demand for higher quality properties in this asset class outweighs demand for the entire net lease sector.

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

LA Backs Deal For Downtown NFL Stadium

洛杉磯市議會全票通過市中心的全國美式足球聯賽體育場的建造工程

By MICHAEL R. BLOOD Associated Press (MercuryNews.com)

LOS ANGELES—Los Angeles took a major step Friday toward building a downtown stadium to lure an NFL team back to the nation's second most populous city, despite questions about how a 72,000-seat venue in the city's urban core would impact notorious freeway traffic, nearby housing prices and air quality.

The 12-0 vote by City Council came after starkly contrasting predictions about what the $1.5 billion project would mean for an economically troubled city that has fretted over the loss of professional football since the Raiders and Rams fled Southern California in 1994.

Supporters said the deal with developer Anschutz Entertainment Group would create thousands of jobs, a hub of civic pride and new tax dollars for cash-starved City Hall, while critics warned that affordable housing would vanish in the neighborhood while traffic would come to a virtual standstill on game days.

Mayor Antonio Villaraigosa said in a statement after the vote that it demonstrates "what we can accomplish when the city family joins together with private partners in a transformational development."

"This is truly a game changer for Los Angeles," Villaraigosa said.

The vote was overshadowed by the recent announcement that AEG was seeking a new owner, though company officials have assured City Hall the stadium plan will remain the same, even if the company changes hands.

The biggest question about the stadium is the most obvious: There's no one to play in it. But the Democratic mayor and other supporters hope the agreement will eventually attract a team—or two—to one of the nation's most lucrative media markets.

AEG, also the owner of Los Angeles' Staples Center arena and the NHL's Los Angeles Kings, has deep ties to City Hall. Any deal to buy the company, a subsidiary of Denver-based Anschutz Co., would mean a major shift in sports and entertainment in the region and around the world.

AEG's holdings include pro soccer's Los Angeles Galaxy, part-ownership of the NBA's Los Angeles Lakers, and major entertainment and real estate holdings in downtown Los Angeles. Outside the city, AEG owns Major League Soccer's Houston Dynamo and all or part of several arenas around the U.S. and in Sweden, China and Australia.

The project, which calls for the renovation of an adjacent convention center, is facing a lawsuit filed by anti-poverty and environmental activists that some predict could delay or derail plans for the stadium, known as Farmers Field. The activist group, Play Fair at Farmers Field Coalition, is challenging a state law intended to help swiftly resolve legal challenges to the stadium, and it also wants AEG to pay $60 million toward affordable housing in the long-struggling downtown neighborhood.

There are some risky assumptions. In a city where everyone drives, planners predict many fans will leave their vehicles at home and travel to the stadium by bus or rail.

A rival group, Majestic Realty, has proposed building a stadium in the City of Industry, outside Los Angeles.

AEG is hoping to have an NFL team on the field by the 2017 season. The company has pledged about $35 million to reduce traffic problems.

California Retail Boom Bodes Well For Western Division

加州科技和旅遊業的上升形勢令零售地產再度蓬勃；洛杉磯空置率有望在 **2012** 年低降至 **6%**

Source: ICSC.org

Attendees at this year's ICSC Western Division Conference, which kicked off yesterday in San Diego, have much to be optimistic about. Many of the state's retail real estate market are rebounding from the great recession. Booming tech and tourism industries are helping fuel the recovery.

For its part, San Francisco has become one of the most popular investment markets in the country this year, according to Marcus &Millichap. A restrained construction pipeline and strong tenant demand will lower the market's overall vacancy rate 30 basis points year-over-year to 3.1 percent by the end of 2012, the firm projects.

Meanwhile Silicon Valley's fortunes are improving, with local companies absorbing 1.4 million square feet of new office space opened in the San Jose market in the past year, reports Marcus &Millichap. The firm says area residents' purchasing power is on the climb thanks to a hot job market driven by expanding firms such as Apple and Facebook, attracting major retailers and spurring a projected 80 basis-point drop in vacancy this year versus last year, to 4.8 percent.

In Los Angeles, about 800,000 square feet of new retail space is scheduled to open this year, with vaancay declining 30 basis points year-on-year to 6 percent at the end of 2012, Marcus &Millichap reports.

The state's more challenging markets include Sacramento, where government job cuts will contribute to a 10 percent vacancy rate, and the Inland Empire, where vacancy will be 11.5 percent at year's end, according to Marcus &Millichap.

In San Diego, the market continues to bifurcate, with the high-income locations throughout the metro area doing well while other areas struggle to recover from recession. "You can go to the high-end shopping areas, like La Jolla, and see few vacancies, and then move on to low-income areas where there are a significant number of vacant store fronts," said Michael Glickstein, a vice president at commercial real estate brokerage firm NAI San Diego. New construction remains moderate. CoStar reports that 346,222 square feet of space opened within the past year, and 12,856 square feet was completed in the second quarter.

"There's a lot of demand for San Diego — people want to do business here, but the development process is challenging," said Kirk Allison, a senior vice president at Colliers International, San Diego. "Our cities don't make it easy. Assembling sites is a challenge."

The conference continues through Friday.

Restaurants Take Space Vacated By Big-Box Retailers

餐館佔據大型零售商退出留下的空位

By Henry Schlesinger (Vending Times)

WASHINGTON -- According to CoStar Group Inc., a commercial real estate research company, empty spaces in shopping centers and malls are more frequently being filled by chain restaurants. This is good news for bulk vending operators who in recent years have made some inroads in malls and chain restaurants.

