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COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **25 REITs Most Likely To Sell You a Property in 2013**

  2013 年 25 大最可能出售物業的房地產信託基金

  Looking for to buy some land, office buildings, warehouses, shopping center or hotel investment properties and want less chance of being out bid by a REIT? The nation's largest publicly held real estate investment trusts and real estate operating companies have billions of dollars worth of commercial real estate they are trying to get rid of.

- **25 REITs Most Likely To Buy Your Property in 2013**

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  This may well be the year that property owners in secondary and tertiary markets get a chance to cash in on the spending spree of the nation's largest publicly held REITs and real estate operating companies.

- **Shopping Center Shift, Retail Owners Rethink Tenanting Strategies**

  居民區小型購物商場應順應消費者行為變化重新涉及房客組合策略

  Though neighborhood and community shopping center owners haven't experienced the numerous headline-grabbing store closures plaguing big-box and mall owners, they are facing many changes in consumer behavior — and too few changes in fundamentals.

- **Future Shopping Center Trends to Attract Generation Y**

  投資者和開發商針對Y世代特點設計未來購物中心

  As retail strives to recreate itself for the post-recessionary market, investors and developers are targeting Generation Y (those 18 to 35 years old) with their love to shop.

- **Significant Changes Proposed in Lease Accounting**

  租賃會計規則或發生重大改變

  Rule makers around the world on Thursday issued a new proposal on accounting for leases that backs off from some of the most controversial aspects of an earlier version.

- **[Courting the Chinese Buyer: The New California Real Estate Boom]**

  美國低廉的價格加上中國不穩定的政治經濟環境促使中國投資者在美國、特別是加州地產上的投資屢創新高

  Bargain prices in the U.S. coupled with political and economic uncertainties at home are driving record Chinese investments in U.S. and California real estate.

- **[MIPIM Special Series—Part One: Focus China]**

  MIPIM國際會議特別系列 - 聚焦中國：對中國市場特別是作為長期投資充滿樂觀和信心

  Optimism and belief in the Chinese market, especially as a prospective area for long-term investment, was echoed throughout the four-day international property conference and trade show.

OFFICE
辦公樓

[Office Parks Get a Makeover, Developers Want to Put Aging Suburban Facilities to New Uses]

開發商試圖運用城郊地區，將辦公園區打造成小城市

Once a symbol of suburban dominance, office parks from California to New Jersey are being reimagined as little cities.

[Downtown L.A. Landlord Brookfield Sees Office Market Rising Steadily]

儘管洛杉磯市中心辦公樓市場停滯多年，紐約的 Brookfield 地產公司押寶上百萬賭它未來會穩定升溫

The office rental market in downtown Los Angeles has been stagnant for decades, but New York real estate firm Brookfield Office Properties Inc. is betting millions of dollars that it will improve in the years ahead.

MULTIFAMILY
公寓樓

- **[Will Building Boom End the Party for Apt. Investors?]**

  隨著建造市場回溫供應增加，公寓樓投資者的美夢恐在 2015 年完結

  Wave of New Construction Affecting Everything From Rent Concessions to Cap Rates to Where Investors Place Capital

- **[Big Money on Campus, Student housing remains a lucrative investment.]**

  學生公寓仍是好的投資標的

  Economic cycles close the door on some opportunities while opening the door to others. In the case of student housing, all key indicators suggest

that the door continues to remain wide open — promising the availability of attractive investment opportunities for years to come.

RETAIL

購物商場

- **Shopping Center Rents Rise 5.5 Percent YOY**

  2013 年一季度全美購物中心經營淨收入較去年同期上漲 5.5%

  U.S. shopping centers posted their fourth consecutive net operating income gain in 1Q13, rising 5.5 percent since 1Q12, according to the International Council of Shopping Centers and the National Council of Real Estate Investment Fiduciaries.

- **Omnichannel Retail Will Lead To Smaller, Showier Stores**

  全方位零售方式（移動設備、網路和實體店互助銷售）將在近年推動較小但更華麗的店面

  The rise of omnichannel retailing — in which mobile, online and in-store experiences complement rather than compete with one another — will lead to smaller but showier stores in coming years.

- **Retail Real Estate Landscape Is Looking Different After The Recession**

  經歷衰退后購物商場的房客格局發生變化

  As New Jersey continues to emerge from the recession, observers are noticing changes in the commercial retail real estate landscape: Bigger isn’t better, but variety is. And for the time being, it’s a tenant’s market.

- **Samsung Opening 1,400 Mini-Shops Inside Best Buy Stores Across U.S.**

  三星將在全美百思買開設 1400 家迷你店中店

  The next time you walk into a Best Buy store, there's a good chance you'll see Samsung's answer to Apple's retail stores.

FINANCING

貸款與資金

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

  消費者市場利率：房貸、基本利率、等等

25 REITs Most Likely To Sell You a Property in 2013

2013 年 25 大最可能出售物業的房地產信託基金

By Mark Heschmeyer (CoStar)

Looking for to buy some land, office buildings, warehouses, shopping center or hotel investment properties and want less chance of being out bid by a REIT? You may be in luck. The nation's largest publicly held real estate investment trusts and real estate operating companies have billions of dollars worth of commercial real estate they are trying to get rid of.

As a whole, this sector doled out more than $52 billion in cash last year for property acquisitions driving up prices for the most sought after properties. Those properties now make up more than 7% of their current assets.

However, while two-thirds of them bought more than they sold, about one of every four of the players in that sector were 'net sellers' of properties last year and look to continue to be so this year. The remainder neither shrunk nor grew their portfolios.

Culling through CoStar Group's database, and more than 200 firms' annual and quarterly reports and their first quarter 2013 earnings conference, we've identified the 25 firms, mostly REITs, that have the most active disposition pipelines. This group generated $9.4 billion in net cash proceeds from the sale of properties last year about 6% of their total assets of more than $160 billion.

Acadia Realty Trust

Acadia Realty Trust, a REIT specializing in shopping center properties, also has established four opportunity funds that invest in assets that require significant redevelopment. Starting last year, the REIT has been looking to monetize some of those stabilized fund assets. That process is ongoing this year. For example, its Fund III last year sold off a dozen self-storage facilities. It has two remaining self-storage properties under contract for sale.

"Last year, we sold just under $500 million of fund properties that included Canarsie Plaza as well as our Storage Post Portfolio," said Kenneth Bernstein, president and CEO in his first quarter earnings conference call. "And then with respect to our remaining fund assets, they break out into roughly four equal components as follows. So, current portfolio is above $1 billion on a cost basis. We have approximately 25% of that portfolio which is now stabilized urban redevelopment primarily in our Fund II … and we'll continue to monetize those assets."

An alphabetical listing follows with a summary of their anticipated disposition activity.

Apartment Investment & Management Co.

Multifamily REIT Apartment Investment & Management Co. (Aimco) is geographically disposing of assets. It is focusing its holdings to properties primarily located in coastal markets, several Sun Belt cities and Chicago. In executing its disposition strategy, Aimco expects to sell each year the lowest-rated 5% to 10% of its portfolio.

It expects about half of its disposition proceeds this year to come from its affordable housing holdings and half from its conventional portfolio. Conventional property sales are expected to happen in the late third quarter throughout the fourth quarter. It has put a number of such properties on the market in the last few weeks.

Columbia Property Trust

Columbia Property Trust (formerly Wells REIT II) announced this week that it is marketing for sale a portfolio containing 17 of its long-held Class ”A” office assets, located in 12 markets across 11 states and totaling 4 million square feet.

“All of these were important assets for Columbia as we built our portfolio over the past nine years, and I believe the same qualities that originally attracted us to them-stabilized, Class-A buildings leased long-term to respected corporations-continue to make them attractive to the marketplace,” said Kevin Hoover, senior vice president of real estate transactions for Columbia Property Trust.

“Marketing this portfolio is another significant step in our strategy to support value growth for our shareholders,” said Nelson Mills, president and CEO for Columbia Property Trust. “Divestiture of these properties will align with our strategy by enabling us to more selectively focus on our desired markets and to reinvest in other properties where we believe we have the best opportunity to use our expertise to enhance value.”

Commonwealth REIT

Office building REIT, Commonwealth REIT has 70 properties teed up for disposition. And of its 440 properties at year-end 2012, it was considering options for as many as 200 additional assets.

"We're well into the process of trying to sell these remaining 70 properties," Adam David Portnoy, principal executive officer and president, told investors in his first quarter earnings conference call. "I can tell you that we've gotten -- every one of those properties has a bid for them. And we're in the process -- we're in multiple stages of negotiation regarding those properties. And I think we are likely to sell, if not, all of them, almost all of them, definitely in 2013 and, hopefully, by the end of -- not second quarter.

Portnoy said the REIT wants to get through this process before going "further down the road" on additional sales.

