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COMMERCIAL REAL ESTATE MARKET UPDATE

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市場概括

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  美國西海岸第一高樓恐因高空置率面臨抵押貸款違約風險

  The $260 million mortgage on the 73-story building, the tallest on the U.S. West Coast, is in danger of an imminent default. The U.S. Bank Tower, owned by MPG Office Trust, has struggled in recent years with high vacancy, a woe common for buildings in the sluggish downtown Los Angeles office market.

- **Renovations Are Key To Retail Centers' Continued Profitability**

  全美購物商場建造過剩，創新與升級成為盈利關鍵

  Retail center owners are investing in renovations and upgrades to increase revenues and stay competitive. With retail overbuilt in many parts of the country, few new retail centers will be coming online.

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  連鎖百貨公司梅西將在今春關閉 7 家

  Macy's Inc. plans to close seven stores this spring. Five of the stores marked for closure are in downtown shopping districts. The 158,000-square-foot store in Paseo Colorado, Pasedena will also be shuttered.

- **Tesco Throws In the Towel On U.S. Retail Expansion**

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  Dollar stores continue to expand aggressively throughout the U.S. And the popular stores are single-handedly changing the net lease investment market, which has traditionally been dominated by drug store, fast food and automotive retail concepts, according to the latest net leased retail research.

- **7-Eleven Eyes Fresh-Food Market**

連鎖便利商店 7-Eleven將在 2015 年前達到兩成的新鮮食品銷售比例以吸引注重健康的消費者

7-Eleven is aiming to have 20% of its sales come from fresh foods by 2015, part of a shift the convenience-store chain has been undergoing to attract health-conscious consumers and remain competitive with other outlets offering fresh food, such as Dunkin' Donuts or Starbucks.

- **How Petco Reversed Slowing Sales**

經歷了兩年的業績下滑，寵物商品專營連鎖店Petco於 2007 年重整，著重千餘店家的培訓以提供一致的用戶體驗，從而贏回市場份額

After two years of slipping sales and market share lost to big box and boutique competitors, Petco revamped its leadership strategy in 2007 to boost sales and profits by making the chain's 1,100 stores more engaging.

OFFICE
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- **Spring Street Tower In Downtown L.A. To Become Creative Offices**

洛杉磯市中心Spring街上一近百年的建築將被改造為創意產業辦公樓

An active developer of aging properties in downtown L.A.'s historic core plans to renovate the 13-story Corporation Building and rent space to creative firms.

MULTIFAMILY
公寓

- **Multifamily Rents Are On The Rise**

數據顯示 2012 年 10 月公寓租金較前一年同期上漲 3.7%，供應缺乏是原因之一

Multifamily rents are rising, reports show that the effective monthly rent averaged $1,044 in October, a 3.7% increase from a year ago. One reason is lack of supply in the affordable sector.

INDUSTRIAL
工業倉庫

- **Architecture Billings Growth Indicates Construction Recovery In 2013**

建築開支指數上漲預示 2013 年建造工程將增多，為 2007 年建築市場崩潰以來最強勁信號

The Architecture Billings Index was up from 52.8 in October to 53.2 last month, indicating some growth in construction projects for 2013, according to the American Institute of Architects. These are the strongest business conditions we have seen since the end of 2007 before the construction market collapse.

- **[Panama Canal Expansion Expected to Bring Rising Tide of Warehouse Investment to Nation's Seaports]**

  巴拿馬運河拓寬項目即將完成，預計將推動全美沿海倉庫投資熱潮

  Capital is being poured into seaport infrastructure from both the private and public sectors, responding to increased demand for port-centric warehouse and distribution space.

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

West Coast's Tallest Tower at Risk of Loan Default

美國西海岸第一高樓恐因高空置率面臨抵押貸款違約風險

By Eliot Brown(WSJ.com)

The U.S. Bank Tower in Los Angeles is running into trouble with its debt.

The $260 million mortgage on the 73-story building, the tallest on the U.S. West Coast, is in danger of an imminent default, according to a notice from Fitch Ratings, which said the loan was transferred to a debt workout firm known as a special servicer. Special servicers act on behalf of debt bond investors to modify mortgages or in some cases to foreclose on properties.

A spokeswoman for MPG Office Trust didn't respond to requests for comment. A spokesman for the special servicer, LNR Partners, declined to comment.

The U.S. Bank Tower, owned by MPG Office Trust, has struggled in recent years with high vacancy, a woe common for buildings in the sluggish downtown Los Angeles office market. As of earlier this fall, the tower had an occupancy rate of 58%, according to loan research firm Trepp, well below the approximately 90% occupancy it had back in 2003, when the mortgage was first issued.

MPG, formerly Maguire Properties, is known for its troubles in the office market in recent years. The company is one of the most prominent property owners in Los Angeles that was built up by local office landlord Robert Maguire. But just before the market turned, it added substantial debt onto many of its office towers. Since then, the company has gradually surrendered a number of properties, reducing its holdings to a handful of towers in downtown Los Angeles.

The U.S. Bank Tower had relatively less debt on it than other properties, although its high vacancy has meant MPG has barely had enough money from rent to make debt payments, according to Trepp. Barring an extension, the loan would need to be paid off this summer, according to Trepp.