CoStar's report cites Sears Holdings Corp. as a leader in the trend in which restaurants are rushing in to fill spaces left by closing retail giants like Blockbuster and Circuit City. CoStar says the trend is fueled by a lack of new mall openings coupled with expanding restaurant chains. Buffalo Wild Wings, Olive Garden, Chipotle Mexican Grill Inc. and LongHorn Steakhouse are among the restaurants moving into vacated spaces.

The report also notes that the expansion of restaurants has been a shot in the arm for ailing retail properties that saw vacancy rates hit a 12-year high of 10.7% in last year's third quarter, and fell to just 10.4% in the latest quarter.

Why Stores Of The Future Will Have Smaller Footprints

研報稱未來零售商店將更適應電子商務因而實體店面將減少

By Karl Greenberg (MediaPostNews)

Retail is going postmodern. No, you won't be seeing installation art at Walmart any time soon. In fact, you won't be seeing Walmart itself for long -- at least not as a generic supercenter-type mega-box. A tech-driven, global and intensely competitive retail world is spinning toward a more focused, smaller, tech-savvy universe.

It's a place where, in less than a decade, retailers (who survive) will be all over digital retail and mobile technology, and store footprints will shift from gigantic outlets that sell everything to smaller stores focused on specific consumers and their needs. The retail world may, in other words, look more and more like a high-tech version of a street market in Casablanca.

A new report from PwC US and Kantar Retail, "Retailing 2020," which uses data and analyses from PwC's retail and consumer practice and Kantar Retail, says stores need to be smaller and better equipped to deal with non-store growth. They also need to deal with the facts of income disparity, and an environment in which classes will define retail channel dynamics.

“Retailers will need to prepare for a wall-less omnichannel retail world, one where shoppers will come to expect a seamless brand experience online, in-store and across multimedia touchpoints,” said Susan McPartlin, PwC's US retail and consumer industry leader, in the report. “This multi-format portfolio combined with the proliferation of small, urban ... retail formats will pave the way for future growth.”

PwC sees all of this happening by 2020, when the Supercenter will be replaced by online, mobile and tablet commerce. The study predicts that large-chain retail growth through the decade will be close to the early 2010s recessionary rate, with one-third of large chain growth projected to come from online sales. Discounter channels will capture larger growth, while food, drug and mass-channel retailers are expected to face a tougher growth environment through 2020, per the study.

The study also predicts that there will be two major "shopping nations" by 2020: older, conservative consumers over 50, who have lived through recessions, and younger generations under 30.

“The demographic and income gaps between shopper segments are expected to widen, creating more shopper segments with different expectations for product offerings and shopping experiences,” said Bryan Gildenberg, Kantar Retail's chief knowledge officer, in the report. “Retailers must do away with the ‘one size fits all’ approach and consider the ever-diverging needs of both the ‘have’ and ‘have not’ consumers to remain viable in the future. Forward-thinking retailers should diversify format portfolios, test smaller footprints and offer niche products targeted to specific shopper segments."

In technology innovation, the report says retailers will use "big data" for consumer research, and such tracking technologies like Radio Frequency Identification (RFID) for seamless checkout. PwC and Kantar say retailers will need to build "omnichannel" tools so consumers can get to their digital stores from any online channel at any time day or night.

Staples To Close Stores, Cut Costs, Boost Online Presence

文具零售連鎖店 **Staples** 將關閉部分店面以縮減開支並推進網路銷售

By Tiffany Hsu (LA Times)

Staples Inc. is speeding up store closures, shaking up management and boosting its online business as the office-supply chain implements a multiyear plan to cut costs.

The Framingham, Mass.-based company is looking to save $250 million, before taxes, by the end of fiscal year 2015. At that point, Staples said it intends to have shaved down its retail square footage by 15%.

For now, the chain is looking to accelerate the shutdown of 15 U.S. stores. By the end of its fiscal year, Staples said it expects to have 30 net store closures and 30 downsized or relocated stores in North America. The chain will also shutter 45 European locations as well as some of its European delivery businesses.

The company is also hoping to sell its European printing systems branch.

Staples did not divulge where the stores slated for closure are located. Company representatives could not be reached for comment.

The turnaround plan could result in charges up to $1.12 billion, pre-tax, for the company, which is trying to invest more in its Internet and mobile operations and better integrate its retail and online offerings.

The company, already one of the largest retailers online, said it is “significantly expanding its assortment beyond office supplies to better serve the needs of business customers.”

Staples’ U.S. Retail and Staples.com businesses will combine under one executive, Demos Parneros. The company also reorganized some of its international manager positions.

The shifts come amid rumors earlier this month that several private equity firms, including original investor Bain Capital, are eyeing Staples as an acquisition target.

Currently, the company has 88,000 employees worldwide and operates more than 2,000 stores in 26 countries.

Staples’ most recent quarter, which ended July 28, was disappointing. The company lowered its earnings outlook as net income slipped 31.7% to $120.4 million, or 18 cents a share. Sales slumped 5.5% to $5.5 billion.

The company’s stock on Tuesday dipped as much as 7.6% and was down about 4.5%, or 55 cents, at $11.80 a share in late-morning trading in New York.

Sloan's Outlines Plans for Expansion, Franchising

源於佛州的冰品店 Sloan's 計劃通過連鎖加盟向加州、喬治亞州和新英格蘭州擴張

Source: QSRMagazine.com

Sloan's, South Florida's palatial ice cream, candy, and toys paradise, announced its strategic franchise initiative, indulging investors with an opportunity to open their own savory and aromatic wonderland.