"I think there is likely to be more asset sales. But I can't tell you when exactly it might be if the -- I guess, what I'm saying is that these asset sales or these remaining 70 go well, which I think they will. If they go well, then it's likely we'd be more inclined to sell some more stuff maybe in 2013," he said. "If it goes not as well as we think it's going to, then maybe we wait a little bit for the market to get even a little bit better to sell additional properties. But no matter what, we will likely be a net seller in 2013. And as far as from where I sit today, likely into 2014."

Corporate Office Properties Trust

Corporate Office Properties Trust is an office REIT that owns 208 operating properties primarily concentrated in business parks near Washington, DC. As a result of the recent downturn as well as government contractions, the company announced in April 2011 that it was disposing of assets to focus on its core constituents - U.S. Government tenants and tenants within the Defense Information Technology industries. A number of its assets to be sold are in suburban Colorado Springs, CO.

Separately, a $146.5 million portfolio of its suburban office properties securitized in CMBS GCCFC 2007-GG9 was moved into special servicing last month. As of year-end 2012, the portfolio was 77% occupied and produced net operating income of $10.22 million, according to the most recent month CMBS report.

Cousins Properties

Office and retail REIT Cousins Properties has been in the process of selling land and other non-core assets in order to further simplify its business platform. In 2011, it sold off its industrial properties. Currently, it has two large retail assets on the market: the Avenue Murfreesboro and Tiffany Springs Market Center. In addition, the company has indicated that is has identified several additional non-core assets for potential disposition in 2013 as it explores and underwrites new investment opportunities. The REIT has recently moved beyond its home market in Atlanta and started acquiring properties in Texas.

Duke Realty

This past week, industrial and office REIT Duke Realty sold its Shops at Pembroke Gardens, a 391,120-square-foot lifestyle retail center in Pembroke Pines, FL, to an institutional joint venture for $188 million.

“The sale of this retail asset is in alignment with our asset repositioning strategy, which includes divesting our retail holdings and targeting an asset allocation mix of 60% bulk industrial, 25% suburban office and 15% medical office by the end of 2013,” said Denny Oklak, chair and CEO of Duke Realty. “This disposition is a significant and strategic step in our asset repositioning strategy that has decreased our investment allocation in retail assets and resulted in a significant gain. Proceeds from the sale will be accretively recycled into an eight-building industrial portfolio that we currently have under contract for purchase.”

The REIT added that it expects to be a net-disposer of properties in 2013.

Equity Residential

Before participating in the $6.5 billion acquisition of Archstone Enterprise from Lehman Brothers Holdings in the first quarter of this year, Multifamily REIT Equity Residential had been exiting many Southeast markets. (Equity Residential acquired a 60% interest and AvalonBay the other 40% interest in 78 apartment properties consisting of 23,110 units from Archstone). Equity Residential disposition plans haven't changed though.

In the first quarter, it sold more than 18,000 apartment units for nearly $3 billion at a weighted average cap rate of 6% and a price per unit of slightly more than $161,000. Thus far in the second quarter, it has also closed the sale of eight additional assets for $374 million at a weighted average cap rate of 6%.

"The disposition of assets in exit markets, as well as nonstrategic assets in core markets were extremely integral to the overall [Archstone] deal," said David J. Neithercut, CEO and president of Equity Residential. "Because not only did the acquisition of 60% of Archstone give us access to a huge supply of assets that fit hand and glove with our existing portfolio, but it also represented the opportunity to recycle capital out of the markets in assets that we had no desire to own for the longer term."

"We currently expect to sell another $400 million to $500 million yet this quarter and plan on selling another $200 million in the second half of the year, bringing the total amount of disposition activity of legacy EQR assets for the full year to $4 billion," Neithercut said in his first quarter earnings conference call.

FelCor Lodging Trust

Hotel REIT FelCor Lodging Trust is focusing on asset sales this year to use proceeds to repay debt to complete a balance sheet restructuring and fund two current redevelopment projects. This week, it agreed to sell the 160-room Holiday Inn-Santa Barbara/Goleta for $24 million.

"We had previously announced 11 hotels were being marketed," Rick Smith, president and CEO of Felcor said in his first quarter earnings conference call. "We have received offers on five others and we are in the process of negotiating contracts on those now. Three others are in the marketing process and the final two will be hitting the market in May as we had to clean up an easement matter at one of the hotel is prior to launching."

"Interest in the properties is primarily from private equity buyers and the favorable financing environment is aiding the process," Smith said.

First Potomac Realty Trust

First Potomac Realty Trust, which was a net property seller last year, could be even a larger net seller this year. The REIT revealed in its first quarter earnings conference call that "during 2013, the company began marketing the majority of its industrial properties in a portfolio sale." The industrial portfolio represents 4.3 million square feet, 2.6 million square feet of which are located in Southern Virginia. The REIT anticipates that the sale of the portfolio will be completed in 2013 and, as a result, expects its revenues, property operating expenses, depreciation expense and interest expense to decline in 2013 compared with 2012.

Gramercy Property Trust

Office and industrial REIT Gramercy Property Trust (formerly Gramercy Capital Corp.) closed out 2012 in a joint venture with Garrison Investment Group acquiring a 115-property portfolio leased to Bank of America for $485 million from KBS Real Estate Investment Trust. Coincidentally, it was part of portfolio it originally transferred to KBS. Gramercy is now in the process of selling off some those assets.

"We are roughly half way through the sales process," Jon Clark, CFO of the REIT, said in his first quarter earnings conference call. "Demand for the assets has been better than what we were expecting. So we are from a proceed standpoint we are little bit ahead of plan but I think the last quarter the portfolio will be the most difficult to sell. I don't want to [sound] too optimistic at this point but it's - we have sort of sold or accepted an under contract transaction for roughly half the portfolio."

Health Care REIT

Aptly named Health Care REIT was the largest spender on this list for new properties last year; it was also one of the largest sellers of properties too. That trend has continued this year. It is the only firm on the list that will make next week's list of the 25 REITs Most Likely To Buy Your Property.

This quarter, it acquired $2.6 billion of gross investments and sold $255 million of non-core properties. First quarter asset sales consisted of $136 million of medical office buildings, $62 million of triple-net seniors housing assets, $15 million of skilled nursing assets and $43 million of loans.

It is anticipating selling $250 million of assets throughout the remainder of the year. Its dispositions this year will consist primarily of a combination of non-core skilled nursing and medical office building assets.

iStar Financial

During the first quarter, iStar Financial, a REIT invested in mortgages and net leased properties generated $355 million of proceeds from its portfolio, including $112.6 million from sales of operating properties and $11.6 million from land, net leasing and other investments. With total assets of $6.1 billion as of March 31, the REIT listed the net value of its real estate "held for sale" at $599 million - nearly 10% of its total assets.

KBS Real Estate Investment Trust

KBS Real Estate Investment Trust is a nontraded REIT that has invested primarily in office and industrial properties. Last December, the REIT sold a 115-property portfolio of bank-occupied properties for $485 million to a joint venture between Garrison Investment Group and Gramercy Property Trust. For this year, the REIT said in its annual report that its focus is on managing existing investment portfolio and our debt service obligations.

"After repaying some of our debt obligations through the sale of certain assets, we plan to make certain strategic asset sales. We will continue our existing strategy to sell assets when we believe the assets have reached the stage that disposition will assist in improving returns to our investors," the REIT said.

Mack-Cali Realty

Traditionally an office REIT, Mack-Cali Realty has embarked on a process of growing its multifamily holdings. Just in the last three weeks, it has sold three New Jersey office properties for a combined $110 million. The sales continue that strategy of recycling its capital out of non-core assets to fuel diversification into multifamily."

"We are looking at some significant, what I will call portfolio disposition opportunities," Mitchell Hersh, chairman, president and CEO, said at the company's first quarter earnings conference call. "What we are not looking at selling is Jersey City. We are not looking at selling our major presence in for example Parsippany, Morris County; places where we really have dominant positions and can help shape markets as they begin to recover."

Prologis

Industrial REIT Prologis announced in the first quarter that it expects to contribute or dispose of $7.5 billion to $10 billion in properties this year. With the activity completed in the first quarter, it is already about 60% of the way through that plan. The balance of the guidance totals $2.3 billion to $4.8 billion with dispositions primarily in the U.S. and contributions to its co-investment ventures in Europe, Japan, Brazil and Mexico.

Ramco-Gershenson Properties Trust

Retail REIT Ramco-Gershenson Properties Trust has been actively trying to improve the quality of its markets, centers and tenant mix through a capital recycling program.

In April, it sold Mays Crossing in Stockbridge, GA. Additional sales will occur throughout the balance of the year, the company said.

"A number of these dispositions will most likely include Michigan assets, as we move over the next 18 months to further achieve our goal that no one state represent more than 25% to 30% of pro rata annual rental," Dennis Gershenson, president and CEO, told investors. "First of all, there has definitely been an acceleration in the buyer interest in the state of Michigan. A number of institutional players have come into the state of Michigan to buy assets. We have absolutely seen the trend in the cap rates coming down. There have been a number of sales in the sevens, certainly in the low eights for metropolitan Detroit."