Earlier this year, MPG Office Trust tapped real estate advisor Eastdil Secured and investment bankers at Bank of America Corp. to advise on potential strategic alternatives, including a possible sale, according to real estate executives who considered bids on the company. The company hasn't given an update on the potential sale.

Renovations Are Key To Retail Centers' Continued Profitability

全美購物商場建造過剩，創新與升級成為盈利關鍵

By Kris Hudson (WSJ.com)

The sprawling Roosevelt Field mall on Long Island, anchored by Bloomingdale's, Nordstrom and Macy's, ranks amon

g the 20 most-lucrative malls in the U.S.

But Roosevelt Field's owner, Simon Property Group Inc., still intends to spend roughly $300 million in the next two years to improve the shopping center. The overhaul will add a Neiman Marcus Group luxury department store, expand the mall's dining choices and upgrade its movie theater with lounge seating and full menus.

After decades of retail construction, the era of new-mall development in the U.S. is drawing to a close. Much of the country is overbuilt, and online shopping has crimped many retailers' store-opening plans. In an attempt to keep shoppers coming—and to squeeze more revenue out of established locations—mall owners and retailers are shifting to renovations.

"There are very few markets that aren't already served by sophisticated retail," said Rick Sokolov, president of Simon, the country's largest mall owner. "Making what you already have as good as it can be is the best way to go."

If overhauls are done right, their returns can be higher than from new developments. Landlords and analysts say the improvements can generate annual income of as much as 10% to 12% of the cost of the upgrades. By comparison, new development typically yields returns in the high single digit range.

For example, Taubman Centers Inc.'s 2007 redevelopment of its Twelve Oaks Mall in Novi, Mich., which added a wing anchored by Nordstrom, yielded a 10% return on the project's $63 million cost, according to Taubman.

As they renovate, mall owners are incorporating the lessons they are learning about how to succeed amid the explosion of online shopping. For all the hand-wringing among store owners about sales lost to the Internet, many are figuring out ways to exploit the natural advantages that stores have over computers.

Mall owners are adding more restaurants, upscale movie theaters, supermarkets and other tenants that offer goods and experiences that can't be found online. In their renovations, some malls also are reconfiguring more stores to have direct access to parking lots, so shoppers can dash in and out for quick service rather than having to traverse the entire shopping center.

General Growth Properties Inc., the second-largest mall owner, has earmarked $1.5 billion for redevelopment projects, including 17 that it started this year and another eight to begin in 2013. In one of its largest projects, the company is planning to raze a Sears Holdings Corp. SHLD +0.40% store at its flagship AlaMoana Center mall in Honolulu and replace it with small shops that collectively would pay more in rent than single department stores.

Meanwhile, CBL & Associates Properties Inc., which owns 93 U.S. malls, had redevelopment projects in various phases at 20 of its properties this year. Westfield Group, owner of 47 U.S. malls, intends to ramp up its redevelopment efforts, spending $3 billion over the next three years, compared with the $800 million it spent in the past three years.

Mall owners are being selective about centers to upgrade. The retail-property industry has a long history of throwing good money after bad by trying to save shopping centers facing tough competition and growing vacancy rates.

These days, most redevelopment is taking place at the country's top-performing malls, like Roosevelt Field, which is packed with holiday shoppers scrambling to complete their gift lists. Only 289 of the country's 1,070 malls are considered to be in this category because they generate median annual sales of $535 a square foot, compared with the industry average of $370.

Green Street Advisors, a real-estate research firm, estimates that Roosevelt Field, in Garden City, N.Y., generates average sales of $1,040 a square foot, thanks largely to the demographics of the market it serves. More than 1.8 million people live within 10 miles, and the median annual household income is $116,302 in that area, more than double the average in the U.S. of $50,502, according to Simon.

Returns also have proven to be more attractive for landlords that have invested in strong properties rather than weak ones.

Simon, for example, is redeveloping 25% of its top malls in terms of sales per square foot, 10% of its mid-class malls and none of its lowest-performing malls, according to Green Street. "That's where you get the biggest bang for your buck—when you take good and make it great," said CedrikLachance, a Green Street analyst.

For Simon, owner of 159 U.S. malls, the redevelopment push has the company planning to spend more than $1 billion in each of the next three years revamping its best properties.

"The more compelling we make our properties, the better they will be able to compete with all other forms of retail distribution," Mr. Sokolov said.

7 Macy's Inc. Stores Will Be Closed By Spring

連鎖百貨公司梅西將在今春關閉 7 家

Source: icsc.org

Macy's, Inc. announced plans to close seven stores early this spring. The units marked for closure include the 99,000-square-foot Bloomingdale's Home Store at Fashion Show Mall, in Las Vegas, and six Macy's stores around the country.

Five of the marked Macy's stores are located in downtown shopping districts: a 791,000-square-foot store in Houston; a 362,000-square-foot store in St. Paul, Minn.; an 80,000-square-foot store in Honolulu; and a 75,000-square-foot store in Belmont, Mass.

Macy's will also close its 158,000-square-foot store at the Paseo Colorado mixed-use project in Pasadena, Calif., and consolidate its two stores at Ridgedale Center, in Minnetonka, Minn., into one store early next year. The smaller one at Ridgedale Center will be closed and acquired by the mall's owner, General Growth Properties, for redevelopment.