"Simply put, we created Sloan's to be a dreamland for everyone, kids and adults of all ages. Our focus has never changed. In fact, we just keep enhancing the experience and now we're ready to immerse even more people in the Sloan's brand," says Sloan Kamenstein, founder, owner, and a classically trained chef who honed his craft at London's Le Cordon Bleu culinary school and trained in kitchens throughout France.

"One taste, sniff, and glimpse of Sloan's sends the senses soaring," he says. "The time has come to share Sloan's yumminess beyond South Florida."

For Florida's Gold Coast residents, snowbirds, and millions of visitors to the region every year, the four area Sloan's shops are community destinations like no other. Plush toys line the walls, savory Sloan's homemade sweets fill the countertops, and rich original ice cream flavors made from the finest ingredients are scooped at a fervent pace as fanatical guests enter each store.

"Sloan's turns the everyday ice cream shop on its head, and what results is a completely over-the-top venue with the best tasting ice cream and candy you can find," Kamenstein says. "Everything in Sloan's has been well thought out. From our twinkling chandeliers and mouthwatering display cases, to the posh pink walls and ceilings, coming to Sloan's is an escape from reality."

Given the uniqueness of the luxury dessert concept, Kamenstein and his leadership team are launching the franchising program with a specific target on the most attractive U.S. markets, including additional regions in Florida and throughout California, the Carolinas, Georgia, New York and New England.

Growth into additional regions is also being pursued. Company projections call for the first franchised Sloan's shops to be near completion in early 2013, with additional units opening throughout the year ahead.

Currently, Sloan's anticipates a total of approximately 200 U.S. franchise locations. Franchise expansion internationally is also on the horizon.

"To people who know us, Sloan's is a phenomenon that they can't get enough of," says David Wild, director of franchising at Sloan's, and a seasoned franchise professional who recently joined the company to lead its franchising efforts. “For more than 10 years, Sloan’s has proven to be a standout brand built to last. Frozen dessert fads come and go; Sloan’s has what it takes to remain in a class by itself forever.”

Kamenstein has designed the complete menu of creative ice cream, candy, and sweet treats. These include dozens of innovative flavors such as Tracy’s Scrumptious Pretzel (caramel ice cream with milk chocolate–covered salty pretzels and peanut butter swirls), Cookie Monster (made with homemade chocolate chip cookies), and Mom’s Apple Pie (apple pie ice cream with pieces of homemade apple pie).

A collection of homemade cookies, brownies, shakes, smoothies, ice cream sodas, sundaes, and all varieties of candies fill out the options for Sloan’s guests.

“Sloan’s is where the imagination can run wild,” Wild says. “Whether in our shops, or building the brand into a national franchise, creativity captures the mind and soul.”

After a year of preparing for its foray into franchising, the 13-year-old company is fully equipped to share its proven operational, marketing, and management systems with qualified franchise investors to which it awards agreements.

Ideally suited for experienced restaurant, retail, and hospitality franchise investors, as well as husband and wife teams and multigenerational investment groups, Sloan’s has demonstrated a track record of achievements in every economic climate.

Landlords, Retailers Think Out Of the Box as Cycle Swings Upward

購物商場市場有望反彈，房東房客靠創新維持增長：有購物中心房地產投資信託基金以提供租金津貼和業務發展計劃為交換條件，向小型商家租出長期空置的鋪位

By Randyl Drummer(CoStar)

Neither the continuing rise of Internet commerce nor the bumpy economic recovery will scuttle an expected rebound for retailers and shopping center owners, panelists agreed in an upbeat industry assessment at the ICSC Western Division Conference held last week in San Diego.

Reflecting a cross-section of disciplines -- from lenders to developers to chain store operators and mall owners -- panelists were clearly optimistic about the prospects for the sector over the next couple of years, fueled by a potent combination of strengthening tenant demand, retailer expansion and rising occupancies amid little new construction.

Meanwhile, low interest rates are likely to bring tremendous and sustained investment capital for acquisition and eventually, new retail development, experts said at the conference, which ended a three-day run in San Diego on Sept. 21.

"We have issues, but as an industry, our best days are ahead of us," said panel moderator Patrick Donahue, chairman and CEO of mall owner Donahue Schriber. "There seem to be tremendous capital flows into real estate, so there will be tremendous investor interest ... [capitalization] rates will likely remain low and maybe go lower."

"Retailers have flushed out a lot of the dead wood, and we've got solid retailers that are reinventing themselves. The next two to three years should be very productive if you have capital, product, and the people to execute," Donahue added.

While the economy and property markets continue a slow and steady but somewhat bumpy recovery, the central bank's fiscal policies, such as QE3, are expected to result in increased liquidity, resulting in what's likely to be an unprecedented seven years of zero percent interest that started in 2009, said Christopher Niehaus, managing director of GreenOak Real Estate Advisors LP.

"For at least the next couple of years, there appears to be unlimited liquidity, and that will clearly impact how we run our businesses," Niehaus said.

For now, retailers are focused on smart growth and landlords on creative ways of keeping their spaces filled with tenants.

Scott Nelson, senior vice president of real estate for Target Corp., focused on the chain's plans to enter the Canadian market for the first time. The popular retailer plans to open 125 stores starting in March 2013 in buildings formerly occupied by discount retail Zellers. It also is preparing for next month's roll-out in San Francisco and Los Angeles of "City Target," a new store format adapted for existing spaces in U.S. urban areas.

