COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL
市場概括

- **California Gets $2.75B To Green Its Schools And Public Buildings**

  加州撥款近 28 億推動環保學校和公共建築

  California will have $550 million a year until 2018 -- a total of $2.75 billion -- to fund green-improvement projects at its schools and public buildings thanks to voters who passed Proposition 39. Upgrades are aimed at energy efficiency and include weatherization, replacement of leaking windows and adding insulation.

- **Home Prices Show Biggest Jump in 6 Years in October**

  10 月住房價格上漲 6.3%，為 6 年來最大增幅

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RETAIL
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- **Retailers Preference for Strongest Locations Complicate Retail Property Recovery**

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  Top retailers are determining clear winners and losers among local retail centers as the best shopping centers attract the bulk of tenants competing for available space while bypassed locations struggle with higher vacancy and eroding demographics.

- **Santa Monica Place wins Gold Award from ICSC**

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- **Amazon To Open Its Third Distribution Center in California**

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- **Applebee's To Open "Greenest" Eatery**

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Applebee's new restaurant in New York City's East Harlem neighborhood is being billed as the city's most sustainable restaurant. The eatery, which cost $4 million to build, will include rainwater harvesting on the roof and waterless urinals that conserve about 40,000 gallons of water each year.

OFFICE

辦公樓

- **Workspaces Expected To Go Well Beyond the Business Needs of Tenants**

四家建築公司展示未來辦公空間發展方向

Social forces and advances in communications technology are driving changes in how and where people work. Corner offices and cubicles are giving way to a kind of 'Mixed-Use 2.0: The Office Building of the Future' - workspaces that are infinitely flexible, with options for focused, individual work and also fully equipped to support collaborative groups, team projects and social interaction.

MULTIFAMILY

公寓

- **Apartment Building Boom Drives Recovery In Commercial Construction**

住房開發活動拉動全美商業不動產建造更強勁復甦

A host of new data and leading indicators show that commercial and residential construction is gaining significant strength in most regions of the U.S., led almost entirely by a surge in development activity in the multifamily and single-family housing markets.

- **Apartment Market Dynamics Look Strong for Next Two Years**

公寓樓市場連續第個七季度回暖，並有望在之後兩年延續這一趨勢

Apartment markets continued to improve across all areas of the country for the seventh quarter in a row, though the pace of improvement moderated, according to the National Multi Housing Council's (NMHC) Quarterly Survey of Apartment Market Conditions. Still, the NMHC said the outlook is for continued strength in the multifamily sector for the next two years.

HOTEL
酒店

- **Hotel Fundamentals Weakening But Still Could Outpace Other Property Types**

  儘管基本面減弱，酒店較其他類型商業地產**或增長更快**，在商業抵押貸款證券的物業組成中比例漸長

  Hotel properties are making up a larger share of CMBS 2.0 deals. While the share of retail property loans being packaged as commercial mortgage-backed securities has declined substantially since 2010, hotel properties have increased year over year since 2010, and now account for 13% of 2012 issuance for multi-borrower CMBS transactions.

- **Lenders Are Opening Up To Green Hotel Projects**

  貸款方和投資人看重綠色環保酒店的發展潛能

  Sustainability is becoming the next big buzzword among hotel lenders and investors as more travelers show a preference for green lodgings, this feature says. Expected cost savings in the long run also add to the incentives for financing a sustainable hotel.

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

  消費者市場利率：房貸、基本利率、等等

California Gets $2.75B To Green Its Schools And Public Buildings

加州撥款近 28 億推動環保學校和公共建築

By Paul Rogers (MercuryNews.com)

During the fall campaign, California's attention was focused on the presidential race and Gov. Jerry Brown's tax measure. But in a historic, largely overlooked environmental shift, the state's voters also triggered a multibillion-dollar tidal wave of new green spending.

By overwhelmingly passing Proposition 39, voters closed a tax loophole on out-of-state corporations that will generate $1.1 billion a year. But the measure, buried in a crowded ballot, also required that half of that money fund projects to install new windows, better insulation, modern lighting and more efficient heating and air conditioning at thousands of public schools and other government buildings over the next five years.

That windfall, roughly $550 million a year, or $2.75 billion before it sunsets in 2018, dwarfs anything that California or any other state has ever spent on energy efficiency for public buildings.

The new program is on par with the $3 billion that voters approved in 2004 for stem cell research and the $3.3 billion that former Gov. Arnold Schwarzenegger committed to his "Million Solar Roofs" plan in 2006.

Critics worry, however, that lawmakers will fritter the Proposition 39 money away because they have too much power to decide the details.

While not as flashy as money for solar or wind projects, many experts say such seemingly routine changes as weatherizing buildings and replacing leaky windows is actually one of the cheapest ways to

"If we do this well and people see it as money well spent, as an investment that should be mimicked in the private sector, then this could really be a very big deal," said Tom Steyer, a San Francisco financier who spent $32 million bankrolling Proposition 39.

U.S. schools spend $8 billion a year on energy bills. If those were cut 25 percent, it would save $2 billion, enough to buy 40 million new textbooks. Steyer sees that as easy money for cash-strapped schools, and views his ballot measure as a demonstration project for other property owners.

A 55-year-old Stanford MBA with a net worth of $1.3 billion, Steyer cofounded Farallon Capital Management in 1986 and built the company into the world's 17th largest hedge fund. In 2010, he funded a large part of the campaign to defeat a ballot measure by Texas oil companies that would have suspended California's global warming law.