Meanwhile, nine new and replacement Macy's and Bloomingdale's stores are currently planned and/or under construction. The chain announced plans to open a 25,000-square-foot Bloomingdale's Outlet store this fall at Fashion Outlets Chicago, in Rosemont, Ill.

"We remain committed to operating a successful and growing stores business as part of our company's Omnichannel strategy for serving customers wherever, whenever and however they prefer to shop," said CFO Karen M. Hoguet in a press release. "This leads us to open new stores where we see the opportunity to fill gaps in important markets, as well as to make the tough decision to selectively close underperforming stores that no longer meet our performance requirements or where leases are not being renewed."

Once the dust settles, Macy's will operate 798 stores, including 37 Bloomingdale's and 13 Bloomingdale's Outlet stores.

Tesco Throws In the Towel On U.S. Retail Expansion

英國領軍零售商 Tesco 在美的 fresh& easy 超市連續五年巨額虧損，將重整佈局

By Tim Trainor (CoStar)

Admitting that its bid to crack the U.S. grocery store market has failed, Tesco plc., the largest retailer in the U.K. and one of the world's leading international retailers, announced today that it has dismissed the CEO of its 199-store Fresh and Easy U.S. chain and appointed Greenhill to review its options for its U.S. stores.

Those options include seeking a joint venture partner, although Tesco's chief executive Philip Clarke aknowledged that his decision means the firm will likely pull out of the U.S. entirely.

"It is now clear that Fresh & Easy will not deliver acceptable shareholder returns on an appropriate timeframe in its current form," Tesco said in a statement. The firm also announced that Fresh and Easy's CEO, Tim Mason, would leave Tesco after 30 years' service with the company.

Tesco made headlines in 2006 when it announced plans to break into the U.S. market with a new, smaller-sized store that emphasized convenience, ready-made meals and local produce. But its timing, just ahead of the global recession, and its choice of location -- Los Angeles, Las Vegas and Phoenix, three of the hardest hit markets in the housing bust -- could not have been worse.

As Clarke stated, "Launching Fresh & Easy in the world’s most competitive retail market was never going to be easy, but the economic backdrop made the task twice as hard."

At the same time, the retailer struggled to compete with more successful home-grown upstarts such as Trader Joe's and Whole Foods. The global supermarket retailer reportedly invested approximately $1.6 billion into its U.S. foray before pulling the plug.

Like many retailers, Tesco has suffered financial setbacks through the global recession. It announced plans to pull out of Japan earlier this year and focus on its home and other Asian markets, including China and Indonesia, where it plans to open more stores.

Tesco said it has been approached by several potential buyers but declined to identify any. The company promised to provide its shareholders with more detailed information when it releases its results for the full year in April 2013.

Analysts cited Aldi Group, a German discount supermarket chain, and perhaps even Wal-Mart could be among those interested in acquiring all or parts of the business.

Tesco modeled its Fresh & Easy Neighborhood Markets after its 1,000 Express format stores it operates in seven countries. While the store prototype is 10,000 square feet, stores slated to open generally range 10,000 to 17,000 square feet.

Following the opening of its first 14 stores in the Las Vegas area, Fresh & Easy added more stores throughout Southern California, Arizona and Nevada. In March 2011, it made another round of investment, opening its first stores in Northern California around San Francisco and the Bay Area. In addition, the company has established an El Segundo, CA headquarters and operates a 500,000-square-foot distribution center in Riverside, CA.

Dollar Stores Add Up To Big Bucks for Net Leased Investors

最新研究顯示一元店持續擴張，漸成為淨租賃投資市場的新寵

By Mark Heschmeyer(CoStar)

Dollar stores continue to expand aggressively throughout the U.S. And the popular stores are single-handedly changing the net lease investment market, which has traditionally been dominated by drug store, fast food and automotive retail concepts, according to the latest net leased retail research.

“They have always proven to be popular with investors because of the minimal property management involved, (triple net leases typically pass all expenses on to tenants,) and the usually longer term leases favored by drug store and fast food users,” Garrick Brown, director of Research for Cassidy Turley, reported this past week.

"With the dollar store sector entering its third year of explosive growth and most chains considering everything from inline space at shopping centers, to more and more freestanding locations, investors who have struggled to find available drug store or fast food product are increasingly looking to standalone dollar stores for their net leased deals despite the fact that most of the active chains are still inking deals for 10 years or less," Brown added.

"We anticipate that this sector alone will account for a minimum of 15 million square feet of occupancy growth (this number could easily cross the 20 million square foot mark) across all retail building types in the coming year," said Brown, who observed that Dollar General is expected to open as many as 625 stores in 2013, while expanding its food and grocery offerings in existing locations. Family Dollar is also expected to open at least 500 new stores, while Dollar Tree has plans for at least 300 new units in 2013.

Not surprisingly given the popularity of triple net retail properties, the dollar store sector is also accounting for more investor interest as well.

The median capitalization rate for single tenant net leased Dollar General and Family Dollar properties compressed by 16 basis points from the third quarter of 2011 to the third quarter of 2012, according to the Boulder Group, boutique investment real estate service firm specializing in single tenant net lease properties

This cap rate compression is derived by the combination of historically low interest rates, a lack of investment grade assets available at a low absolute dollar amount and a surplus of 1031 exchange investors with low equity requirements, Boulder reported.

Transaction volume remains heavily concentrated in recently constructed dollar store properties; however stores located in above average markets with strong demographics remain in high demand.