The City Target sites "are some of the best real estate we have in our portfolio," said Nelson. "My teams are focused on optimizing the capital we have, using all our resources and being as flexible as we can in terms of designing our stores."

Daniel Hurwitz, president and CEO of DDR Corp. (NYSE: DDR), a Cleveland-based shopping center REIT, discussed an innovative tenant leasing program his firm introduced called "Set Up Shop," which offers rent perks and help with developing business plans to small tenants in exchange for leasing up chronically vacant space. The company signed 20 leases in Atlanta and 20 in DDR's properties in Florida through the program.

Hurwitz said the program and unique merchandizing help differentiate the tenant mix at those DDR centers from those of its competitors.

"We can all sit around and talk about this box getting bigger or this box getting smaller. It doesn't really matter. It matters what's in the box. If the consumer wants it, it will do fine," he said.

As at most retail real estate conferences this year, panelists spent considerable time mulling the Internet and the impact of Amazon.com on retail sales and space requirements at brick-and-mortar shopping centers.

Retailers that are able to multichannel through both stores and the Internet are the wave of the future, but the costs of shipping and item returns remain a barrier to profits, Hurwitz said.

"The question is, how do you make money? People have not quite been able to figure out how to make the model work and I think until we figure that out, it's just it's going to be a work in progress," he said. "Bricks and mortar is safe because it's the only vehicle currently that's making significant money, it's the most profitable part of the business."

Accordingly, a prospective tenant's multichannel distribution plans are a critically important discussion to DDR.

"We wouldn't be happy if our retailers started going very, very heavily into the Internet, eroded their margins and as a result, negatively affected their balance sheet," he said. "That wouldn't be good for any of us."

"When the market decides to start holding an Internet company like Amazon to the same standard they hold a Target, it will be interesting to see if Amazon can prosper. If you had $66 billion of sales and no earnings, you would be on the {bricks-and-mortar] tenant watch list."

Other panelists included Joseph C. Hoesley, vice chairman of U.S. Bank; Alex Lelli, senior vice president, growth and development for ULTA Salon; and Charles Stilley, president of development for LOOK Cinemas.

Demand Grows For Net Lease Property Assets

9 月的兩個主要交易顯示淨租賃資產對投資者的吸引力

By Elaine Misonzhnik(National Real Estate Investor)

September proved to be a busy month for the single-tenant net lease sector. Within a 24-hour period on Sept. 6, Realty Income Corp., an Escondido, Calif.–based REIT specializing in net lease properties, bought American Realty Capital Trust, which owns 501 mostly net lease buildings, for approximately $2.95 billion; then Lexington Realty Trust, a New York City–based REIT, announced it was acquiring a portfolio of net lease office and industrial properties from its joint venture with Inland American for $480 million.

As Nicholas S. Schorsch, chairman and CEO of American Realty Capital, puts it: “You’ve got an asset class that’s very durable, with no capital expenditures, long-term leases, corporate credit tenants and no operating expenses. So it makes it particularly appetizing as an investment profile. But more importantly, you’ve got interest rates that are historically low right now, so it’s a very good dynamic—you can get very strong returns, while maintaining honest leverage.”

The mega-transactions taking place indicate that institutional investors’ voracious appetites for quality net lease assets have met with a dearth of supply and skyrocketing valuations on one-off deals, says Randy Blankstein, president of the Boulder Group, a Northbrook, Ill.–based real estate services firm focused on the net lease sector.

“Today it’s very difficult to assemble large portfolios and buying whole companies is much easier from that perspective,” Blankstein says. “You are not really buying the companies per se, you are buying portfolios, and I think you are going to see more of that.”

In fact, when it comes to class-A net lease assets, with credit tenants, long-term leases and locations in the top 50 metropolitan areas, demand has been on par with demand for multifamily properties, currently the hottest investment class in real estate, says Al Pontius, national director of brokerage with Marcus &Millichap Real Estate Investment Services, a Calabasas, Calif.–based brokerage firm. That’s due to several factors, including the perceived safety of the product type and higher return rates compared to other fixed-income investment alternatives, notes Christopher Maling, senior vice president and director of Colliers International’s national retail group.

Today a 10-year government bond would yield a return of approximately 1.5 percent, Maling says, while a net lease building offers returns from 5 percent to 8.5 percent or greater. There is also little risk associated with class-A net lease properties—as long as the location is good and the building is well-maintained there will always be tenants willing to sign leases even if the existing occupant leaves. This inspires greater confidence in conservative investors than the recently volatile stock market.

Plus, net lease properties rarely require intensive management since the majority of them are leased on a triple-net basis, with the landlord bearing no responsibility for the structure.

TIGHT BAND
Cap rates have stabilized in recent quarters.

Sector	Q1 2012 (Previous)	Q2 2012 (Current)	Basis Point Change
Retail	7.75%	7.50%	–25
Office	8.00	8.25	+25
Industrial	7.94	8.00	+6

Source: Boulder Group

The challenge for investors has been the fact that there aren't enough desirable properties on the market to feed existing demand, says Jonathan W. Hipp, president and CEO of Calkain Cos., a Washington, D.C.–based commercial real estate firm specializing in triple-net lease properties. When such properties are available, they are priced at a premium. That's why most net lease specialists expect to see more company acquisitions like the Realty Income/American Realty deal and more IPOs as stock market investors become more aware of the advantages of net lease REITs.