His latest campaign is energy efficiency.

One of Steyer's favorite examples is the Empire State Building. Two years ago, a Sunnyvale company, Serious Materials, replaced all 6,500 windows on the New York City landmark. It was part of a $13.2 million upgrade with new insulation, lighting and ventilation, which the building's owners calculate will cut energy costs 38 percent and pay for itself in three years.

"People in the public sector often confuse expenditures and investments," Steyer said. "If you go out to dinner that's an expenditure. If you send your kid to college, that's an investment. If this money is used wisely, we will get multiples of it back in savings down the road that can be used for schools."

All the new money has some Sacramento observers nervous, however.

"Look at the High-Speed Rail Authority, the stem cell money, the tobacco tax funds and the state recycling fund," said Jon Coupal, president of the Howard Jarvis Taxpayers Association. "There have been slush funds and corruption in all of them. We have very little confidence this money will be spent effectively unless there is a sea change in Sacramento."

Proposition 39 does not spell out in much detail where the $550 million a year should be spent. It says the money should pay to retrofit schools, colleges, universities and other public buildings; it can also be used to fund job-training programs in energy efficiency -- and incentives to put solar panels on homes.

Joe Caves, a longtime environmental lobbyist who wrote the measure, said the lack of specifics is on purpose. The measure notes that the Legislature must appropriate the money, which means next year lawmakers will pass a bill to create new programs in one or more agencies like the state Department of Education or the California Energy Commission, he said. Those agencies will set up grant programs for school districts and other local governments to compete for the money.

"It's got to go through existing public agencies, and the projects have to be evaluated as cost effective," Caves said. "It's not like legislators are going to be able to say, 'I want $100,000 to go this project or $50,000 to that one.' And they can't make the grants to private businesses. We built in a lot of controls."

The measure also creates a new nine-member oversight committee of engineers, architects and economists to commission yearly audits and post the results online.

For now, Steyer said, he'd like to see much of the money go to schools.

"When you drive around California and look at the physical condition of some of the schools, it can be a little shocking, don't you think?" he said.

As soon as next week, state Sen. Kevin de Leon, D-Los Angeles, will introduce a bill to spell out how to spend the money. De Leon said he would like to see most of it go to schools, with strict criteria, such as ranking schools by kilowatt hours of electricity used.

"It's not going to be a program of pork," he said. "We are going to go to schools of highest need, schools that don't have the resources to move forward with energy-efficiency projects, and do the work there and create jobs."

De Leon said that for roughly $500,000 each, crews could retrofit half of California's 10,000 public schools using Proposition 39 money. For that amount, they could replace windows, boost insulation, and fix leaks and lighting. In some cases, they could upgrade heating and cooling systems.

A study last year by the EPA found that public schools can easily save 20 to 40 percent on utility bills -- which run in the tens of thousands of dollars a year -- through simple energy-efficiency work.

Since 2009, the California Energy Commission has doled out $132 million to retrofit public buildings. But much of that came from federal stimulus dollars that have now run out.

There are success stories: The Sacramento City Unified School District, for example, replaced lighting, put in LED exit signs and made other upgrades, saving the average high school $53,000 a year, with a payback of seven years.

One of the state's top energy experts, Stanford University engineering professor Jim Sweeney, said he's watching the rollout carefully.

"Fixing insulation and leaky windows isn't as sexy as saying, 'Look at our new solar installation,'" he said. "But for every $1 spent you will save more on energy efficiency than a solar array."

Home Prices Show Biggest Jump In 6 Years In October

10 月住房價格上漲 6.3%，為 6 年來最大增幅

By Jim Puzzanghera (LA Times)

WASHINGTON -- Home prices increased 6.3% in October from a year earlier, the biggest year-over-year gain since 2006, according to Irvine research firm CoreLogic.

Prices dipped 0.2% in October from September, but such a drop was expected at the end of the home-selling season, the firm said Tuesday.

October marked the eighth straight month of year-over-year prices increases and added to recent evidence of growing strength in the housing market. CoreLogic reported Monday that foreclosures were down 17% in October from a year earlier.

"The housing recovery that started earlier in 2012 continues to gain momentum," said Mark Fleming, CoreLogic's chief economist. "The recovery is geographically broad-based with almost all markets experiencing some appreciation."

Home prices increased 21.3% in Arizona, the most of any state. California saw a 9% increase. Prices increased from October 2011 in all but five states -- Alabama, Delaware, Illinois, New Jersey and Rhode Island.

The Phoenix-Mesa-Glendale area in Arizona had the largest year-over-year price increase of any metro area, at 24.5%. The Riverside-San Bernardino-Ontario metro area was second at 7.3%. And the Los Angeles area was fourth at 6.4%.

Excluding foreclosures and other distressed sales, home prices nationally increased 5.8% in October from a year earlier. Those prices were up 0.5% from September, the eighth straight monthly gain.

Retailers Preference for Strongest Locations Complicate Retail Property Recovery

由於零售商對地段敏感，好位置的購物商場租金以開始上漲，而地段差的仍有較高空置率

By Randyl Drummer (CoStar)

While multifamily property posted robust growth and the office and industrial sectors saw continued progress, overall demand for U.S. retail space remained decidedly tepid in the third quarter, according to CoStar’s Third Quarter 2012 Retail Review and Outlook presentation.