Dollar Store Sales by the Numbers

Examining 117 Dollar General and 107 Family Dollar store sales since October of last year, CoStar data shows per square foot prices are increasing. In the fourth quarter of 2011, Dollar General stores were selling for an average of $83/square foot. In the third quarter of this year, prices were averaging $116/square foot - a 40% increase.

Looking at Family Dollar store sales, they too are showing significant price increases. In the last quarter of 2011, Family Dollar stores were selling at an average of $111/square foot. In the third quarter of this year, that price was coming in at $123/square foot - also an 11% increase.

7-Eleven Eyes Fresh-Food Market

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 Stephanie Strom(The New York Times)

The chain that is home of the Slurpee, Big Gulp and self-serve nachos with chili and cheese is betting that consumers will stop in for yogurt parfaits, crudité and lean turkey on whole wheat bread.

7-Eleven, the convenience store chain, is restocking its shelves with an eye toward health. Over the last year, the retailer has introduced a line of fresh foods for the calorie conscious and trimmed down its more indulgent fare by creating portion-size items.

The change is as much about consumers’ expanding waistlines as the company’s bottom line. By 2015, the retailer aims to have 20 percent of sales come from fresh foods in its American and Canadian stores, up from about 10 percent currently, according to a company spokesman.

“We’re aspiring to be more of a food and beverage company, and that aligns with what the consumer now wants, which is more tasty, healthy, fresh food choices,” said Joseph M. DePinto, the chief executive of 7-Eleven, a subsidiary of the Japanese company, Seven &i Holdings.

Convenience stores have typically been among the most nimble of retailers. In the 1980s, they added Pac-Man arcade games as a way to keep customers in stores longer and to buy more merchandise. They installed A.T.M.’s a decade later, taking a slice of the transaction fees. More recently, they built refrigerated dairy cases, with milk, eggs, cheese and other staples.

But just as they have taken business from traditional supermarkets, convenience stores have faced increased competition from the likes of Dunkin’ Donuts and Starbucks, which offer a basic menu of fresh foods for consumers on the go.

At the same time, a major profit driver for convenience stores — cigarettes — has been in steady decline over the last decade as the rate of smoking has dropped in the United States.

Fresh foods can help offset some of those losses. The markup on such merchandise can be significant, bolstering a store’s overall profits. It’s also a fast-growing category.

“If you can figure out how to deliver consistent quality and the products consumers want, fresh food is attractive because margins are higher, and it addresses some of the competitive issues you’re facing,” said Richard Meyer, a longtime consultant for the convenience store industry. “But it’s not easy to do.”

7-Eleven has been selling fresh food since the late 1990s. But much of its innovation has been limited to the variety of hot dogs spinning on the roller grill or the breakfast sandwiches languishing beneath a heating lamp.

As 7-Eleven refocuses its lineup, the retail chain has assembled a team of culinary and food science experts to study industry trends and develop new products. Such groups have been around for a while at fast-food restaurants like McDonald's and packaged-goods manufacturers like Kraft. But it's a relatively new concept for players like 7-Eleven, which have typically relied on their suppliers to provide product innovation.

"We're working to create a portfolio of fresh foods," said Anne Readhimer, senior director of fresh food innovation, who joined the company in May from Yum Brands, where she had worked on the KFC and Pizza Hut brands. "Some will be for snacking, some for a quick meal, but we hope everything we offer our guests is convenient and tasty."

One new menu item just hitting stores is a Bistro Snack Protein Pack, which includes mini pita rounds, cheddar cheese cubes, grapes, celery, baby carrots and hummus. The meal in a box, similar to one carried by Starbucks, is part of a broader menu with healthier items under 400 calories.

The company is also taking existing products and retooling them for single portions. For example, customers can now buy jelly doughnuts and tacos, in mini sizes.

"There are definitely customers who want healthy options, but there are also lots of customers who are excited about the new sandwich options that aren't low calorie — and minidoughnuts are doing very well," said Lori Primavera, senior manager of fresh food innovation at 7-Eleven, who previously worked for Food and Drink Resources, a consulting firm for restaurant companies.

Norman Jemal, a franchisee, said sales of the new products are growing steadily in the three 7-Eleven stores that he owns in Manhattan. "At first, people are surprised when they come in here and see a bag of carrots and celery," Mr. Jemal said. "They say, 'I came in here for a bag of chips — I can't believe you have fruit cups or yogurt cups.' "

He said the Yoplait Parfait, a cup of vanilla yogurt topped with fresh strawberries or blueberries and granola, is his best-selling fresh food item, while the 7 Smart turkey sandwich is his top sandwich.

The fresh food in Mr. Jemal's stores and other locations around the country are supplied from a system of 29 commissaries and bakeries that fulfill orders from 7-Eleven. They tailor menu items for specific markets. In the Miami area, they produce a hot Cuban sandwich with ham, cheese, pickles and mustard. The Turkey Gobbler with turkey, stuffing and cranberry sauce sells in Northeastern stores around the holidays.

Each store has a data system that allows it to see exactly what is selling, which helps manage waste. Stores can track consumers' purchase habits over a month, and adjust their orders based on those behaviors.

"In this 28-day cycle, I know I sold 3,563 bananas to customers in this store," said Todd Ferguson, who owns five 7-Eleven locations in Las Vegas.