On Sept. 20, for example, Spirit Realty Capital, a Scottsdale, Ariz.–based company that invests in and manages net lease retail and industrial properties, conducted an IPO valued at approximately $435 million. The firm issued 29 million shares at $15.00 apiece. Spirit Realty owns 1,096 properties in the United States.

"I think interest [in net lease assets] can easily increase," says Shelby E. L. Pruett, chairman and CEO of Equity Global Management, a Chicago-based principal-oriented investment firm that focuses on single-tenant net lease, sale-leaseback and build-to-suit real estate.

HARD NUMBERS

Net lease retail buildings tend to trade more often than properties in other sectors because they are more accessible to individual investors due to their smaller size (most are valued under $5 million), and there is a greater number of available good-credit tenants in retail than in other commercial real estate sectors. Although the retail sector's health overall is tied to the economy, retailers that tend to occupy net lease spaces are somewhat protected from recessionary forces, says Maling. A restaurant chain like McDonald's can drum up healthy sales in a Midwestern suburb and Midtown Manhattan. After all, McDonald's didn't earn its top-notch credit rating by opening new stores haphazardly, Maling adds.

This past year, transactions involving net lease retail properties totaled approximately $6.9 billion, with the average cap rate of 6.8 percent and the average price of $254 per sq. ft., according to research by Calkain Cos. Transactions involving office properties totaled $6.6 billion, with the average cap rate of 7.7 percent and price per sq. ft. of $238. Industrial transactions totaled $8.5 billion, with a cap rate of 7.8 percent and an average price of $77 per sq. ft.

Plus, the number of available retail assets nationwide rose 17.88 percent from the first to the second quarter of 2012, to 3,508, according to a Boulder Group report. The number of office properties on the market in the same period fell 9 percent, to 455. The number of available industrial properties rose 20 percent, but the total was only 384 buildings.

The stability of office and industrial properties is more directly tied to job growth than retail assets, so investors tend to feel greater concern about the economic fundamentals of the markets these assets are located in, no matter how long the lease is or how well-respected the tenant. Marcus &Millichap's Pontius notes a single-tenant bank office headquarters that recently traded in Paso Robles, Calif. The building houses a good-credit tenant, has 10 years remaining on its lease and sold at a cap rate of 8 percent. If the same building, with the same tenant and lease term, went on the market in Los Angeles instead of Paso Robles, it could have easily sold at a cap rate of 6.5 percent, Pontius notes.

“We’ve seen several transactions where, because the office property was in a secondary market and that market was relatively soft, it had an adverse effect on the asset,” says Spencer Levy, executive managing director of capital markets with commercial real estate services firm CBRE.

Plus, since industrial and office deals tend to price in the double digits (from $20 million to $50 million), the pool of potential buyers shrinks significantly, primarily to REITs and private equity funds rather than individual investors.

Average cap rates reflect those differences. In the second quarter, cap rates for net lease properties ranged from an average of 7.5 percent for retail buildings to 8.0 percent for industrial assets to 8.25 percent for office buildings, according to the Boulder Group report.

But because office and industrial buildings now offer better yields than many retail properties, interest in them is increasing. Equity Global initially built its portfolio on retail assets, but now focuses on acquiring both distribution/logistics facilities and single-tenant office buildings, Pruett notes. It is searching for core market properties with leases of 15 years or more and built-in rent escalations of 1.5 percent to 2.5 percent.

ON OFFER
The number of assets for sale has jumped.

Sector	Q1 2012 (Previous)	Q2 2012 (Current)	Basis Point Change
Retail	2,976	3,508	+17.88%
Office	500	455	–9.00
Industrial	320	384	+20.00

Source: Boulder Group

Similarly, Paul M. Domb, vice president of asset management with United Trust Fund, a Miami-based firm that specializes in corporate sale-leaseback transactions, notes that cap rates for net lease buildings are currently at historic lows.

“We don’t dictate to the market, the market dictates to us,” says Domb. “So if we find the right building and we are getting a 7 percent current [cap rate], it’s an acceptable return to us.”

In 2012 United Trust Fund closed approximately 220 million dollars' worth of office and industrial/distribution acquisitions, including West Coast and Midwest corporate headquarters, an Atlantic seaboard regional office and a Carolinas distribution facility. The headquarters acquisitions closed at cap rates in the 7 percent range, says Domb.

In the office sector, buildings occupied by government entities and medical offices are viewed as the safest investments right now, brokers say. FedEx Ground facilities and Amazon.com and Wal-Mart Stores warehouses tend to be the most desirable industrial tenants.

UP FOR GRABS

Net lease assets remain popular in the top five largest MSAs in the United States.

	Number of Properties on the Market	Retail Median Cap Rate	Office Median Cap Rate	Industrial Median Cap Rate
New York	116	5.75%	6.80%	7.00%
Los Angeles	329	6.50	6.15	7.00
Chicago	416	7.75	8.25	8.40
Dallas	192	6.85	8.00	8.00
Philadelphia	165	7.75	7.89	8.00

Source: Boulder Group

In the second quarter, properties net leased by FedEx traded at a median cap rate of 7.6 percent, according to the Boulder Group. Properties leased to government agencies traded at a median cap rate of 7.79 percent.

LOOKING AHEAD

The demand for net lease properties is likely to continue for the foreseeable future. With the Federal Reserve vowing to keep interest rates under 0.25 percent through mid-2015, yields on bonds are not likely to go much higher, says Levy, which means net lease real estate assets should remain a preferred investment type. American Realty Capital’s Schorsch projects that net lease properties will remain in favor for the next three to four years.