Retail sales started the year strongly before suffering a summer swoon. While consumer spending is on the rise again in recent months, concerns about the fiscal cliff and the effects of the European economic slowdown have caused uncertainty about retail sales growth. As a result, retail property fundamentals have more-or-less moved sideways for eight quarters now.

U.S. retail properties absorbed a scant 7 million square feet in the third quarter of this year. As a basis for comparison, the state of Texas alone averaged 6 million square feet in retail space absorption per quarter in 2006, according to CoStar’s analysts.

Meanwhile top retailers are determining clear winners and losers among local retail centers as the best shopping centers attract the bulk of tenants competing for available space while bypassed locations struggle with higher vacancy and eroding demographics, according to Suzanne Mulvee, director of retail research for CoStar's Property and Portfolio Research (PPR) division, and PPR real estate economist Ryan McCullough.

In some cases, retailers are opting for shiny new space over the plentiful available existing space that happens to be located in less-than-prime neighborhoods or marginal trade areas that don’t fit their needs, McCullough said.

For example, two of the three retail centers under construction in excess of 500,000 square feet nationally are both in Las Vegas, a housing bust market with a retail vacancy of 10.7%.

"We’re seeing big, good tenants sign up for these construction projects. There’s plenty of (existing) vacant space, but they don't want it, they want to be in certain key locations, and that could get the construction ball rolling again very soon."

Fabulous Centers Get All the Rent Hikes

While asking rents continue to slip lower across much of the available retail space, stronger shopping centers are logging rent gains. Simon Property Group (NYSE: SPG), the largest owner of malls and shopping centers, reported 3.8% rent growth in its portfolio for the third quarter, McCullough noted.

"This tells me that good centers no longer feel the need to compete on price; they feel comfortable to start pushing rent gently again," McCullough said.

Rent reductions in such metros as Orlando and Sacramento and Salt Lake City are still among the highest in nation, while South Florida is seeing 4% year-over-year growth, and the San Francisco Bay Area and Seattle/Puget Sound reported 2% rent growth. In general, areas with more geographic density have fewer unproductive retail centers, while even fast-growing but geographically dispersed areas like Houston and Dallas appear to have more under-performing retail locations.

Discounters and high-end retailers are enjoying success, while retailers in the middle, including big box chains such as Sears Holding and Food Lion are continuing to go dark.

"This is a problem. As we try to build some momentum in the retail sector and build up that leasing volume, we continue to run up again these weaker chains giving back space," Mulvee said. "While this Darwinian retail environment isn't new, it's being accelerated by the Internet, by the ability for consumers to easily go to a different location, especially online."

A CoStar analysis of vacancies across all types of retail -- neighborhood, strip, community and power centers, and mall -- shows a persistent divide between the retail haves and have nots.

Neighborhood centers had an average 11.1% vacancy in the third quarter 2012. However, "competitive" centers, excluding properties with vacancies of 40% or greater, had a vacancy rate of 7.2%. The vacancy rate for malls, including dead or dying centers was 5.8%, compared with 4.7% for more competitive properties.

"Not much is changing. There's little ability to 'fix' a broken center today, given the lack of leasing volume in the marketplace," Mulvee said.

Higher Yields Coming for Investors?

One bright spot for retail may be in investment sales, which are beginning to see improvement with sales volume at or near its 10-year average over the last few quarters. The CoStar Commercial Repeat Sales Index is ticking up, showing a broadening recovery of average retail properties.

Distressed transactions are decreasing, and retail capitalization rates remain elevated relative to other property types and the 10-year Treasury. At some point, cap rates will revert to their long-term average, which means outsized cap rate compression for retail could be coming in the future, which would be good news for investors.

Meanwhile, same-store NOIs at better properties owned by selected mall, outlet center and shopping center REITs are back on the upswing.

"When you combine these wider spreads, rising NOIs and expectations of possible cap rate compression, it's a pretty good story for retail investors. Investors are starting to warm up to the story that retail sales are up, same-store up and it's getting better for national credit tenants," McCullough said.

Based on changes in pricing per square foot now versus the period of 2009-11, mall prices have shot up 25% and investment volume is up 70%. But, like retailers, investors only want the best properties. More than 40% of investment activity in 2012 is concentrated on properties with less than 5% vacancy, compared with 30% in 2009-11, and nearly 30% of investment dollars are going into properties with 5-10% vacancy, compared to just over 20% in 2009-11.

"People apparently are scared to death by the dead malls or the ones that appear to be dying," McCullough said. "But reports of the death of the mall have been greatly exaggerated."

"Some of the weaker centers may not be relevant to retailers any longer," Mulvee added. "There isn't that ability to fix that broken center, at least not with traditional retail tenants, and investors are really shying away from taking on that leasing risk.

"At some point you trip too much vacancy in a center and now it's in that death spiral because you lose traffic, shoppers go elsewhere and most centers don't recover."

Interestingly, if malls are removed from the equation, investors are developing a greater appetite for risk and distress. Investors may not be willing to take on the risk of rehabbing a mall, but perhaps they may be aggressive enough to take on more risk repositioning a strip center, McCullough said.

Santa Monica Place wins Gold Award from ICSC

購物商場 Santa Monica Place 贏得國際購物中心協會設計與建造金獎

Source: ICSC

Santa Monica (Calif.) Place won a Gold Award in the category of sustainable design in ICSC's 2012 Design & Development Awards. The awards, announced last night at ICSC's CenterBuild Conference in Scottsdale, Ariz., honor and recognize the premier design and development trends of retail projects and retail store design within the U.S.