Mr. Ferguson has owned 7-Eleven franchises since 1986, and he said the variety of fresh food options in the stores is far better than before. The category already accounts for 20 percent of his sales, and his goal is to reach a quarter of sales volume.

“We used to be a place for people to buy beer, wine, cigarettes, candy and chips, and people would occasionally ask where they could go to get something to eat,” Mr. Ferguson said. “We’re no longer getting that question because now you can get something to eat right here.”

Multifamily Rents Are On The Rise

數據顯示 2012 年 10 月公寓租金較前一年同期上漲 3.7%，供應缺乏是原因之一

By Conor Dougherty(WSJ.com)

Record-low mortgage rates mean that homeowners have a smaller financial burden for their residences than at any time since the early 1980s.

But here's the bad news: Rising rents are squeezing many families and leaving them with less to spend.

Several factors have pushed rents up. Rental and apartment housing is in short supply but demand has grown after several years of foreclosures and population growth.

Housing-market turmoil has many potential owners wary of buying real estate. And for many aspiring buyers, qualifying for a mortgage is tough, keeping prospective owners in rentals for longer and locking out those with incomes or credit scores bruised by job loss or foreclosure.

Across the U.S., "effective" monthly rent—which means the final amount paid including discounts—averaged $1,044 in October, up 3.7% from a year ago, according to Reis Inc., a real-estate data firm. Landlords no longer have to "pony up in order to entice tenants," said Victor Calanog, Reis's chief economist. He added that rising vacancies suggest rents are "approaching equilibrium," but aren't likely to fall soon.

In the third quarter, the ratio of rent to after-tax mortgage payments was 107.8%, according to Deutsche Bank. A rent-to-mortgage ratio above 100 means mortgage payments are cheaper than rent for the median homeowner. The ratio was down from an all-time high of 120.7% in the first quarter, but well above an average of 85% since 1991.

The rising cost of renting is putting pressure on tenants at a time when many are still grappling with slow or falling income growth. In the third quarter, renters spent 24.12% of their disposable income on financial obligations—things such as rent, debts and auto leases. That was the highest level since early 2010, according to the Federal Reserve.

Jake Brumm, a 32-year-old electrician, is paying more than a third of his $65,000 annual income on a $2,000-a-month house he rents in El Cajon, Calif., near San Diego. Mr. Brumm, who is married and has two children, lost his home to foreclosure three years ago and says his credit is too tattered to buy again. With so many people seeking rentals, landlords "have the upper hand," he said.

"Right now you pretty much have to take what you can," Mr. Brumm added.

This contrasts with living costs for homeowners, which have fallen steadily in recent years amid record low interest rates. During the third quarter, homeowners, including those who don't have mortgages, spent 13.9%

of their disposable income on financial obligations, the lowest share since 1984, according to the Federal Reserve.

Housing is just one of many costs in a consumer's annual budget. Gasoline prices have been falling, inflation has remained in check, and low interest rates mean lower monthly payments on auto loans and other debts.

Another factor causing rents to rise is lack of supply. During the housing boom, developers focused on building single-family homes and condominiums. While some of those properties are returning to the market as rental housing, demand to buy new homes remains strong.

The scarcity is acute for lower-priced rental housing. "It's a lost decade in terms of apartment construction," said Murtaza H. Baxamusa, director of planning and development for the San Diego County Building Trades Council Family Housing Corporation, which operates subsidized apartments in San Diego.

Builders now are making up for lost time: Multifamily construction spending rose to an annualized $23.8 billion in October from $15.6 billion a year earlier. That has helped nudge vacancies upward: Apartment vacancies rose slightly in October, to 4.7% from 4.6%, the first time they have risen since the close of 2009, according to Reis.

In the long run, rising rents will encourage more families to buy.

That is what pushed Jeff Daniels and his wife, Alison, into the market. In March the couple bought a Phoenix home for $105,000, lowering their monthly housing cost to $600 for the mortgage and taxes from the $750 they were paying in rent. Ms. Daniels, a 32-year-old stay-at-home mom, says they have used much of the savings to set up house. They bought a new refrigerator, a washer-dryer and now spend $80 a month on the yard.

"We ran a bunch of numbers," Ms. Daniels said, "and were like 'Why are we even renting?'"

Spring Street Tower In Downtown L.A. To Become Creative Offices

洛杉磯市中心 Spring 街上一近百年的建築將被改造為創意產業辦公樓

By Roger Vincent(LA Times)

A Spring Street office building completed in 1915 has been purchased by a developer who plans to improve it as gentrification sweeps gradually through downtown Los Angeles' formerly depressed historic financial district.

The Corporation Building, at 724 S. Spring St., was acquired by IzekShomof, one of the most active developers of aging properties in the city's historic core. Shomof said he plans to renovate the 13-story tower and rent office space to creative firms.

Terms of the sale by Spring & Main Property were not disclosed, but real estate experts familiar with the neighborhood valued the deal at about $10 million.

Spring Street was known as the Wall Street of the West in the early 20th century but fell from favor in the decades after World War II as financial firms and other white collar companies moved to newer buildings close to the 110 Freeway or left downtown.

The Corporation Building, like others in the area, came to house garment manufacturing in recent years, though it still bears the painted sign of a longtime former occupant that says "Dr. Campbell Credit Dentist."