With the U.S. economy still on shaky ground, it’s doubtful that a more attractive investment alternative will emerge anytime soon, Scorch and CBRE's Levy say. If aggressive job growth begins, it may lead to investors being able to accept greater risk and abandoning the safety of net lease properties to put money into assets with higher yields. But at the moment that seems less than likely, which is why Walgreens drugstores are among the most popular properties with net lease investors, despite the fact that Walgreens leases last up to 75 years, severely limiting potential for future rent growth.

“Your upside in net lease is capped to a great degree than in a multi-tenant asset,” Levy notes. “So the good news is you are locked into a long-term lease with a good-credit tenant. And the downside is you are locked into a long-term lease with a good-credit tenant.”

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.

Investors Expected To Boost Retail Holdings

仲量聯行的報告稱 2020 年前零售地產的年度投資額將能衝擊 1,800 億美元

By Mark Heschmeyer (CoStar)

Annual investment volumes in retail real estate could hit $180 billion globally by 2020 due to increasing cross-border activity, showing growth of around 50% on the projected volumes for 2012, according to Jones Lang LaSalle, which unveiled its projections in new global retail real estate report released at ICSC 2012 Retail Real Estate World Summit.

Retail's overall contribution to real estate investment is expected to sit at close to 30% over the remainder of this decade, an increase from the 24% last decade.

Growth markets are projected to account for around one-quarter of global retail investment by 2020, compared to less than 10% today. By contrast, established markets will decline from 83% to just above 60%. China and India top Jones Lang LaSalle.

"The number of investable geographies has expanded globally as growth markets like China, Brazil and Turkey are attracting global investors," said Arthur de Haast, head of international capital group for Jones Lang LaSalle. "Together with an improvement in the quality and availability of retail assets, rising liquidity levels and further progress in real estate transparency, the retail investment sales sector is set for further rapid globalisation."

"Many of these growing retail real estate investment opportunities also are being supported by an increasing number of countries adopting real estate investment trust (REIT) investment vehicles," said Michael Niemira, ICSC vice president of research and chief economist. "The REIT, which provides transparency and ease of investment, has grown dramatically over the last 40 years with 27 countries already offering such financial regimes and currently another seven -China, India, Indonesia, Nigeria, Kenya, Vietnam and South Africa - considering future adoption. The ease of access to cross-border and domestic capital and strong consumer fundamentals should provide a solid platform for the growing global retail real estate markets over the next decade."

According to the report, more than $1 trillion of retail real estate has been traded around the world in the last decade. Global direct investment has averaged more than $100bn per year since 2004 and in 2011 annual volumes hit $122.5bn. In 2011 cross-border activity accounted for nearly half of all retail investment, whilst levels accounted for only one-quarter of all trade in 2004. Cross-border activity will continue to track at around half of all retail investment, boosting annual investment volumes to $160-180bn by 2020, representing a 30-50% increase on 2011 levels.

Economically We're in Recovery; Mentally We're Stuck in Recession

經濟數據顯示商業地產市場已在復甦，但業者情緒上仍處於衰退階段

By Mark Heschmeyer (CoStar)

Despite improving job numbers, rising CRE and housing prices, declining vacancies and stabilizing rental rates, not to mention a new round of fed stimulus that will pump $40 billion a month into the mortgage markets, the prevailing sentiment in the commercial real estate industry still seems to be one of doom and gloom. And importantly that outlook is affecting which deals are getting done and which ones are not.

"We have noticed the trend as well and concur that a negative, or rather extremely conservative, mindset is prevalent with the investors in the market," said Steve Timmel, senior vice president of Colliers International in Cincinnati. "Many investors are analyzing assets based on the 'what-could-go-wrong' view versus spending time focusing on 'what-could-go-right' and this has had an impact on pricing and deal velocity."

"We appear to be in an extended period of uncertainty that is creating a tremendous amount of gridlock," added Ron Riley, Timmel's counterpart with Colliers in Memphis, TN. "As the economy grinds along, it will take really positive news to start moving it forward again in a sustained fashion."

For now, at least, the mindset of investors seems to be one of caution while the economy staggers to its feet, ignoring the positive signs of returning growth and instead expecting another knockdown punch.

"Are we stuck in a moment in time when we expect the worse," asks Randall Chrisman, principal of The Chrisman Co. in Carrolton, TX.

His answer is: "Yes, but…"

"People tend to lean toward pessimism over optimism. Nevertheless, just because you are paranoid, doesn't mean they aren't out to get you," he said. "There is a lot of money sitting on the sideline rather than investing in capital and expansion. It is a hunker-down mentality based on a very scary economic world."

"No one wants to be the first guy to make a bad deal and investors are very sensitive to overheated markets," Timmel of Colliers said. "Investors are in pursuit of yield, and with the exception of a few, are risk adverse until the overall economic picture gains more clarity."

RuijuePeng, chief research officer for CoStar Group, says this mindset is not necessarily unexpected -- or a bad thing.

"Studies have shown that real estate practitioners tend to be among the most 'myopic' bunch, which is one of the reasons for the long and wide real estate cycles," Peng said. "Because of the current mindset, we can assure ourselves that the market won't get overheated any time soon. If the majority is optimistic, then it is often too late to get good deals."