The 537,112-square-foot center recently underwent a dramatic two-year renovation, converting a well-storied traditional enclosed shopping center into a show-stopping, open-air destination. The project is one of the few large-scale urban centers to be LEED Gold certified. This year's jury said the center serves as a new model for transforming struggling U.S. commercial properties.The companies involved in the project are as follows:

Owner/Development Company: Macerich

Design Architect: The Jerde Partnership

Production/Executive Architect: Omniplan

Graphic Designer: 505 Design

Lighting Designer: Kaplan, Gehring, McCarroll Lighting Design

Landscape Architect: LRM Ltd.

General Contractor: Whiting-Turner

Management/Leasing Company: Macerich

Winners of ICSC's U.S. Design and Development Awards program, along with winners from other regional design and development programs, will automatically be entered into the ICSC's Global Design and Development Awards competition, the Best of the Best VIVA (Vision, Innovation, Value, Achievement) Awards, and eligible to be named "The Shopping Center of the Year" or the "Best Sustainability Project." ICSC's Best of the Best VIVA Awards honor and recognize the most outstanding examples of shopping center design and development, sustainability, marketing, and community service worldwide. The winners of the Best of the Best VIVA Awards are announced during RECon, in Las Vegas.

Amazon to Open Its Third Distribution Center in California

Amazon 計劃在加州開設第三家分銷中心

By Marc Lifsher (LA News)

SACRAMENTO --Internet retailer Amazon.com -- after years of avoiding having any physical presence in the Golden State -- is planning to open a third massive distribution center in the Northern California city of Tracy.

The new operation is close to three major freeways -- interstates 5, 205 and 580 -- in a distant bedroom community for the San Francisco Bay Area south of Sacramento. The facility will be only about 30 miles from a second Amazon center being built in Patterson to the south.

Last month, the Seattle company cut the ribbon on a 950,000-square-foot facility in the city of San Bernardino, which started filling orders before the holiday shopping season.

Amazon did not respond to queries Tuesday seeking confirmation of plans for the Tracy distribution center.

But Tracy Mayor Brent Ives said that grading at the million-square-foot industrial park site already has been permitted and the developer expects to complete the project by August or September of next year.

Although the number is not confirmed, Ives said he expects the finished distribution center eventually would hire about 1,000 people.

"This really is a nice Christmas present for the region to have the promise of these new jobs coming," he said. "It's better than anything that's come up in years."

Amazon decided to build the three California facilities after agreeing in a 2011 deal with Gov. Jerry Brown to start collecting state and local sales taxes on goods purchased by California shoppers.

The company also promised to open at least two distribution centers providing badly needed jobs in such economically hard-hit regions as the Inland Empire and the Central Valley.

The governor's office played a helpful role in bringing the Amazon.com project to Tracy, the mayor said.

Applebee's To Open "Greenest" Eatery

連鎖家庭式餐廳 Applebee's 將在紐約新開一間最綠色環保的餐廳

By Gary Buiso And Michael Gartland (New York Post)

Get ready for New York's newest edible eco-trip.

The greenest restaurant in the city — and perhaps the country — will open its doors in East Harlem on Dec. 10 with rooftop rainwater harvesting, waterless urinals and a "living wall" constructed almost entirely of plants.

"No one's done it before," said Zane Tankel, CEO of Apple-Metro Inc., which built the new chow house. "It's a new standard for what a restaurant will look like and what the industry will do."

The restaurant, an Applebee's, will be the first in the city to receive a gold Leadership in Energy and Environmental Design certification from the Green Building Council. It cost $4 million to build — $1 million more than a conventional Applebee's, according to Tankel.

The restaurant features two "waterless" urinals which will each save about 40,000 gallons of water a year and operate simply by letting gravity do the work.

The roof, which is painted white, will keep it cool in the summer and save on air-conditioning costs. And LED lights and energy efficient appliances like fryers that use one-third less gas to run will also keep energy use lower than at a typical restaurant.

Rainwater will be collected in a cistern system on the rooftop and be piped down to two tanks that hold 4,000 gallons, which will be used for toilets that still require water for flushing.

The decorative "living wall" takes up most of the restaurant's western wall and is made up of hundreds of plants — including dwarf dracaenas, baby tears and oyster plants — that are suspended by trays clipped to a frame.

The plants are watered automatically — 15 minutes each week — through an automated control panel, which controls fertilizing as well.

Apartment Building Boom Drives Recovery in Commercial Construction

住房開發活動拉動全美商業不動產建造更強勁復甦

By Randyl Drummer (CoStar)

A host of new data and leading indicators show that commercial and residential construction is gaining significant strength in most regions of the U.S., led almost entirely by a surge in development activity in the multifamily and single-family housing markets.

In more evidence that the single-family housing recovery is strengthening, U.S. builders in October started construction on the most homes and apartments since July 2008, according to Commerce Department numbers. Apartment construction, more volatile from month to month than single-family building, rose 10% in October to an annual rate of 285,000.

Building permit applications, an indicator of future construction, fell 2.7% to 866,000 after jumping 12% in September to a four-year high. But applications to build single-family homes still rose to their highest level in more than four years.

Multifamily starts are continuing to ramp up and have increased by twofold since the low levels of 2010, hitting the 50,000 threshold for the first time since 2009, according to the Third Quarter 2012 Multifamily Review and Outlook presented recently by CoStar Group.