Red Lion Hotels

Hospitality and leisure company Red Lion Hotels in the first quarter report listed the value of its properties classified as "held for sale" at $16.45 million, a little more than 40% of its total portfolio. Julie Shiflett, the firm's CFO, the hotels it has identified "really lent themselves to being owner operated or hotels that fit within a portfolio of other owners."

Retail Properties of America

Retail Properties of America (formerly Inland Western Retail Real Estate Trust) is "evolving into a more geographically concentrated company with a leading presence in 10 to 15 core target markets. As such it has been and continues to dispose of retail properties is select markets.

Disposition activity for 2013 is expected to total $400 million to $500 million. During the first quarter it sold $40.2 million of assets. Sales included an office asset for $17.2 million, three non-strategic retail assets for $11.0 million and a vacant land parcel for $7.6 million.

Roberts Realty Investors

Roberts Realty Investors, the smallest REIT to make this list, is on because it has identified more than half of its $36 million in assets as "held for sale." The REIT has listed three tracts of land totaling 22 acres (one of these tracts totaling 11 acres is currently under contract to be sold) and one commercial office building totaling 37,864 square feet as held for sale.

Supertel Hospitality

Lodging REIT Supertel Hospitality reported a first quarter net loss of $4.9 million.

"These difficult results further reinforce our decision to reconfigure our portfolio to premium-branded, select service hotels," said Kelly Walters, Supertel's president and CEO.

Supertel valued its held for sale assets at $24.3 million, which represented about 12% of its total assets.

Thomas Properties Group

Thomas Properties Group, a real estate company that owns and develops office, industrial and retail properties, listed about 8% of its total assets as held for sale at the end of the first quarter. It has been actively reducing its land held for development.

Included in its dispositions last quarter were the completed the sale of the three suburban assets in Austin and its remaining acreage of Campus El Segundo.

UDR

Multifamily REIT UDR (formerly United Dominion Realty) disclosed in its first quarter earnings conference call that it wants to tap into the "tremendous demand for product in the marketplace."

"The market fundamentals are still good, interest rates are still good, and there's a lot of demand for product in the market right now," said Harry G. Alcock, senior vice president of asset management for the firm. "Even though we have some dispositions in our guidance, we're working on getting those projects in the market now."

Vornado Realty Trust

Office and retail REIT Vornado Realty Trust has had a lot of success in the past 18 months generating significant proceeds from noncore assets. Steven Roth, chairman and CEO, told investors this quarter that plan will continue.

"Our highest priority continues to be to divest noncore assets of which we have more than we should," Roth said. "We've sold the better part of $3 billion already over the last 18 months or so. We are very happy with that progress. We have teed up now either in contract or in the sales process somewhere over $300 million. We will easily get to $500 million, and likely $1 billion of dispositions this year, that's what our internal budget is."

"That does not include what I'll call now for a moment the main events, which is Toys R Us, J.C. Penney or assets like that, nor does it include anything having to do with 220 Central Park South. So our expectation is $500 million for sure this year, and $1 billion is possible. There are other assets beyond that, but that's what we're focused on for this year," Roth said.

Weingarten Realty Investors

Retail REIT Weingarten Realty Investors, which owns neighborhood and community shopping centers, looks to be a net seller of properties in 2013.

"We're optimistic about the $175 million to $225 million for acquisitions and the $200 million to $300 million for dispositions," Johnny L. Hendrix, Weingartern's COO, said in the REIT's first quarter earnings conference call. "During the quarter, we sold five projects for pro rata share of $15.7 million. We currently have about $100 million of property with a letter of intent or under contract to sell. We are seeing some cap rate compression in those B assets we're selling. We're seeing more sophisticated buyers showing up with access to good financing from CMBS market and from local banks."

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This may well be the year that property owners in secondary and tertiary markets get a chance to cash in on the spending spree of the nation's largest publicly held REITs and real estate operating companies.

The torrid pace of acquisitions seen within this sector over the past two years is expected to continue this year, but with more buyers casting their nets across more markets.

As a whole, public REITs and REOCs doled out more than $54 billion in cash for property acquisitions last year, driving up prices for the most sought-after properties. The majority, more than 63%, bought more properties than they sold last year.

Culling through CoStar Group's database, and more than 220 firms' annual and quarterly reports and first quarter 2013 earnings conferences, we've identified the 25 firms, mostly REITs, that appear to have the most active acquisition pipelines. This group averaged spending $1 billion each on property acquisitions last year making up about 13% of their total current assets of more than $184 billion.

One out of every five of the firms identified was a health care related REIT and together they accounted for one-third of all the spending in the 25 firms we have identified below.

Consolidation in the senior housing sector has been the overriding investment trend in the health care market, a trend that is likely to continue this year as the overall industry moves toward efficiency, according to a new report from Marcus & Millichap's National Senior Housings Group, Gary Lucas, managing director, and Stephen Hovland, senior analyst research services.

Senior housing operators with just one or two properties that need significant technology upgrades may find the current environment an optimal time to exit. Cap rates are sell-side favorable and buyers with plenty of capital are scouring the country for the right deals, especially value-add opportunities centered on improving the cost side of the business, the study noted. Larger owners may consider expanding their senior housing portfolios to achieve economies of scale and scope.

In terms of medical office buildings, an aging population along with the reasonably predictable level of health care services demand is making this formerly “alternative” property type extremely desirable, especially when bundled together, according to Mindy Berman, managing director for Jones Lang LaSalle’s Healthcare Capital Markets practice.

The changing investment perception of medical office property as an accepted asset class included in many institutional investors' core real estate holdings is evidenced in the record level of portfolio sales volume in 2012. Spurred by high demand and a similarly high level of investment capital, sales of medical office building (MOB) portfolios exceeded $2 billion in 2012, more than doubling the previous sales record set in 2007, Berman noted.

Developers have been the most dominant sellers of MOB portfolios over the past six years racking up more than $3.8 billion in sales, and they've also recouped the most value for their investment at a sales average of $305 per square foot.

Developers also have been the biggest supplier of new medical office buildings as hospitals have tended to retain their existing owned inventory of medical office. Developer product is likely to be new, Class A, on-campus or hospital-aligned property with the highest value.

American Campus Communities

On the heels of the 52 properties totaling $2.2 billion in it bought in 2012, American Campus Communities currently has an active pipeline in excess of $1 billion being underwritten. The pipeline consists of core in-fill student housing assets, all located in close proximity to Tier 1 universities.

"We also continue to track a large amount of new construction within Tier 1 university markets and are maintaining contact with developers and equity responsible for delivering that product," William W. Talbot, chief investment officer and executive vice president of the REIT, told investors in its quarterly conference call. "We are currently identifying markets where we believe significant resupply could result in overbuilding in the near term, especially at properties targeting rental rates at a premium to market."

"We are earmarking those markets as targets for acquisitions 18 to 24 months down the road, when absorption and stabilization have taken place at appropriate rental rates," he said. "This is a dynamic that we analyze and were able to successfully capture of acquisitions during the last cycle that overbuilding occurred."

Boston Properties

Boston Properties has been in the process of selectively selling some of its assets to raise capital that it has been redeploying into new development projects, new acquisitions and repaying maturing debt. Although its focus has been on new development, that "doesn't mean that we won't be looking for acquisitions because that, again, is as we have demonstrated with a lot of buildings, from the General Motors Building to buildings in Washington to the John Hancock building, even to Prudential Center, there are a lot of situations where we feel we can go into an existing building and... improve its attraction as a building to be occupied and therefore, over time, to do very, very well," Mort Zuckerman, co-founder and executive chairman, told analysts this quarter.

"To be very blunt about it, because we have the financial resources and the credit to buy buildings and to actually lease buildings and to finance buildings, we think there will still be the opportunity for us to buy buildings with an appropriate spread between the yield at which we buy the buildings and the yield at which we

can finance the building," he added. "And over the long term, if we pick the right buildings, as I think we have done for most of our history as a company and both as a private company and a public company, this will continue to enhance the asset base of the company."

Raymond A. Ritchey, the Boston Properties executive vice president who serves as the head of the firm's Washington, DC office and its national director of acquisitions and development, said he doesn't see a lot of building owners rushing to cash out.

"There are a few landlords and owners that are trying to take advantage of the increasing capital flow into real estate and the lower interest rates, and I do see some additional assets coming for sale, and obviously, we're trying to follow that lead, but I don't see a wholesale selloff," observed Ritchey. "In fact, I see several landlords reinvesting in existing assets to upgrade their current portfolio, as opposed to taking them to the markets. So I don't see a rush to the exits in terms of sales. I see selective opportunities becoming available. (It's) very hard for us to compete with the purchase of these existing assets (at current valuations), and that's why we focus on value add through development, as opposed to going out and trying to compete buying existing buildings."

Cole Credit Property Trust III

As of year-end 2012, Cole Credit Property Trust III had $7.34 billion in total assets, 32% of which it had acquired during 2012. The majority of the properties it bought, 807, were free-standing, single-tenant retail properties, 120 were free-standing, single-tenant commercial properties, 70 were multi-tenant retail properties, 16 were office and industrial properties along with one parcel with a new building under construction.