Adam J. Hardej, Jr., president and chief appraiser for BAAR Realty Advisors in Palm Beach Gardens, FL, said he thinks "the markets can be best described throughout the country as discerning and unforgiving. (But) if a buyer gets a whiff of distress or any issues associated with a property, then the sharks start circling and looking for a discount off what are already historically low commercial real estate values."

"This is a boom period for commercial real estate appraisers with the mass of peak market financings/loans done with 5- to 7-year balloons on them - all coming due now - is keeping us commercial real estate analysts very busy," Hardej said.

We asked other CRE professionals across the country what they see as the current mindset in the industry; what is driving it; and how is it affecting the dealmaking environment. Their answers follow.

Lack of Confidence Not Surprising Given Severity of Downturn

Confidence is the lifeblood of commercial real estate development. Developers are constantly gaging both the prevailing mood and the trajectory of the next mood swing.

This recession was severe and sudden. 8.8 million people lost their jobs. Over four years later, half of the people who lost jobs still have not found a new one. And many people are working part time or working at a job that does not engage their highest potential. By the technical definition, the recession ended 38 months ago but it does not feel that way if you are one of the people that are not fully employed or if you own a home that is still worth less than it was seven to 10 years ago.

More than any other factor, this was a recession that was triggered by financial excesses. Most of our major banks were on the brink of bankruptcy or regulatory shut down four years ago. Government intervention prevented a financial meltdown. The banks survived but they are going to be more conservative for some time to come.

So, if the average person is cautious or frustrated by the job market and the primary source of money for business expansion is at least somewhat more cautious than they were, it is no shock that we are seeing a slow recovery.

That is a reading of current sentiment. But one huge key to success in commercial real estate is reading the trend and the timing of changes in sentiment. Smart money has already been buying quality commercial real estate for investment. When you consider what you can earn from a bond today (almost nothing), it makes a lot of sense for investors to put some money in an investment that earns a tax sheltered 7.5% with the possibility that the underlying asset will appreciate over a 10 to 15 year lease term.

Larry Callahan, President & CEO, Pattillo Industrial Real Estate, Stone Mountain, GA

Inflation May Be Next Sword To Swallow

If more distress is coming it will be the result of low interest rate mortgages coming due into a market where interest rates are significantly higher. Combine that with expenses spiraling out of control and income not keeping up with the costs of running a building and we could have the perfect meltdown.

Adelaide Polsinelli, Senior Director, Eastern Consolidated, New York, NY

Deal Impact: Driving Up Core Prices; Driving Down Repositioning Prices

The impact of the negative mindset is having a two-fold effect. It's driving pricing to historic highs on the top assets in core markets, and it's driving down the pricing, or decreasing the buyer pool for assets that have a leasing story and need some repositioning. Generally the market continues to be a "have and have not" market. If you have a core asset you have numerous buyers to pick from, and if you don't, you "have not" or the pricing is so low you don't want to consider the pricing.

The equity that is in cash and un-invested is immense and all waiting for some positive news on the economy and the resolution of some of these issues. This equity is only venturing out for the no-brainer offerings or core assets in the market.

Meanwhile, the debt that is available for these core offerings is as good, or better, than it ever has been with the CMBS market poised for a massive rebound in 2013. Rates for high quality commercial assets are in the low to mid 4% range and Class A multifamily is even lower. Investors are certain that we are in line for inflationary impact of the continued fed manipulation and are locking in these low rates as they anticipate significant rate jumps in the next few years.

Jeff Johnston, Brokerage Senior Vice President, Colliers International, Cincinnati, OH

Tenants Avoiding Long-Term Commitments

What I'm seeing are two factors. One the government contractors are really being cautious; contracts are slowing down, and there is a real desire by tenants to avoid the risk of long-term commitments. This is combined with a general push by them to downsize and control costs.

Second, the threat of sequestration and the fall elections, with the uncertainty on tax policy, spending, etc., and the general tightening of state and local government expenditures reinforces the negative concerns, especially in this sector. This is partially being offset by increased activity in the high tech sector where I have seen increased activity among the startups , as well as in the service sectors both office and retail.

Frank W. Dillow, Long & Foster Realtors - Commercial Division, Vienna, VA

We Create Our Environment

We will create this environment with our mindset. There are business owners out there who are very positive with the coming years. I've noticed that these folks are typically utilizing the social and cloud business model.

The distress may be coming from all property types. However I think the industrial spaces are having a better chance to catch the wave of returning manufacture to the U.S.

Tom Mong, Appraiser, Market Value Advisors, Los Angeles, CA

In What World?

I recently sold an apartment building for $3.1 million. Two years ago. I and my partners bought it for $2.065 million. In those two years, I took revenue from $17,000 per month to $53,000 per month thereby justifying to the appraiser and the buyer's lender the increase in valuations.

Now as we search for another property to acquire, we are running into sellers listing their properties at "pro forma" revenues, and I sit there and go: "Here we go again." Didn't anyone learn from the last time we did this?"

We put in an offer on a building a few weeks ago that fell out of escrow at $3.8 million; the place was listed at $4.25 million. The NOI provided by the seller's agent showed a negative NOI for 2011 and only $32,000 for the first half of 2012. Our offer was all cash at $2.6 million and we'll take it as is. The seller didn't respond to our offer and the seller's agent said we were $1 million off.

Really? In what world is that seller going to get past an appraiser or lender for even close to what they want for it. The only way would be all cash and it would take an utter idiot to do that.

CRE prices have increased but I believe the days of getting a quick 50%-100% appreciation are over. I think things will flatten out a little and I believe velocity will slow drastically going forward because the "pro-forma" monster is rearing its ugly head again, and I hope lenders won't buy into it. If they do, then the fan is going to really get hit hard down the road.