Renovations will include retooling the ground floor retail space, Shomof said. "We're talking to restaurants and sidewalk cafes."

Some "creative" tenants, including Smart Architecture, are already in the building, which has no heating or air conditioning. "It's very bare-bones, but it gets great light from the large windows," said Douglas Hanson, a partner at the architectural firm.

Many former offices downtown have been turned into apartments or condominiums, but Hanson said he is pleased that the Corporation Building is to be revived as offices.

"We need to stay away from converting everything to housing," he said. "We need a mix of people living and working in the neighborhood."

Prospective buyers for the Corporation Building included hoteliers, real estate broker Ed Rosenthal of New Downtown Brokerage said.

"There is a lot of activity and changes in ownership in the historical area by Spring and Main streets," Rosenthal said. "The restaurant and boutique hotel scene is alive."

Ace Hotel, a Portland, Ore., chain of boutique inns catering to the young and hip, is building a 180-room outpost in the historic United Artists building nearby at Broadway and 9th Street. It is set to open in the fall.

The Shomof family has been redeveloping properties downtown since 1999, Shomof said. Projects include the revival of Spring Street in the blocks near the former Pacific Stock Exchange. In March, a partnership including the Shomofs bought three run-down early 20th century hotels around 5th and Los Angeles streets that it plans to improve.

Long Beach apartment complex bought

Irvine developer Western National Realty Advisors bought a 206-unit apartment complex in Long Beach for $46 million.

Western National bought the property, at 1613 Ximeno Ave., from Archstone, a Colorado apartment developer and operator. The new owner named the complex built in the 1980s the Landing at Long Beach.

Western National plans to update the 145,000-square-foot garden-style complex, said Jerry LaPointe, vice president of Western National Realty Advisors, an affiliate of apartment investor Western National Group.

The acquisition is the sixth in Western National Realty Advisors' private-equity real estate Fund II, La Pointe said. "We are actively pursuing additional acquisitions."

How Petco Reversed Slowing Sales

經歷了兩年的業績下滑，寵物商品專營連鎖店 Petco 於 2007 年重整，著重千餘店家的培訓以提供一致的用戶體驗，從而贏回市場份額

By Charlie Piscitello (CLOMedia.com)

SNAPSHOT:

From 2005 to 2007, Petco, a national pet specialty retailer, saw its market position slip as competition grew from big box retailers and boutique stores. Petco leaders fought to win back market share by delivering a consistent customer experience at each of the company's 1,100 stores. To do that, they implemented Leading at Petco — a two-day interactive and immersive session to provide managers with the skills and tools to help their people improve productivity and results.

From its inception in 1965, Petco's mission has been to deliver quality pet products — food, toys, supplies and medicine. By focusing on customer service, quality, and exclusive and healthy products, the company built a loyal following. But soon retailers such as Walmart and Target began offering the same or similar-quality products at lower prices with the convenience of purchasing during grocery shopping, and Petco was losing sales.

The executive team at Petco decided that focusing on winning back customers and building brand loyalty were keys to their long-term success. This became the core of the company's new strategy. But changing business strategy doesn't happen overnight. Petco had to ensure every company leader — from corporate executives to line leaders, distribution heads and store managers — was on board with the new direction and what it would take to get there. The new strategy called for more effective leadership, better associate engagement and greater customer engagement to drive profitability and growth. One differentiator with this new strategy was the emphasis on the front line and how the customer experience would set Petco apart from the competition.

Since 2007, Petco has worked with Root, a consulting company, to develop ways to engage the entire organization and educate key leader levels — store general managers in particular — on the company's new direction and the outcomes to drive business success.

Petco leaders from different functions began by conducting a culture assessment session with the executive team. This open forum looked at the existing state of the business, identified problems and challenges facing the company and encouraged leaders to discuss how they felt and what they would like to see in the future.

From there, Root developed three learning map modules that painted a picture through drawings and illustrations, metaphors and questions on the proposed future state of the company. These modules were designed to drive dialogue among small groups of employees at all levels. Leaders explored the changing marketplace, reviewed the strategic direction and determined their role in executing it.

The goals of the learning maps are to convey large amounts of information and expose people to the drama, emotion and complex stories of their business, while creating an engaging environment.

The modules focused on Petco's new strategy and what it would take to get the organization back on top. One module — Take Back the Leadership — became an internal battle cry for managers and their associates. Each module helped leaders prepare for the next step in implementing the strategy.

Managers Drive the Engagement Profit Chain

Once the new strategy and vision was set, the next step was to develop the leadership skills and capabilities to achieve the vision. In 2009, the company set out to develop managers at all levels across the business, including stores, the national support center and distribution centers.

Managers have a unique influence on their teams and when engaged and well-trained can create engaged and knowledgeable front-line employees, leading to increased customer engagement and satisfaction. Ultimately, satisfied customers drive sustained profitability and growth. To Petco it was simple: great people leadership was viewed as the most critical factor to its long-term success.

The company wanted to provide managers with tools, resources and time to continuously build and hone leadership skills, rather than give them a one-time training event.

Petco selected Root's manager development program to meet this need and named the rollout Leading at Petco. The one-and-a-half-day blended learning event gave managers the opportunity to focus on the business, gather new insights about their roles, learn how to connect their teams to the business, share best practices with their Petco peers and improve their leadership capabilities. There was a specific focus on the foundational leadership skills such as setting clear expectations, building effective working relationships, coaching and continual follow-up, including celebrating wins.