This past quarter, CCPT III closed on its acquisition of Cole Holdings Corp., its parent management company that currently manages more than $12 billion of real estate assets. With the deal, CCPT III has become the second largest publicly-traded REIT in the net-lease sector. Cole Holdings provides CCPT III with a portfolio of more than 2,000 properties with over 76 million square feet of corporate real estate under management.

In the first quarter of the year, the REIT also acquired interests in nine commercial properties for an aggregate purchase price of $25.2 million.

Cole Credit Property Trust IV

With its initial public offering in January 2012, Cole Credit Property Trust IV has grown through acquisitions to have total assets of $736 million as of March 31. Since then, the REIT has acquired 53 additional commercial properties for an aggregate purchase price of $466.3 million and now has more than $1 billion in property assets.

Corporate Property Associates 17

W. P. Carey Inc.-affiliated REIT, Corporate Property Associates 17, has raised $2.9 billion from common stock offerings since its launch in April 2011. It has used the moneye to acquire more than $4.4 billion of income-producing commercial properties across 10 countries. It intends to use the remaining net proceeds of the follow-

on offering to acquire, own and manage a portfolio of commercial properties, primarily single-tenant net leased buildings.

During the three months ended March 31, it acquired a manufacturing and office facility at a cost of $10.9 million. In addition, it acquired a domestic entertainment complex at a cost of $15.7 million.

DDR Corp.

Shopping Center REIT, DDR Corp. looking to whittle the number of joint ventures it's in, this past week agreed to buy-out joint venture partner Blackstone in a portfolio of 44 shopping centers the pair own. DDR has executed a purchase and sale agreement to acquire Blackstone's 95% common equity ownership interest in 30 of these shopping centers for $1.46 billion. The acquisition is expected to close in the fourth quarter of 2013.

The portfolio includes all 10 properties that DDR has a current right of first offer to acquire, such as fortress shopping centers Shoppers World in Boston, Woodfield Village Green in Chicago, Fairfax Towne Center in Washington DC, and Riverdale Village in Minneapolis.

Digital Realty Trust

Digital Realty Trust's current acquisition pipeline and acquisition targets totals nearly $1 billion including high-quality stabilized property, value-add opportunities, ground up development sites, as well as sale-leaseback transactions. On top of that the REIT said it continues to track additional larger portfolios.

"We began the year with a healthy level of activity that included two properties, totaling four buildings that were 100% leased, one of which was the sale-leaseback with a major airline in the Minneapolis metro," Michael F. Foust, Digital Realty's CEO told investors and analysts. "The blended going-in, unlevered cash cap rate for the first quarter stabilized acquisitions was over 11%. In addition, we acquired another development project adjacent to our Chandler, AZ, property for running future inventory in this growing data center market, as well as a development project in suburban Toronto, Canada where we're seeing significant demand from new and existing customers for data center space."

Extra Space Storage

Extra Space Storage last year completed $700 million of acquisitions, with $500 million of that off market. It has a stated target of acquiring $150 million more in properties for the year.

"I think with the two properties that we acquired and the five under contract worth $66.5 million and (only) a third of the year is behind us," said Spencer Kirk, Extra Space CEO. "So, I would say, we're reasonably on track for what is or could be expected. What we don't know is the numerous conversations we're having how they are going to play out. We are like every other self-storage operator that is publicly traded, we've got a nice cost of capital advantage versus the private guys, both with debt and equity."

Despite the attractive capital advantage, Kirk said he plans to maintain sales discipline. "This is not the time to get crazy or become irrational because things can and will change," he added. "I don't know what the number will be this year, but I think that there are relationships that we enjoy that say we will participate in the open-market acquisition and we will participate in some off-market acquisition."

Griffin-American Healthcare REIT II

Completed first quarter acquisitions for Griffin-American Healthcare REIT II totaled $92.9 million, based on purchase price. Since the company's change in sponsor on Jan. 7, 2012, the company's portfolio has grown approximately 223.2% from $439 million to $1.42 billion as of March 31, 2013.

In February, the health care REIT commenced a follow-on offering of up to $1.65 billion to continue to fund its acquisition pipeline.

HCP

Health care REIT HCP completed $96 million of investment transactions in the first quarter.

"You'll see a pretty active 2013 from this point on, by the way, from our standpoint, both on the acquisition side but also on capital market side," James F. Flaherty, chairman and CEO of HCP told analysts and investors this quarter.

Flaherty said the market for deals has heated up since the outcome of this past November's contentious presidential election.

"I just think you had kind of gridlock there for quite a while," he said. "And now people are starting to come out of it. It's not like it's off to the races time. But I think you're getting to the point where through price discovery and access to the capital markets, I think there's -- there's some -- you're starting to see some meaningful interaction between prospective counterparties as it relates to incremental transactions."

Health Care REIT

Aptly named Health Care REIT was the largest spender on this list for new properties last year; it was also one of the largest sellers of properties too. It is the only firm that also made last week's CoStar lists of the 25 REITs Most Likely To Sell You a Property in 2013.

This quarter, it acquired $2.6 billion of gross investments and sold $255 million of non-core properties. This past week, it completed a public offering of 23 million shares of common stock for gross proceeds of $1.7 billion.

It also announced plans to partner with Revera Inc. to own 47 seniors housing communities with approximately 5,000 units located in major Canadian metropolitan markets. The portfolio, which is currently 100% owned by Revera, is primarily comprised of independent living communities.

Hines Global REIT

Los Angeles-based Hines Global REIT acquires properties around the globe but about half of its acquisition activity has been focused on the U.S. It paid out more than $590 million in cash last year on property acquisitions and has continued to do so this year.

Most recently, Hines Global REIT this month acquired the Campus at Playa Vista, a four-building Class A office complex in West Los Angeles.

Industrial Income Trust

Industrial Income Trust is currently in the acquisition phase of its life cycle. During the quarter ended March 31, it acquired seven industrial buildings comprising 1.3 million square feet for $91.6 million. The properties were located in New Jersey, San Francisco Bay, Dallas, Pennsylvania, and Seattle.

The REIT said it is continuing to expand in its target markets by acquiring primarily industrial buildings with generic features that can accommodate a wide range of tenants. The REIT said it will initially overweight the “top 10? key national distribution markets for acquisitions but will also capitalize on opportunities in other “top 25? distribution markets.

Inland Diversified Real Estate Trust

Last year, Inland Diversified Real Estate Trust acquired 92 properties totaling 6.8 million square feet and 144 multifamily units for $1.19 billion - approximately 50% of its current portfolio. As of March 31, it owned and operated 142 properties with a combined purchase price of approximately $2.2 billion, containing 12.4 million square feet of retail, industrial and office properties, and 444 multifamily units.

Kimco Realty

Retail REIT powerhouse Kimco Realty, which has not been one of the most active buyers last year, made the list for what it has been doing this year. The REIT has joined with Blackstone to acquire the UBS Wealth Management-North American fund stake in 39 shopping centers. The deal is scheduled to close over the next 30 to 60 days.

Kimco also closed the Cerberus-led SuperValu transaction, which reunited the Albertsons stores it already owns with the Albertsons stores operated by SuperValu, while also purchasing four other supermarket brands formerly operated by SuperValu: Acme, Jewel, Shaw's and Star Market.

Other U.S. investment activities since the beginning of the year primarily involved opportunistic purchases of joint venture equity interest from five different institutional partners, totaling $53 million.

During the quarter, it also acquired the second phase of its large grocery anchored shopping center complex in the high income community of Wilton, CT. And this week, it added the Marketplace at Factoria in the suburban

Seattle community of Bellevue, WA, to its consolidated portfolio. The company has acquired a majority of its joint venture partner's ownership interest in this 510,000-square-foot shopping center based on a gross value of $130.75 million.

Medical Properties Trust

Health care REIT, Medical Properties Trust has been prepping for a series of second half of the year acquisitions.

"During this past quarter we made tremendous progress on these acquisitions. Our active acquisitions pipeline is larger today than it has ever been," Ed Aldag, chairman, president and CEO of Medical Properties Trust told investors this quarter. "I want to be clear I'm referring to our active acquisition pipeline not a shadow pipeline. These are properties that we are actively working towards the close."

"We certainly recognize that we will most likely not close on each of these. However, the number and dollar amount of properties we are actively working are larger than they have ever been and has always been the case we do not comment on acquisition targets but we ultimately pass on," he added.

Our existing portfolio of performance fell right in line with what you've seen nationally over the past few weeks, essentially our EBITDA coverage for all three of our major sectors was flat to slightly down quarter-over-quarter. However, for year-over-year they were slightly up to flat, the utilization of our facilities also followed these trends.

The REIT has almost $500 million of immediately available resources for acquisitions and estimates that it will acquire at least $400 million in new properties this year.

National Retail Properties

In the first quarter, net lease REIT National Retail Properties acquired 17 properties for $43 million.