"Apartment developers aren't going to slow down anytime soon," said Erica Champion, senior real estate economist with CoStar Group's Property & Portfolio Research (PPR) division, who presented the report with Luis Mejia, director of research/multifamily, and real estate economist Francis Yuen. "Next year will be the first year of supply additions at historically normal levels since 2009. So, the 'reprieve' in supply has come to an end."

Seattle stood out among markets expected to see a spike in supply with a whopping 12,000 units expected to be delivered in 2012 and 2013. But the Washington, D.C. market will add even more, approximately 13,000 units over the same timeframe. Other active development markets include San Antonio, which will add 8,000 new apartment units and Raleigh with 5,500 units.

"Those are big numbers and that will cause vacancy increases," Champion said. Meanwhile, construction levels remain muted in other housing-boom markets such as Tampa, Las Vegas, the Inland Empire of California, and Phoenix, which are now starting to notch significant occupancy gains.

Separately, the 'Beige Book' of current economic conditions released Wednesday by the Federal Reserve Districts confirmed that construction and commercial real estate activity generally increased across the country since the last Fed report issued Oct. 10.

In another sign that the apartment supply pipeline is filling up rapidly, the burst of multifamily residential projects on the drawing board pushed billings at architecture firms last month to their strongest pace of growth since December 2010, according to the American Institute of Architects (AIA).

The October Architecture Billings Index (ABI) score was 52.8, up from the mark of 51.6 in September. The index reflects an increase in demand for design services, a leading economic indicator of construction spending and activity nine to 12 months in the future.

The new projects inquiry index was 59.4 in October, compared to 57.3 the previous month.

"With three straight monthly gains, and the past two being quite strong, it’s beginning to look like demand for design services has turned the corner," said AIA Chief Economist Kermit Baker. "With 2012 winding down on an up note, and with the national elections finally behind us, there is a general sense of optimism."

"However, this is balanced by a tremendous amount of anxiety and uncertainty in the marketplace, which likely means that we’ll have a few more bumps before we enter a full-blown expansion."

Multifamily projects led all architecture index sectors by a wide margin at 59.6, followed by mixed-practice (52.4) and institutional construction (51.4). Commercial and industrial projects, typically office, retail and other sectors of CRE, remained below the growth threshold with an index reading of 48.

Workspaces Expected To Go Well Beyond the Business Needs of Tenants

四家建築公司展示未來辦公空間發展方向

By Mark Heschmeyer (CoStar)

Social forces and advances in communications technology are driving changes in how and where people work. Corner offices and cubicles are giving way to a kind of 'Mixed-Use 2.0' - workspaces that are infinitely flexible, with options for focused, individual work and also fully equipped to support collaborative groups, team projects and social interaction.

That's the vision presented by the four respected architects selected in NAIOP's inaugural Office Building of the Future design competition. Judges evaluated the design submissions from earlier this year and selected concepts they felt promoted the most efficient and welcoming environments and met space utilization trends of the future. The winners were: Hickok Cole Architects; Gensler; The Miller Hull Partnership; and Pickard Chilton.

The winning designers identified several common themes that could drive changes in how we "office" in 2020. Perhaps the biggest driver for change is personal technology, which has untethered workers from their office, enhancing efficiecies by providing the capability of completing service and information-based tasks from wherever they choose. An individual with a laptop can work from home, or at a wi-fi equipped location, or even on the road using the latest wireless 'puck' devices.

The office building of the future will also be expected to be more affordable to build and operate, thanks to advances and cost reductions in construction materials and systems. Also, a greater degree of sustainability will be attainable and become more financially feasible. Net-zero buildings will meet the corporate demands of tenants as well as the improved building performance sought by building owners and developers.

Hickok Cole Architects

"Form follows performance," not just function, in Hickok Cole's office building of the future. Businesses demand ever-increasing levels of productivity, both from employees and the buildings in which they work.

According to Hickok Cole's submission, "Worker productivity increases due to a focus on the health and well-being of employees." Smaller, narrower floorplates allow more natural light and outside views for all. No one is tied to a desk, and there are ample opportunities for diverse work environments and "third-places," such as:

• Lounge work areas,

• Communal table areas,

• Benching areas,

• Hive configurations for the duration of a project,

• Individual workstations for focused tasks, and

• Shared office amenities, like coffee cafes.

Also, the office building of the future must accommodate employers seeking multiple, smaller office locations, closer to their workforce and rapid transit. “This trend will not mean an overall decline in office demand, but will result in a reduction of the average size of any individual office location.”

At the heart of Hickok Cole’s design are advanced mechanical and electrical systems, plus new construction materials and fabrication techniques. The office building of 2020 will house two electrical distribution grids: direct current (DC) in a ceiling grid and alternating current (AC) in a floor or wall grid. The DC will be able to power all non-plug loads.

Gensler

Looking to the future, Gensler connects the dots between increased worker mobility, weak demand for backfilling vacant space and a surplus of obsolete buildings. But instead of seeing a full-scale demolition scenario, Gensler envisions a sustainable alternative, in what it calls “hackable buildings.”

Originally a term meaning to break into a computer security system, 'hack' has been given a more positive connotation by Gensler: to change or improve an office building. In Gensler’s concept, a hackable building is “an existing structure that has been adapted beyond recognition… quickly incorporating a diverse mix of multiple uses within a one.”

Hacking a building offers speed to market, which can translate to more cost effective and less risky projects because it is quicker to convert an existing building than to design, document and construct a new building.