The training consisted of seven practical modules — each taking a context-content-practice-apply approach — that provided managers with insights and exercises during the sessions as well as tools to apply to their daily jobs.

The program also was chosen because it aligned with Petco's core competencies that every manager had to demonstrate: thought leadership, personal leadership, results leadership and people leadership. Further, it could be customized for the company's culture using Petco terminology, incorporating Petco-specific programs and applying realistic customer and internal business scenarios.

Mid-level and executive leaders throughout the business were teamed with associates from the learning and human resource functions and were trained to facilitate the workshops. This leader-led approach ensured buy-in and support from the managers and signaled to the organization that Petco was committed to the program.

The program was then rolled out across the entire organization with a specific focus on the store general managers. As of fall 2012, more than 1,500 Petco leaders have experienced the program in groups of 10 to 40, and it continues to be used as part of the standard new leader on-boarding program.

Feedback has been positive, and the program has generated momentum throughout the organization. “From the corporate perspective, Leading at Petco has enabled us to accelerate the implementation of our retail business strategy and ensure consistent understanding and interpretation across all 1,100-plus stores, distribution and support centers,” said Tom Farello, Petco’s senior vice president of operations. “Core to our strategy, Leading at Petco has succeeded in creating a solid foundation of skills and expectations for leaders at all levels and has helped to create a definite competitive advantage.”

One district manager witnessed the domino effect of investing in managers with a program that addresses their needs. “The Leading at Petco program has been huge,” he said. “My managers exude a confidence that I have not seen before, and are now spending time developing their people rather than policing them. Employee engagement has improved, and our customer [satisfaction] scores have also improved. I’m certain that is not a coincidence.”

Feedback from other Petco leaders across the country has been equally positive:

“Leading at Petco was awesome and exceeded my expectations. It is truly a great program that has been tailored to Petco and our goals. The role playing was great! Using actual examples of challenges we face in our store made it real and not just some silly exercise.”

“I have begun to listen more to my associates and better understand the problems they have that may be impacting their job performance or ability to serve our customers.”

“I learned to let associates identify opportunities and find their own solutions. It builds confidence in their decision making.”

Customer Satisfaction on the Rise

By teaching them how to better engage with team members, Petco gave its leaders the ability to tap into their direct reports’ natural talents and teach them how to better engage with customers.

Instead of dictating a list of do’s and don’ts, managers were encouraged to meet and work with associates one-on-one to ensure every employee felt passionate about the company mission and knew how to make it a reality.

By focusing on managers and their relationships with their associates, Petco was able to do what many companies and retailers fail to: grow customer loyalty and in turn grow sales and profitability. Since implementing the program, the company has:

• Increased its customer loyalty index by 10 percent.

• Increased manager effectiveness by 8 percent.

• Improved associate engagement by 9 percent.

• Achieved 98 percent retention of high performers.

• Reduced turnover by 35 percent.

“Immediately after the initial rollout, we saw more confident managers, more engaged associates, and our customer satisfaction metrics have improved consistently across the board,” Farello said. “All of these improvements have fueled much stronger business performance. While all of these indicators speak for themselves, when our leaders ask where and when they can participate, we really know it works.”

Architecture Billings Growth Indicates Construction Recovery In 2013

建築開支指數上漲預示 2013 年建造工程將增多，為 2007 年建築市場崩潰以來最強勁信號

By Jeff Kearns (Bloomberg)

Billings by U.S. architecture firms increased in November at the fastest pace in five years, a sign construction will pick up next year as businesses invest in commercial projects.

The American Institute of Architects Billings Index climbed to 53.2 last month, the highest level since November 2007, from 52.8 in October, the Washington-based group said today. Readings above 50 signal an increase in activity. The gauge has advanced for six consecutive months, the longest winning streak in its 17-year history.

Billings tend to lead construction by nine to 12 months, according to AIA chief economist Kermit Baker. The value of all U.S. construction projects climbed in October to an $872.1 billion annual rate, the fastest since September 2009, Commerce Department data show.

“There appears to be some new life generated in the construction sector of the economy, which has been pretty much dormant since the recession,” Bernard Baumohl, chief global economist at Economic Outlook Group LLC, a Princeton New Jersey- based forecasting firm, said before the report.

AIA researchers produce the report by surveying about 700 U.S.-based firms, including Skidmore Owings & Merrill LLP and HOK Architects Corp., on whether billings rose, fell, or remained the same in the past month. Firms reporting inquiries about designing new projects also rose for a sixth straight month, climbing to a nine-month high of 59.6 from 59.4 in October.

“It’s indicative of confidence,” Rodd Merchant, a senior vice president at JE Dunn Co., a Kansas City, Missouri-based building contractor, said before the report. “A lot of that work on the private side is driven by corporations investing in their operations, whether office or industrial.”

Panama Canal Expansion Expected to Bring Rising Tide of Warehouse Investment to Nation's Seaports

巴拿馬運河拓寬項目即將完成，預計將推動全美沿海倉庫投資熱潮

By Randyl Drummer (CoStar)

As the eight-year, $5.25 billion project to expand the Panama Canal moves toward a 2015 completion, seaports all over the U.S. are gearing up to compete for the lucrative import trade.