"The good news is that our acquisition activities for the first four months of 2013 are nicely ahead of both budget and guidance from a timing standpoint, and our initial yields remain ahead of what we anticipated," Craig MacNab, chairman and CEO of National Retail told analysts. "The acquisition market continues to be robust, and our current deal flow gives me confidence that 2013 will be another good year for NNN."

Parkway Properties

Last year, office REIT Parkway Properties embarked on a strategy to acquire what it terms "critical mass" in certain targeted sub-markets where it owns major buildings.

"From an investment standpoint, we continue to see opportunities to enhance the growth of our portfolio at attractive pricing with assets that complement our long-term investment strategy," said Jim Heistand, president and CEO. "We are also constantly evaluating in all of the sub-markets throughout the Sunbelt and we believe there will be opportunities to continue to build a portfolio of high-quality assets in key targeted areas."

Parkway has a contract on Lincoln Place, a 140,000-square-foot office and retail tower in the South Beach submarket of Miami. During the first quarter it completed the purchases of TowerPlace 200 in Atlanta and the Deerwood portfolio on Jacksonville. Late in the quarter, it also completed the purchase of its co-investors 70% interest in the three office assets located in Tampa, that were previously held in Parkway's funds and joint venture. And in March, Parkway entered into a purchase and sale agreement to acquire an approximate 75% interest in the U.S. Airways Building in the Tempe submarket of Phoenix.

Realty Income

While Paul Meurer, CFO of net lease retail REIT Realty Income, doesn't like to make quarter-to-quarter predictions for acquisition, but he's excited about how the year has started.

"Given really excellent transaction flow that we are seeing right now and what we did in the first quarter, which is a little more than we generally do, we are off to a very good start for the year," Meurer told analysts. "The first quarter as I mentioned, is a little slow. If you recall, last year I think we did $1.2 billion and I think we did $10 million in the first quarter. So at $128 million [in the first quarter of 2013], we view that as a positive."

"I also think that transaction volume at that this point, tells us this should be another very good year for acquisitions. We initially had in the guidance, $550 million. I can say now, and we are sitting in fairly early April but that should not be an issue for us," he said. "And we should be able to meet that and exceed that which is very much a positive at this time of the year."

While investment opportunities are fairly abundant, competition for these acquisitions is also abundant, Meurer noted. "There are plenty of well capitalized buyers in the market today led by private and public lease REITS, but we're also seeing some other private institutional buyers seeking yield in its space. These buyers are using more leverage with the CMBS market in our space that has gained strength in the past quarter or two. And that's helping our private buyers better compete," Meurer said.

Select Income REIT

Since Jan. 1, 2013, Select Income REIT has acquired five fully pccupied properties containing 779,000 square feet for an aggregate purchase price of $158.3 million at an average purchase price per square foot of $203.

Somewhat bucking the trend, Select Income's president and CEO David Blackman said the REIT has no pending acquisition opportunities under agreement.

"In fact, we have intentionally scaled back our acquisition pace to ensure we maintain our investment grade-like financial profile by not getting acquisition commitments ahead of our ability to raise capital," said Blackman. However, the REIT expects to reinvigorate its acquisition underwriting this quarter with new public fundraising efforts.

"The acquisition market remains vibrant, and we are confident in our ability to once again successfully make accretive acquisitions," he said.

SL Green Realty

New York office REIT SL Green Realty is looking at doing between $700 million or $800 million of acquisitions this year. For some properties, SL Green is pursuing participating in financing options.

"For the acquisitions we don't pursue, we attempt to turn them into structured finance opportunities," Marc Holliday, CEO of the REIT told analysts. The dual investment approach starts as evaluating acquisition opportunity, and if a deal doesn't work out, it switches gears.

SL Green Realty completed such an investment with the $925 million bridge acquisition financing arranged by it for New York City's iconic Sony Building at 550 Madison Avenue. The building, which is currently Sony's U.S. headquarters, was purchased for $1.1 billion. The financing matures with the expiration of Sony's leaseback of the property, and consists of a $600 million senior loan originated by Bank of China, a $175 million senior mezzanine debt which SL Green sold to a private investment manager and a $150 million junior mezzanine debt originated by SL Green. Following completion of the financing, SL Green sold one half of its interest in the junior mezzanine debt.

Stag Industrial

At the end of the first quarter of 2013, Stag Industrial owned 179 industrial properties, totaling 31.2 million square feet. The seven properties acquired by the company during the first quarter added approximately 6% of the company's total real estate assets over the previous quarter. On a year-over-year basis, the square footage of its own properties increased by 71%.

"Our primary investment strategy focuses on what we perceive to be marketing efficiencies and the pricing of our target properties," said Ben Butcher, chairman, CEO and president of the REIT. "This opportunity remains as we continue to be able to source accretive acquisitions and significant volume."

"In addition to our pipeline of deals that meet our investment criteria continues to be robust with approximately 600 plus million of potential acquisitions being reviewed and considered by our acquisition teams," he said. "This level of pipeline activity is unusually high early in the calendar year. As these acquisitions in our pipeline indicate, we remain very confident of our ability to maintain a vibrant acquisition pace through 2013 and beyond."

Steadfast Income REIT

This mixed REIT owned 34 multifamily properties in Midwest and Southern U.S. markets as of March 31. Its property portfolio consists of an aggregate of 7,654 apartment homes and 25,675 square feet of rentable commercial space. The cost of its real estate portfolio was $679 million.

Its most recent acquisition was a 224-unit residential property in Lake Bluff, IL.

TIAA Real Estate Account

While it made no acquisitions in the first quarter of 2013, TIAA Real Estate Account, the signature real estate account for Teachers Insurance & Annuity, views commercial real estate as offering attractive returns over the short- and long-term vis-à-vis other asset classes.

Money continued to flow into the fund from participants at a steady pace during the first quarter, with the account ending the quarter with cash, cash equivalents and short-term securities representing 16.4% of net assets.

Management intends to manage the account's liquidity in a manner that maintains adequate reserves for new acquisitions. Its anticipated acquisitions program in 2013 will focus primarily on industrial, retail, and multifamily properties, and secondarily, on highly selective office properties.

Ventas Inc.

Health care REIT Ventas Inc. said acquisition opportunities are really plentiful, and it has been as busy as it has ever been on that front.

"Acquisition opportunities abound in our large, fragmented health care and senior housing investment market," Debra A. Cafaro, chairman and CEO of Ventas, told analysts. "We see opportunities to add to our best-in-class senior housing operating portfolio, our medical office building business and a range of triple-net investment across the continuum of care. Our existing liquidity, balance sheet and diversification are highly supportive of continued external growth."

"I would say that when we look at the numbers, we could easily acquire over $1 billion, really -- and be very comfortable with our balance sheet without the need of any additional equity component," Cafaro said.

"We really want to continue to be in a position to take advantage of those opportunities, and at the same time, continue to move up the credit curve. So we would expect, over the course of the year, although our guidance does not include any acquisitions, we would be hopeful that over the course of the year, we will be able to get our fair share of additional investments," she added.

Shopping Center Shift, Retail Owners Rethink Tenanting Strategies

居民區小型購物商場應順應消費者行為變化重新涉及房客組合策略

By Rich Rosfelder (CCIM.com)

For neighborhood and community shopping center owners, it's a time for reflection. Though they haven't experienced the numerous headline-grabbing store closures plaguing big-box and mall owners, they are facing many changes in consumer behavior — and too few changes in fundamentals.

The vacancy rate for neighborhood and community shopping centers fell by a mere 30 basis points year over year to 10.7 percent at the end of 2012, according to Reis. Asking rents increased only 0.5 percent during the same period, from $18.98 per square foot to $19.08 psf.

"Vacancy will need to compress in a much more significant fashion before rent growth breaks out of its rut," says Ryan Severino, a senior economist at Reis.

However, retail development is at historic lows. Construction starts fell to 5 million square feet in 4Q12, according to CoStar. And Severino expects that, without much construction activity, even weak demand will push down vacancy rates and push up rents this year.

"We are experiencing the new normal," says Shawn Massey, CCIM, partner with The Shopping Center Group in Memphis, Tenn. "With the lack of supply and good space, negotiations favor landlords these days. They're able to pick and choose tenants based on credit, experience, and other factors."

One of those factors is the brick-and-mortar tenant's ability to thrive even as consumers increasingly shop online. Shopping center owners are now considering once unacceptable service tenants and traditional triple-net retailers, among others.

But because the potential impact of Internet sales is still unclear — and a full economic recovery still only a dream — retail owners and investors are hedging their bets. They're taking a close look at their tenant mix and how their space is being utilized. And, in the process, they're changing the face of today's neighborhood and community shopping centers.

Credit Counts

The basic formula for a successful shopping center tenant mix hasn't changed much since the market downturn. "Ideally, you would want some type of grocery tenant to bring in the everyday shopper, along with one or two fast-casual restaurants on end caps to bring in the frequency-of-visit customer," Massey says. Depending on the

center's size, junior anchors such as fitness centers or pet supply stores may be appropriate, he adds. The balance might consist of general retail and service tenants.