Neil Evans, Partner, 3211 Pinchot Properties, Phoenix, AZ

At the Mercy of Events

With external factors such as Europe and China looming, unfortunately we are at the mercy of (their) fiscal and monetary policies. The question is, will they come in for a soft landing guided by these policies or will they crash and burn?

Closer to home with the election looming, continuing deleveraging and the need to restructure, we are faced with our own daunting tasks. Regardless of the outcome of the election, uncertainty will be eliminated for the better or worse but the silver lining is we will all have a better sense of the overall direction that the country will take.

It appears there has a been a paradigm shift with both individuals and corporate America with both doing more with less and being a bit more cautious. When our GDP is comprised of 2/3rd consumer spending and you have a lack of faithfulness in corporate America to "protect" its workforce and at the first sign of additional slowdown to slash payroll, you have a serious recipe for disaster.

Ron Riley, senior vice president | office division asset services, Colliers International Memphis, TN

Fed's Money Machine

Many CRE prices are presently back at the "bubble" levels of five years ago. How? Today's lower income is capitalized at lower bubbly capitalization rates. Notice that effect is limited to "investment grade" big buck assets as Wall Street money is struggling to escape the Fed's 0% interest rate hole. The dichotomy between Wall Street and Main Street isn't any more sustainable than trillion dollar deficits.

The present capitalization rates are likely to regress to the long-term average around 9%. Because of the evaporation of much of the present liquidity, volume will also fall.

Eventually the big question is whether the next year will see much or any real economic growth. Or will the economy simply see more liquidity pumped in by Fed printing money to buy T-bills, thus supporting the deficit? That's where, conceivably, November makes a difference. There are going to be some tough choices in the next year in DC.

Charles B. Warren, Principal, Urban Real Property, Pleasant Hill, CA

In Search of Income Security

Your questions are about perceptions. But transactions fuel new real estate development -- folks renting apartments, buying stuff, businesses renting offices. The bottom 80% of our income distribution is still in hard times and unemployment is stuck at elevated levels. Until that 80% sees income security and liquidity, we're not going to see a robust transaction environment from those folks.

Steve Price, Partner, Terra Property Analytics, Seattle, WA

Political Discord

I actually think if the market is left to itself, we will certainly continue to see improvement, but the bigger question doesn't have much to do with supply-demand, it has to do with the unwillingness to cooperate on the part of our politicians. It is difficult for small or large businesses to go on a hiring spree, when they don't know what additional taxes, regulations, and demands are coming down the pike. These businesses are socking away dollars for the 'What If', which means less dollars being used in the economy. Until we get America back to work our buyer pool remains extremely limited, and no matter what the CAP rates there will continue to be significant areas that show little, if any, improvement.

Carol Gwin, Principal, Carol Gwin Realty | Commercial Group, Oakley, CA

An increasing federal deficit, combined with society's increasing governmental "dependence" will spell a very long road to economic recovery. More of the same seems in order until some group of politicians is willing to make the tough decisions that will reduce long-term spending by government, decrease disincentives to business expansion and ultimately allow the small- medium-sized businesses in this country to pull us up by the bootstraps out of the fiscal mud -- business growth and expansion is the only way out of this quagmire.

Investor Demand for CVS, Walgreens Driving Down Drug Store Cap Rates

投資者對藥糕店的需求拉低投資回報率

By Mark Heschmeyer (CoStar)

Median asking cap rates in the single tenant drug store sector compressed by 20 basis points from the second quarter of 2011 to the second quarter of 2012, according to new research from The Boulder Group's Research Department.

The Northbrook, Il-based boutique investment real estate service firm specializing in single tenant net lease properties also found that cap rate compression was significantly greater (50 basis points) for Walgreens and CVS properties built in the last two years.

The firm attributed the lower cap rates to a lack of new development coupled with the current low interest rate environment.

The supply of new construction drug stores decreased by 19% in 2012 when compared to 2011. Investor demand for higher quality properties in this asset class outweighs demand for the entire net lease sector, Boulder Group noted.

In the second quarter of this year, drug stores were priced at a 50 basis point premium versus the entire net lease retail market.

That compression may not continue in the future, Boulder Group noted.

Walgreens credit rating was downgraded last month to BBB from A- by Standard & Poor's. This downgrade was a result of Walgreens increasing their debt levels in the $6.7 billion acquisition of Alliance Boots, a U.K. based pharmacy chain.

The long-standing effect on Walgreens cap rates from this downgrade will be determined by lender's future underwriting of Walgreens properties, Boulder noted.

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	0.35	0.36	0.58	0.35	0.03	-0.07
Money market, annual yield	0.51	0.51	0.55	0.44	-0.04	-0.59
Five-year CD, annual yield	1.38	1.37	1.66	1.30	-0.28	-1.33
30-year mortgage, fixed	3.58	3.59	4.41	3.54	-0.59	-1.65
15-year mortgage, fixed	3.03	3.03	3.72	3.02	-0.49	-1.53
Jumbo mortgages, $417,000-plus	4.15	4.21	5.04	4.15	-0.84	-2.24
Five-year adj mortgage (ARM)	3.13	3.14	3.22	2.83	-0.02	-1.10
New-car loan, 48-month	3.17	3.19	4.36	2.97	-0.96	-4.18
Home-equity loan, $30,000	4.64	4.64	4.92	4.57	-0.07	-1.09