Hacks range from tenant-driven changes to investments made by owners to reposition their asset. Large-scale hacks can create spaces beyond standard amenities like cafes and fitness centers to “attractors” - or unique building amenities - like fabrication labs, shared data centers or stadium-sized recreational facilities that can be shared by tenants and the public.

“The building owner can perform hacks as incentives for existing tenants to remain, or as attractors to entice new and different tenants to the building,” Gensler says. “The tenants themselves could even perform some of these modifications if their lease agreements give them the freedom to transform their spaces in ways that better meet their needs.”

Building hacks vary from low-cost additions and renovations to larger, strategic investments in the existing structure.

“The rapid influence of technology on how everyday work tasks are completed has decentralized many of the office-centric activities that governed North American office building design,” notes Gensler. “The universal metric of square-foot per person will continue to shrink as companies and institutions encourage employees to supplement their office space with work locations not paid for by the company - home offices, neighborhood coffee shops and communal spaces, such as parks and museums in the public domain of the city."

The Miller Hull Partnership

Miller Hull's design is based on the belief that "Buildings should not be allowed to consume more than they can capture on site. If zoning were based on measured performance goals, there would be no Floor Area Ratio (FAR), setback, design standard or any other starting point other than what is required to achieve carbon neutrality. Cities should provide incentives to developers who meet these performance goals."

It calls its design concept: b(HIVE).

The b(HIVE) represents "a building that becomes a part of an agile, adaptable business machine, somewhere between a hands-on community and the raw edge of technology." First, it offers flexible open space that is fast and inexpensive to build, to accommodate either individual co-workers or start-up firms that lease space on an as-needed basis. Developers can create demand and higher lease rates by "curating" the office space to ensure the right creative mix of users.

Second, it includes collaboration space easy to reconfigure using prefabricated, modular pods. These spaces could be rented to office tenants as well as to community groups on weekends.

Rounding out the (b)HIVE concept is the retail/third space, on the ground floor, with a diverse mix of uses such as restaurants, studios, galleries, gyms, theatres, supermarkets, places of worship, medical facilities and community spaces, as well as innovative combinations of living and working spaces.

To maximize its "carrying capacity," Miller Hull's office building of the future will be:

• Located on an underutilized site on the edge of the downtown core;

• Accessible by foot, bicycle or mass transit;

• Built to harvest all of the water and energy from the site;

• Smaller and reconfigurable to the needs of the mobile workforce; and

• A nexus for the neighborhood with activated retail and green space.

Pickard Chilton

The office building of the future envisioned by Pickard Chilton will embody three distinct principles centered around human qualities, business objectives and sustainability.

First, the workplace will be healthful and conducive to the productivity and well-being of employees, with elements such as abundant natural light, access to fresh air, customizable work areas and greater collaborative spaces. Personalized comfort controls at workstations will enhance worker satisfaction and improve productivity.

Innovative design and construction, efficient floorplates and multipurpose spaces will support the owner's business objectives. Owners of this future office structure will enjoy substantial economic benefits and tenant satisfaction will increase as a result of working in a more social, mobile and collaborative fashion referred to as "distributed work."

Sustainability will be a critical component of the office building of the future, which will incorporate an advanced monitoring system to track, measure and display data in real time about building performance.

In addition to the four winning designs, NAIOP selected a number of honorable mentions. The presentations from the office building of the future design competition will be available on NAIOP's website at http://www.naiop.org/

Apartment Market Dynamics Look Strong for Next Two Years

公寓樓市場連續第個七季度回暖，並有望在之後兩年延續這一趨勢

By Mark Heschmeyer (CoStar)

Apartment markets continued to improve across all areas of the country for the seventh quarter in a row, though the pace of improvement moderated, according to the National Multi Housing Council's (NMHC) Quarterly Survey of Apartment Market Conditions. Still, the NMHC said the outlook is for continued strength in the multifamily sector for the next two years.

NMHC's survey measures market tightness, sales volume, equity financing and debt financing, all of which measured at 50 or higher, indicating growth from the second quarter.

"Even after nearly three years of recovery, apartment markets around the country remain strong as more report tightening conditions than not," said NMHC chief economist Mark Obrinsky. "The dynamic that began in 2010 remains in place: the increase in prospective apartment residents continues to outpace the pickup in new apartments completed. While development activity has picked up considerably since the trough, financing for both acquisition and construction remains constrained, flowing mainly to the best properties in the top markets."

As residents continue to lease more apartments at higher rents, investors are pursuing multifamily acquisitions in increasing numbers. According to CoStar Group, multifamily sales are the only property type to report year-over-year gains in sales volume. The total dollar value sold in the first nine months of 2012 is up 20% over 2011 at $53.41 billion vs. $44.62 billion.

Financing is still available but only for the top markets, NMHC reported. Only one in five reported acquisition capital being similarly available for all geographic markets and properties.

Construction financing was even more restricted. Just 8% of respondents indicated construction financing for new apartments was available in all markets for all property types. The vast majority reported construction financing as only available for either the top properties in the top markets (37%) or for all property types in the top markets (36%).

Two More Years. Two More Years.

Forecasts for the multifamily market and demand for rental housing remain solid for the next couple of years, according to the Freddie Mac Multifamily Research Group. The group is forecasting a base case that entails slow economic growth with an additional 1.7 million new multifamily renter households between now and 2015.

The multifamily market is continuing to benefit from recent declines in homeownership related to economic stress and high foreclosures in the single-family housing market. In fact, Freddie Mac is forecasting that the homeownership rate will drop another 1 to 2 percentage points if the current slow recovery continues.