But these days, owners and investors are less apt to take a risk on retail tenants. "Compositionally, anchor tenants tend to be better quality retailers, in terms of company strength," says Michael V. Pappagallo, chief operating officer of Kimco Realty, a real estate investment trust that owns and operates a portfolio of approximately 900 neighborhood and community shopping centers. Specialty retailers like Whole Foods and Fresh Market are also emerging as strong anchors, he says, particularly in neighborhood centers, while national apparel and pet supply companies are becoming more prevalent in community centers. For smaller spaces in these centers, owners prefer franchises vs. mom and pop stores, Pappagallo adds.

"Owners and investors want national names in their center as perceived better credit to balance out their tenant mix," Massey explains. "A lower rent with national credit may actually have a greater value upon a sale."

The retail sector has improved enough that shopping center owners can put capital for retrofits and tenant improvements into these deals again. "That's critical in getting credit retail leases completed," says Jonathan E. Lindsey, CCIM, broker with The Shopping Center Group in Birmingham, Ala. "When the world turned upside down, landlords weren't funding deals, and tenants were shy about expanding. But in the past two years we've seen great activity."

Restaurants will account for 42 percent of new retail units in 2013, according to Chainlinks, with strong fast-casual tenants such as Five Guys and Chipotle leading the way.

Quick-service restaurant franchises are also expanding. Those specializing in breakfast — Dunkin' Donuts, Starbucks, Huddle House, and others — are looking for space on drive-in end caps in smaller centers on the "going-to-work side of the road," says Tom Rohde III, CCIM, vice president of Rohde Ottmers Siegel Realty in San Antonio. Well-established QSRs such as McDonald's and Taco Bell are now working the San Antonio breakfast market as well.

Rohde is preparing for what could be the biggest retail expansion in his market in decades, thanks largely to credit tenants. In addition to the influx of restaurants, Walmart has plans for 12 new supercenters and several compact Neighborhood Market stores, which could result in as many as two dozen new shopping centers, Rohde says. He adds that San Antonio-based grocer H-E-B, which operates more than 300 stores in Texas, is expected to compete with new openings as well.

Tenant Changes

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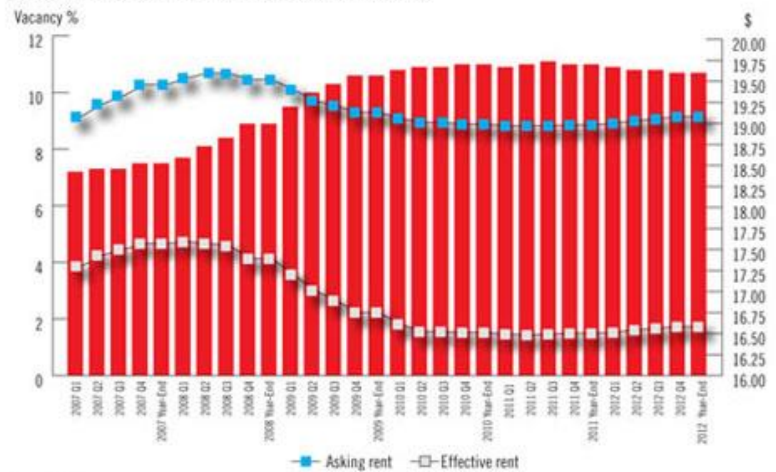
It's no wonder brick-and-mortar shopping center owners are looking for stability. Online and nonstore retail sales jumped 11.6 percent from 2011 to 2012, according to the Commerce Department, more than double the average for all retail. Many of the tenants that are staples in community and neighborhood centers are now competing with the Internet, and some are losing that battle. "Owners are concerned about tenants selling widgets — whatever they might be," says Larry Hausman, CCIM, senior associate with Marcus & Millichap in Louisville, Ky. For example, RadioShack, one-product retailers such as GameStop, and Barnes & Noble have seen declining same-store sales and are expected to close hundreds of stores this year, according to USA Today.



Hausman attributes this problem, in part, to a lack of a national Internet sales tax, which leaves brick-and-mortar retailers at a disadvantage. In March, members of the Senate voiced support for broader sales-tax collections on online purchases, but it's unclear whether such a law will be passed.

Internet shopping competition has caused shopping center owners to rethink the formula for stability in recent years. "Our definition of a retail tenant has changed," Massey explains. "We are seeing more nontraditional users go into shopping centers, including medical, educational, and fitness centers." Most of these companies offer services and/or experiences that can't be purchased online — at least not yet.

In addition, "Formerly prohibited uses, such as massage spas and motor scooter shops, are now viable additions to shopping centers, so landlords are compelled to approach anchor tenants for permission to pursue these leases," says George C. Larsen, CCIM, of Larsen/Baker in Tucson, Ariz.

The medical tenants are perhaps the most notable. Healthcare users such as radiology centers, dialysis centers, or physical rehabilitation spaces were once only seen in multistory office buildings, says David J. Ahn, CCIM, CPM, vice president of asset services with MEI Real Estate Services in Los Angeles. Now those users are moving into community and neighborhood shopping centers, which offer advantages such as adequate parking, easier access, and better exposure.

This migration is a boon for shopping center owners, according to Bob Matias, senior vice president of retail at Equity in Columbus, Ohio. "Healthcare tenants tend to be strong credit, sign long-term leases, have a very low default rate, and drive daytime traffic to the center," he explains.

Hausman cites a recent lease of 5,000 sf in a Louisville community center to a hospital-owned physician group. “Other tenants are thrilled with the increase in traffic,” he adds.

Ahn expects this trend to continue for many years, driven by the baby boom generation’s increasing need for convenient medical services.

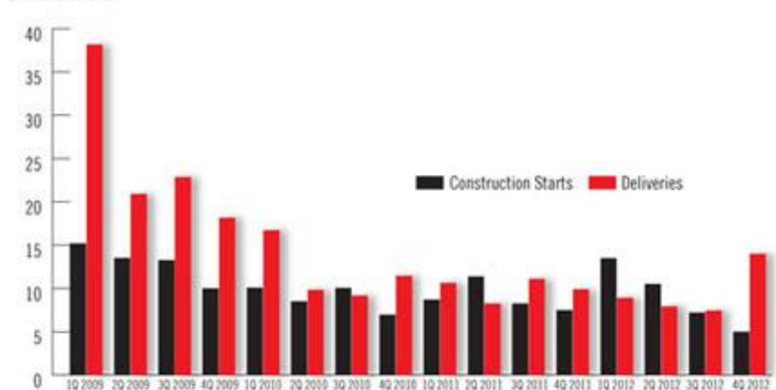
Triple-net retail tenants that traditionally favor free-standing properties — T-Mobile and Dunkin’ Donuts, for example — have also begun to backfill space created by the increase in shopping center vacancy. “It makes more sense economically,” says Randy Blankstein, president of The Boulder Group in Northbrook, Ill., which specializes in single-tenant net lease properties. “Shopping center owners with above-average vacancy are enticing retailers by offering lower rents than a single-tenant property.” Free-standing properties generally command higher rents due to their relative visibility and ease of access, he adds.

But these aren’t triple-net leases in the strictest sense. In a shopping center, the landlord is responsible for the property’s roof and structure as well as billing for common area maintenance, taxes, and insurance, Blankstein explains. The property owner can also collect management and/or administration fees.

“This trend, coupled with already reduced expansion plans, has created a limited [triple-net] development pipeline,” Blankstein says.

Space Jam?

Even brick-and-mortar retailers that thrive despite the Internet’s growing prominence will need less space in the coming years. As younger generations’ buying power increases, Ahn expects to see more interactive showrooms for products that can be stored elsewhere and delivered the next day. “The Apple Store model works with clothing, electronics, office supplies, furniture, and most nonperishable goods,” he says. “It also allows for a higher number of stores in a small area. [Shopping center owners] can now provide double the amount of retailers in the same space.”



Will there be enough viable tenants to fill this excess space? Pappagallo points out that developers had to add more small-shop space to neighborhood and community centers before and during the recession to make projects pencil out. But during the last few years, there weren’t enough sustainable businesses to prevent vacancies.

Thus, an ideal tenant mix alone might not protect a shopping center from falling victim

to the market cycle. “If a small center is anchored by a supermarket, for example, it’s not who else is in there, but how much space,” Pappagallo explains. “In that case, 20,000 to 30,000 sf of small-shop space allows for healthy business among the tenants.” More space can lead to more vacancy.

In some markets, to get deals done, “Landlords are now more willing to de-commission space,” Lindsey says. For example, before 102,000 sf of shopping center space was delivered in Lindsey’s market last year, a tenant that had signed on for 4,000 sf pulled out. Rather than holding out for a tenant who could fill that entire space, the landlord backfilled 3,400 sf with Lindsey’s client and de-commissioned the rest. “The psf rent rate came down, allowing the tenant [which originally only wanted 2,400 sf] to take on the additional 1,000 sf,” Lindsey says.