Developers, investors and supply chain executives are generally bullish on port markets, confident they will be among the prime beneficiaries of global trade shifts and events such as the canal expansion, which is widely expected to be a boon to East Coast and Gulf Coast ports, including smaller facilities strategically positioned to fight for their share of the new business.

"Capital is being poured into seaport infrastructure from both the private and public sectors, responding to increased demand for port-centric warehouse and distribution space," said John Carver, head of Jones Lang LaSalle's Ports Airports and Global Infrastructure (PAGI) group.

While every U.S. port has been on a recovery track over the last couple of years, the East and Gulf Coast ports comprise the majority that have already surpassed their pre-recession peak inbound trade volumes as of third-quarter 2012.

East Coast ports face a greater risk from European economic weakness. However, the diversity of their trading partners and the continued shift in imports from China from West Coast to East Coast ports, expected to accelerate on completion of the canal expansion, supports the notion that East Coast ports will continue to outperform the West Coast on a percentage basis, according to real estate economists with Property & Portfolio Research (PPR), a CoStar company.

Several factors may cause the Panama Canal expansion to change the logistics equation in the U.S. Shipping time, capacity and cost will all play a crucial role in post-expansion supply chain decisions, PPR Director of U.S. Research/Industrial Rene Circ and real estate economist Noam Kleinman recently reported in a study of the expected impact of the canal expansion on seaport real estate.

Improved shipping times to East Coast markets as a result of the expanded canal is expected to chip away at the value advantage currently offered by cross-country rail shipments from West Coast markets. Shorter delivery times can paint a more compelling picture for importers who need to make the decision based on speed to market and costs.

Transportation costs by ship, train, or truck, are in constant flux and vary widely depending on the route and time of year. They can also be influenced by supply and demand as well as factors like fuel costs.

While West Coast ports still dominate in terms of handling the bulk of U.S. imports, the East Coast ports -- which are generally closer to major manufacturing centers -- benefit from higher exporting.

Over the past decade, more imports have been slowly redirected towards the East Coast. The West Coast share of total U.S. imports was around 60% in 2003 but gradually drifted down to 55% in 2011, despite the increasing share of Asian imports as a percentage of total U.S. imports.

The added cost savings offered by the post-Panamax vessels, coupled with less congestion, will help speed up the shift, leading to East Coast ports getting their fair share of shipping a lot sooner.

Which ports stand to benefit the most from the canal expansion?

Baltimore and Norfolk boast the only East Coast ports having 50-foot working drafts, which is required for the huge post-Panamax super freighters expected to pass through the canal. New York is dredging to deepen its draft to 50 feet in 2013. It also is increasing the height of the Bayonne bridge, which won't be completed until 2016.

All other East Coast ports expect to be huge beneficiaries of the expansion and have already started the race to increase depth and improve their surrounding infrastructure. Ports in Charleston, Jacksonville, Miami, and Port Everglades, FL, all intend to have 50-foot draft and supporting infrastructure within the 2014-17 timeframe.

The Port of Savannah has plans to reach 48-foot draft by 2014, and the ports in Houston and Philadelphia are expanding to a 45-foot draft. In addition, each of these ports has extensive infrastructure improvements in the works, including installation of post-Panamax cranes, rail facilities and improved highway access.

That said, the effect of all this on logistics real estate depends on variables that aren’t yet known -- the fees and costs of going through the canal in 2015, for example. Also, future technological improvements in cargo handling and the distribution supply chain strategies of shippers could affect the value proposition of siting warehouse facilities in a particular port market.

The five major distribution markets -- Los Angeles, New York/New Jersey, Chicago, Dallas, and Atlanta -- are expected to remain dominant in the post-expansion era. But a few other markets could stand out as beneficiaries, including St. Louis, Minneapolis, Denver, Cleveland, and even Detroit.

The New York-New Jersey metro is already a dominant market and its importance will only rise as a result of the canal expansion. California's Inland Empire, on the other hand, offers much less benefit to distribution seeded from the east.

Smaller markets such as Memphis and Kansas City, which don’t even show up on a West Coast-oriented logistics map, will gain significantly from an increase in East Coast imports.

The Inland Empire has seen tremendous growth over the past decade and thus has the most to lose. The good news here is that although the shift to the East and Gulf coasts will occur, it will take at least 10 years.

Further, the growth in total imports is expected to more than offset any decline in market share for the Inland Empire. While the Inland Empire's growth story will remain intact, its trajectory may be less dramatic, according to PPR.

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	0.28	-0.05
Money market, annual yield	0.51	0.51	0.53	0.44	-0.00	-0.41
Five-year CD, annual yield	1.36	1.36	1.46	1.30	-0.09	-1.25
30-year mortgage, fixed	3.65	3.60	4.26	3.54	-0.42	-1.86
15-year mortgage, fixed	3.01	2.98	3.51	2.93	-0.42	-1.74
Jumbo mortgages, $417,000-plus	4.14	4.11	4.96	4.04	-0.63	-2.19
Five-year adj mortgage (ARM)	3.08	3.04	3.33	2.83	0.01	-1.58
New-car loan, 48-month	2.82	2.82	4.36	2.64	-1.07	-3.98
Home-equity loan, $30,000	4.64	4.64	4.92	4.57	-0.19	-0.60