Meanwhile, the single-family rental market, a growing and distinct market from multifamily, has expanded 16% (about 3 million units) since 2007.

"The research supports the optimism that currently pervades the multifamily market," said David Brickman, senior vice president of Freddie Mac Multifamily. It confirms that multifamily is a bright spot in in the real estate market and the economy more broadly, and it will likely continue to shine for quite some time."

"The economic data indicates that current rental markets are very strong with low vacancy rates, rising rents and solid demographic trends. What this research demonstrates is that these conditions are likely to remain in place for several years to come," Brickman said.

Residential Vacancies Falling

The national vacancy rates in the third quarter were 8.6% for rental housing and 1.9% for homeowner housing, the Department of Commerce's Census Bureau reported.

The rental vacancy rate of 8.6% was 1.2 percentage points lower than the rate recorded in the third quarter 2011 and the same as the rate last quarter.

The homeowner vacancy rate of 1.9% was 0.5 percentage points lower than the third quarter 2011 rate and 0.2 percentage points lower than the rate last quarter (2.1%).

The homeownership rate of 65.5% was 0.8 percentage points lower than the third quarter 2011 rate (66.3%) and approximately the same as the rate last quarter.

In the third quarter 2012, the median asking sales price for vacant for sale units was $137,000.

Among regions, the rental vacancy rate was highest in the South (10.5%) and lowest in the Northeast (7.1%) and West (6.5%).

For the third quarter 2012, the homeowner vacancy rate was higher in the South (2.1%) than in the West (1.7%).

Hotel Fundamentals Weakening But Still Could Outpace Other Property Types

儘管基本面減弱，酒店較其他類型商業地產或增長更快，在商業抵押貸款證券的物業組成中比例漸長

By Mark Heschmeyer (CoStar)

Hotel properties are making up a larger share of CMBS 2.0 deals. While the share of retail property loans being packaged as commercial mortgage-backed securities has declined substantially since 2010, hotel properties have increased year over year since 2010, and now account for 13% of 2012 issuance for multi-borrower CMBS transactions, according to new analysis from Wells Fargo Securities.

And while analysts expect the trend may not last much longer, hotels could still prove to be a better-performing property sector than office, industrial or retail.

"While we are forecasting continued strong performance for the hotel sector relative to the core property types of office, retail and industrial, we see the recovery in hotel fundamentals likely to slow through the next year," wrote Marielle Jan de Beur, senior analyst for Wells Fargo Securities.

"Our current forecast calls for decelerating RevPAR (revenue per available room) through 2013; however, we still anticipate positive revenue for the sector through the forecast," Jan de Beur added. "A slowing global economy and a disappointingly slow economic recovery in the United States will likely limit continued gains in occupancy needed for increasing overall revenue gains."

The three major hotel performance metrics of occupancy, average daily rate (ADR) and RevPAR show that gains on a year-over-year basis have slowed in 2012. May 2010 marked the first increase in RevPAR over the prior-year period since the downturn. RevPAR gains in 2011 were up 8% to 9% over each month from 2010, but the gains in 2012 have slowed from 2011 year-over-year gains. Through September 2012, RevPAR is up 7.6% from 2011, a decrease from the prior year's gains.

"Moderate economic growth in the United States and the slowing global economy will likely keep occupancy levels range-bound, capping RevPAR growth at least until stronger economic growth can stimulate more leisure and business travel," Jan de Beur said. "Given the current economic environment, we do not expect much more upside to occupancy gains in the near term, at least until the economy can gain traction and grow at a stronger pace."

A limited new supply of hotel rooms will likely act as a buffer helping to limit (but not eliminate) any adverse effects in hotel room demand due to the global economic slowdown, according to Wells Fargo. A strong increase in new supply from 2008-2009 was poorly timed and came online in the midst of the recession just as demand was waning. Average annual new supply of 1% from 2010-2013 is trending well below the long-term annual average of 1.9%, which should help buffer the hotel sector during a slowing economy.

According to CoStar Group, on a year-over-year basis, transaction volume for hotel property sales through the third quarter of this year is down 33% for the same period in 2011 with $11.13 billion this year vs. $16.52 billion a year ago.

Since peaking at 17.39% in October 2010, the 30+ day delinquency rate for hotel loans in fixed- rate CMBS conduit transactions has steadily declined, according to Wells Fargo. Currently, the hotel delinquency rate stands at 11.03%, the lowest level since December 2009.

The amount of newly delinquent hotel loans each month has continued to subside as well, declining to 14 loans per month on average so far for 2012 from 19 loans per month on average for 2011.

The delinquency rates have fallen substantially from the peaks for loans backed by full-service and limited-service hotels. The delinquency rate for full-service hotel loans has stalled out at around 13% in 2012, whereas the delinquency rate for limited-service hotel loans has continued to decrease to around 8%.

"There has been a decline in the amount of newly delinquent limited-service hotel loans in 2012, but the amount of newly delinquent full-service hotel loans has not lessened," Jan de Beur said.

Liquidation volume for hotel loans this year is below 2011 levels but remains significant. As of October, 89 hotel loans were liquidated with losses totaling $529 million, compared to total losses of $725 million over the same time period in 2011.

"While we anticipate slowing hotel revenue gains through 2013, we still see the sector outperforming the office, retail and industrial sectors," Jan de Beur concluded. "The slowing global economy and an underwhelming economic recovery in the United States will likely limit occupancy gains making it difficult for hotel operators to increase room rates, thereby slowing increases in RevPAR growth on a year-over-year basis."