Until the economy fully recovers, such measures may be necessary to make shopping centers viable. But it remains to be seen whether retail owners, investors, and developers have recalibrated enough to create centers that can withstand the market cycle’s next fluctuation. In the meantime, we’ll give them plenty of space to reflect.

Rich Rosfelder is associate editor of Commercial Investment Real Estate. Mike Pappagallo shares more of his thoughts on today's retail trends in the latest CIRE podcast.

Attracting Medical Tenants

Healthcare service providers are quickly becoming fixtures in community and neighborhood shopping centers throughout the country. This makes sense for landlords, who like these tenants’ creditworthiness and ability to generate traffic. But why are medical tenants drawn to these spaces? And how can shopping center owners entice them?

Chad Pinnell, senior vice president of healthcare at Equity in Columbus, and his colleague Bob Matias, senior vice president of retail at Equity, addressed these questions at the International Council of Shopping Centers’ University of Shopping Centers in March in the course “How to Attract Medical Facilities to Your Shopping Center.”

“Healthcare providers are increasingly interested in patient experience,” Pinnell explains. “Retail centers are easily accessible, easy to navigate, and conveniently located where people live –- all of which add to a good experience.” Plus, he adds, the traffic generated by shopping center anchors gives these medical tenants an advantage over the competition.

Which centers these tenants choose largely depends on the type of services they provide. “For instance, a pediatric group might find it advantageous to locate at a grocery-anchored shopping center because that’s where all the moms in town are showing up two times a week,” Pinnell says. “Or a sports medicine practice may find a location near a large fitness center or sporting goods store to fit their market profile better.”

But challenges can arise during lease negotiations. “This is not because either party is unreasonable, but rather because they are speaking two different economic languages,” Pinnell says. He recommends translating the retail lease terms in a healthcare lease to make them clearer to prospective tenants.

And often, medical tenants seek lower rents and more-costly tenant improvements than traditional retail tenants. “Remember to weigh this against the benefit of having a long-term, stable tenant that is a good traffic generator,” Pinnell adds.

Pinnell likes to cite the example of Ohio State University’s 30,000-sf CarePoint medical center, which is located in a Kroger grocery-anchored shopping center in Orange Township, Ohio. When CarePoint opened in November 2010, new families were rapidly moving into the surrounding area. And those families were shopping at Kroger. Within nine months the facility began to reach patient volume capacity, and expansion plans were made.

“Two years prior, Ohio State’s competitor had built a much larger facility about three miles away in a traditional medical office setting –- a quarter-mile off the road in a quite serene setting with no traffic -- and no retail,” Pinnell says. “That facility continues to struggle.”

Future Shopping Center Trends to Attract Generation Y

投資者和開發商針對 Y 世代特點設計未來購物中心

By Suzann D. Silverman (Commercial Property Executive)

As retail strives to recreate itself for the post-recessionary market, investors and developers are targeting one group in particular, and they are an opinionated and fickle bunch. The good news is that Gen Y loves to shop, the Urban Land Institute found in its most recent study of the generation's retail preferences. The study, released at the Spring Meeting in San Diego on Thursday, followed last year's report on Gen Y housing preferences.

Gen Y, those 18 to 35 years old, constitutes a strong segment for retailers. Beyond being a huge group, they bring financial strength to the market. Sixty-five percent of the 1,251 respondents to the survey do not receive financial help from their parents, with 41 percent working full time and fully 46 percent achieving household income of $50,000 or more per year. Thirty-two percent own their own home (predominantly those in their 30s).

And they are a financially responsible group, noted study author Leanne Lachman. Although they carry an average of $22,000 in student debt, four of five don't use credit cards and 27 percent pay their credit card bills in full every month.

And they do shop. Eighty-five percent of respondents said they enjoy shopping, and not just women. In fact, eight of 10 men admitted to favoring this pastime. Overall, blacks and Hispanics turned in higher numbers than whites, with 89 percent of each group claiming a liking for shopping versus 83 percent of whites. Only 4 percent of the overall group said they hate shopping.

Shopping for them is very much a social pastime. Sixty-five percent said they typically shop with friends or family members. And 28 percent said shopping centers are their favorite place to get together with friends. Seventy-five percent go out to the movies, And 46 percent eat out with family or friends at least once a week.

Online shopping figures heavily in Gen Y activities, but bricks-and-mortar stores are still important. While 45 percent spend at least an hour online each day exploring retail-oriented sites, they often use Web sites for research, making their actual purchase in the store (conversely, of the 38 percent who purchase electronics online, one-quarter first go to the store for research).

With Gen Yers sporting short attention spans and a low boredom threshold, Lachman advised shopping center owners to think about fresh stimuli to keep this group interested. Certainly they are fickle restaurant goers, but the overall mix in a mall or shopping center needs to appeal to a range of interests that include entertainment, value, style and social gathering. Pop-up shops can be a critical part of this mix, according to Team I-Sight president Linda Berman, who noted they are not just for temporary offerings but are being used for experimentation by well-known chefs as well as established retailers seeking to try new ideas before they

implement them in their stores. In fact, she said, they are turning to fashion schools for inspiration, setting up competitions between groups of seniors to get new, inexpensive inspiration from the Gen Y group itself.

Shopping center owners also need to think about other lifestyle preferences, Berman cautioned. For instance, while they have a strong preference for including their pets in many aspects of their lives, “everyone should have great pet concepts in their mall,” she declared, pointing to the hospitality sector, where brands like the Ritz Carlton have figured out how to incorporate pet attendance successfully. Yet among retail center owners, nobody has. With the pet segment highly fragmented, with many mom-and-pop owners, “developers are still looking for retailers.”

The popular stores targeting the generation continue to thrive, according to Steve Morris, president & co-founder of Asset Strategies Group—the likes of Forever 21 or H&M. But don’t be too quick to dismiss longer-standing brands, he cautioned. This group also likes thrift and discount stores. Department stores, too, continue to attract them, although they are using these stores differently, Lachman noted, doing their research online and then heading directly to their target item in the store for purchase. The end result, though, is that Macy’s, despite many dire predictions through the years, keeps performing again and again, noted session moderator Alan Billingsley, principal of Billingsley Investments, and Lachman added that JC Penney ranked high on survey respondents’ preference list despite recent criticism of its experiment with incorporating discounts rather than offering sales.

Significant Changes Proposed in Lease Accounting

租賃會計規則或發生重大改變

BY FLOYD NORRIS (LA Times)

Rule makers around the world on Thursday issued a new proposal on accounting for leases that backs off from some of the most controversial aspects of an earlier version. But it would still represent a major change in accounting by requiring many companies to report vastly larger amounts of assets and liabilities than they do now.

Under current rules, companies are generally able to classify virtually all leases as operating leases and keep them off their balance sheets, something that regulators and accounting critics have long criticized. Some airlines, for example, lease all their airplanes and show no airplane assets on their balance sheets and no liabilities for the money they are committed to pay for those planes in the future.

“The development of an improved standard for leasing is vital,” said Hans Hoogervorst, the chairman of the International Accounting Standards Board. “At present, investors must take an educated guess to determine the hidden leverage from leasing.”

Under the proposal, issued jointly by the international board, which sets rules for many countries around the globe, and by the Financial Accounting Standards Board, which writes the United States rules, an airline entering into a lease for a plane would show an asset of the right to use the plane and an equal liability based on the current value of the lease payments it has promised to make. That accounting would be similar to what it would show had it borrowed money to buy the plane.

“The proposal is responsive to the widespread view of investors that leases are liabilities that belong on the balance sheet,” said Leslie F. Seidman, the chairwoman of F.A.S.B., adding that the two boards “have worked together to develop a revised, converged proposal to address the inadequacies of current lease accounting and disclosures.”

There seems to be little doubt that there will be substantial opposition to the new proposal. “This is going to be one of the least popular standards,” Mr. Hoogervorst told reporters. “Companies like off-balance-sheet financing.”

But some accountants said they thought the new rule could succeed where previous efforts had failed. “The F.A.S.B. has made an attempt to keep it as simple as possible,” said Rick Day, the national director of accounting at McGladrey, an American firm that primarily audits smaller companies. “While it will be controversial, I think it will fly.”

There were dissenting votes on both boards, with complaints made that the new proposal went too far to satisfy complaints about the earlier proposal, which was released in 2010.

Many accountants have agreed for decades that lease accounting needed to be reformed, but accounting rule-making is a slow procedure, particularly when there is sharp opposition from companies.

It was not until 2006 that lease accounting was added to the agenda of the I.A.S.B., as well as to the agenda of the American board. That move came after the Securities and Exchange Commission said in 2005 that action needed to be taken.

On Thursday, the two boards asked that comments on the proposed rule be made by Sept. 13. After those comments are analyzed, the boards will decide whether to issue a final rule, most likely in 2014 if they choose to move forward.

There would probably be a considerable delay in making the new rules effective, probably until 2017, to give companies time to comply and, in some cases, to renegotiate loan agreements that put limits on borrowing by the companies — limits that could appear to be violated if leases are put on the balance sheet.