"A shallow supply pipeline should mitigate downside to a slowing economy, helping keep hotel revenue on a positive track. Better fundamental performance is translating into declining hotel delinquency rates in CMBS, which should benefit CMBS bondholders with exposure to hotel properties," she said.

Lenders Are Opening Up To Green Hotel Projects

貸款方和投資人看重綠色環保酒店的發展潛能

By Stephanie Wharton (HotelNewsNow)

FREDERICK, Maryland—Obtaining financing for new-build projects has reached a level of difficulty that can only be described as “a little too rigorous” in some U.S. cities, according to Liam Brown, COO of select-service and extended-stay lodging of the Americas for Marriott International.

Also, within the last 12 months to 18 months, most new-build developments have been done with a big brand name attached to the project, Brown said. “It’s all bigger brands that have really been able to get (financing).”

But there are ways to stand out to lenders and investors in today’s financing environment, he said.

Preference is often given to sustainable and Leadership in Energy and Environmental Design certified properties, he added.

Investors know that sustainability sells in today’s marketplace, Brown said. “You can argue both sides of the issue, whether climate change is real or not real. That’s not the point. The point is that it’s very good business.”

Jefferson Thomas, senior design manager at Marriott, said investors are aware that more and more Fortune 500 companies—Bank of America, IBM and Intel, for example—that send travelers on the road are asking about sustainability before making decisions.

And that’s something to which owners can respond easily, Thomas said.

Upfront costs

Developing a property with the U.S. Green Building Council’s LEED certification seems like a no-brainer to most owners because of the paybacks, said Loren Nalewanski, VP and global brand manager of TownePlace Suites and Marriott Executive Apartments.

However, the intimidation factor that comes with learning about the various approvals and additional investments required can turn owners off of LEED, he said.

But developers should keep in mind that they will end up saving money in the long run, said Pete Plamondon Jr., co-president of Plamondon Hospitality Partners, and owner of the recently opened LEED-certified TownePlace Suites Frederick in Maryland.

For the first several months of the development process, the 120-room TownePlace Suites was not set to be a LEED-certified hotel.

After a discussion with Marriott about costs, Plamondon executives thought the numbers to convert the project to LEED made sense.

To undergo the LEED certification process, Plamondon learned there would be a premium on the cost of construction, but because the concept itself was new for the TownePlace Suites team at Marriott, the premium given to Plamondon Hospitality was an estimate of the actual costs.

Marriott executives "thought that whatever the cost of construction was without us being LEED certified, we'd pay 3% of that (in addition) to be LEED certified," Plamondon said.

As the company usually finds itself with overages when developing, Plamondon said executives thought, "We can be careful not to spend the extra dollars (in other areas) … and just put it toward the LEED component. Then, we should have enough money in the budget."

The final additional costs the company had to pay to convert the TownePlace into a LEED-certified project was approximately 3% as Marriott executives originally estimated, he said.

Still, the developers had to reach out to their lender. "It was not a difficult conversation to have," Plamondon said. "We were able to convince our bank (that) 'Yes, we're going to spend the extra money, but we're going to do it for all the right reasons.'"

The lender knew there would be a payback in lending the additional capital, he said. Energy savings and environmental concerns were a compelling reason to increase the financing for the property.

Plamondon declined to comment on the total cost of construction and specific details about the bank loan.

Because LEED is still relatively new within the hotel industry, some smaller banks still don't understand the financial paybacks, so it is important to educate them on the return on investment, he said.

Marriott's Brown agreed: "You have to be able to demonstrate to a lender and to investors that you have a valid (and) really good project, so you've really got to do your homework."

Return on investment

By not building sustainably, owners are setting themselves up for future risks, Thomas said. Energy costs, among others, are expected to increase in coming years.

By building green, "you're actually building a safeguard in your building for the future," he said.

And the opportunity to offset higher building costs won't just come back to the owner in the form of saved energy costs, Thomas said. Federal, state and local agencies provide tax credits for owners who build sustainable properties.

"Even the insurance companies will actually give you a discount (if you obtain) LEED certification," he said.

At the end of the day, when developers and investors are making decisions, they should keep in mind that sustainability is not a fad, Nalewanski said.

"It's going to be a requirement very soon. It's not just about what your return is, it's about being responsible and green," he said.

Editor's note: Marriott International provided airfare and hotel accommodations for one night. Complete editorial control was at the discretion of the HotelNewsNow.com editorial team; Marriott had no influence of the coverage provided.

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

消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	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	0.31	0.31	0.58	0.31	0.22	-0.06
Money market, annual yield	0.51	0.51	0.53	0.44	-0.00	-0.48
Five-year CD, annual yield	1.34	1.35	1.46	1.30	-0.11	-1.26
30-year mortgage, fixed	3.61	3.63	4.26	3.54	-0.54	-1.41
15-year mortgage, fixed	3.03	3.05	3.53	3.01	-0.50	-1.48
Jumbo mortgages, $417,000-plus	4.08	4.07	4.96	4.04	-0.79	-1.99
Five-year adj mortgage (ARM)	3.06	3.05	3.33	2.83	-0.08	-1.30
New-car loan, 48-month	2.84	2.83	4.36	2.64	-1.06	-3.95
Home-equity loan, $30,000	4.62	4.62	4.92	4.57	-0.21	-0.67