In addition to making balance sheets larger, the proposed rule would also change income statements for many companies. Currently, a company that leased a piece of machinery for $1,000 a year for five years would show a $1,000 expense each year.

Under the new proposal, that company would show a larger expense in early years and a smaller one in later years. That is because the accounting would be similar to what would be shown if the company had borrowed money to buy the asset, paying off the loan in equal payments over five years. In early years, the interest expense would be higher than in later ones.

A significant change from the initial proposal is that most real estate leases would be accounted for differently. While they, too, would go on the balance sheet of the lessee, the value would be based on the expected lease payments over the life of the lease. Unlike in the 2010 proposal, the lessee would not have to assume that it would exercise renewal options, unless those options were at such favorable prices as to clearly give it a financial incentive to renew.

In cases where the lease payment was based on something that would vary — like a store lease where the lessee would pay a fixed rate plus a percentage of sales — the value would not reflect the expected additional payments. That would keep the asset value, and the related debt, lower than it might otherwise be.

If the rent would vary based on an index — like the Consumer Price Index — the initial value would be based on the current level of the index. The values of the asset and liability would be updated every year as the index changed.

The details remain controversial. At the I.A.S.B., the vote was 12 to 2, with two newer members abstaining. The two dissenters, Prabhakar Kalavacherla of India and Zhang Wei-Guo of China, said they opposed allowing real estate leases to be treated differently from other leases.

The American board approved the issuance of the draft on 4-to-3 vote, with one dissenter, Thomas J. Linsmeier, complaining that the rule "will result in financial reporting by the lessee that is so complex that it will hinder" the ability of investors to understand what is going on, in part because there will not be enough disclosures of details.

Courting the Chinese Buyer: The New California Real Estate Boom

美國低廉的價格加上中國不穩定的政治經濟環境促使中國投資者在美國、特別是加州地產上的投資屢創新高

Source: Asia Society

Bargain prices in the U.S. coupled with political and economic uncertainties at home are driving record Chinese investments in U.S. and California real estate. Chinese commercial real estate purchases in the U.S. totaled nearly $2 billion in the year to March 2012, much in California. The state will see record investments in 2013. This spring alone, deals were signed for a $620 million luxury condo development in San Francisco by China Vanke and Tishman Speyer, and a $1.5 billion mixed-use development in Oakland by China-based Zarsion and Signature Development Group.

Chinese residential purchases in the U.S. are even greater in value. According to survey data, they exceeded $9 billion in the year to March 2012, making them the second largest group of foreign buyers behind Canadians. Not surprisingly, California's large Chinese and Chinese-American communities, top-flight higher education, and attractive lifestyles make the state the number one destination. For businesses, the state offers a highly educated and experienced work force, the largest economy of any state, and strong ties to China and the international economy.

Shopping Center Rents Rise 5.5 Percent YOY

2013 年一季度全美購物中心經營淨收入較去年同期上漲 5.5%

Source: CCIM.com

U.S. shopping centers posted their fourth consecutive net operating income gain in 1Q13, rising 5.5 percent since 1Q12, according to the International Council of Shopping Centers and the National Council of Real Estate Investment Fiduciaries.

After years of sluggish growth, Midwestern shopping centers posted an 8.6 percent NOI gain year over year, followed by the West with a 7.3 percent YOY increase. Meanwhile, shopping centers in the South and East saw NOI grow by 4.0 percent and 1.7 percent, respectively.

Power centers surged 7.7 percent YOY in 1Q13, followed by neighborhood centers with a 6.8 percent gain. Super-regional malls produced the highest NOI of all retail property types ($5.54 psf) but recorded only 2.0 percent NOI growth last quarter.

“Retail continues to be the best performing sector,” says Jeffrey R. Havsy, director of research for NCREIF. “The continued improvement in NOI is driving income returns and pushing up values.”

Omnichannel Retail Will Lead To Smaller, Showier Stores

全方位零售方式（移動設備、網路和實體店互助銷售）將在近年推動較小但更華麗的店面

Source: ICSC.org

The rise of omnichannel retailing — in which mobile, online and in-store experiences complement rather than compete with one another — will lead to smaller but showier stores in coming years, said Vincent Corno, Saks Inc.'s senior vice president of real estate, at RECon.

Saks, which operates 42 Saks Fifth Avenue stores, 66 Saks Fifth Avenue Off 5th stores and Saks.com, is investing $100 million over the next five years to establish an omnichannel sales platform and "tear down the old silos" separating e-commerce and brick-and-mortar sales, Corno said.

In the future retailers will be less concerned with individual store sales and more focused on using stores as a brand statement driving sales across all the channels, he predicted. "The four-wall sales-performance measure of a store may be obsolete in our lifetime," Corno said. "Does the store manager get credit for the entire trade area's e-commerce sales, or just for what happens within the store's four walls?"

Because of the current growth trajectory of e-commerce, many retail real estate executives are finding it tough to get funds for physical expansion as websites are also in need of investment while offering a perceived higher return. "When I go to the finance committee meeting, I'm competing with e-commerce for capital," Corno said. "The disproportionate growth in e-commerce in the intermediate term reduces the appetite for new stores." The trend will not last forever, he said. "Once e-commerce sales growth stabilizes in coming years, you could even see more brick-and-mortar growth."

Saks is among other chains investing in this omnichannel future. Many, notably Macy's, have begun folding their e-commerce sales into the brick-and-mortar same-store sales figures reported to investors, in recognition of how the two work together. Macy's is a trendsetter in the merging of channels and is managing to grow e-commerce and store traffic while experimenting with shipping web-based orders from brick-and-mortar stock rooms, said Lori Schafer, executive retail adviser for Middletown, Mass.–based SAS Institute, in a panel discussion. Some 9.5 percent of Macy's sales last year were from e-commerce, Schafer said. "Others are moving in that direction," she said, "including Walmart, which is making corporate acquisitions in the e-commerce space; CVS, which now has a chief digital officer; and Staples, which has shrunken its store footprint and become much more omnichannel."

Retail Real Estate Landscape Is Looking Different After The Recession

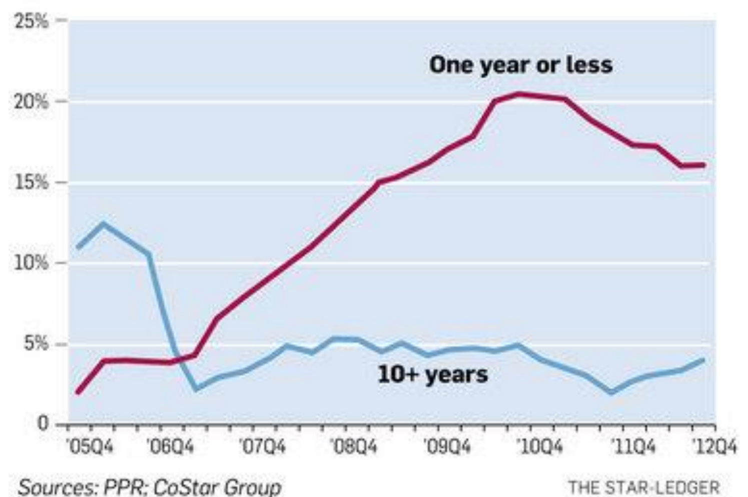
經歷衰退后購物商場的房客格局發生變化

By Tom De Poto/The Star-Ledger (NJ.com)

As New Jersey continues to emerge from the recession, observers are noticing changes in the commercial retail real estate landscape: Bigger isn't better, but variety is. And for the time being, it's a tenant's market.

In 2002, vacant storefronts represented about 2 percent of the shopping corridors in the central and northern parts of New Jersey. Buildings didn't stay empty for long. Because space was at a premium, rents were high.

When big box stores such as Bradlees or Caldors went out of business, other enterprises like Kohl's or Home Depot moved in.



But as the dark clouds of the recession roiled over New Jersey, large and small retailers became tentative. A survey of lease renewals by CoStar Group, a commercial real estate information company, showed 10-year lease renewals for retail outlets began plummeting in 2005, while one-year leases climbed dramatically.

Ryan McCullough, a vice president at CoStar, said it was as if stores had been placed on "a waiting list for foreclosure." Parent companies wanted to take a wait-and-see approach before making long-term commitments. At the same time, landlords, looking to hold on to their tenants, lowered rents.

By the fourth quarter of 2006, the vacancy rate had risen to 7.6 percent and rents were $20.92 per square foot, according to CoStar. In the first quarter of this year, however, the vacancy rate is 6.6 percent while rents average $19.37. And lease lengths are showing signs of growing longer again.

"Think of it as a sign of retailer confidence," said McCullough.

Marta Villa, vice president of CBRE, a commercial real estate firm, said, "One reason for the longer lease is the lower rents brought on by the recession. If (a retailer's) lease is coming due in the next 24 months, they want to get in there and tie up that space."

Villa said it is part of the new mantra in the commercial real estate market: “blend and extend.” In addition to extending leases, she said landlords are also willing to shake up the mix of outlets on a property.

Landlords have “become more receptive to filling space with nontraditional uses, like fitness centers, or day care or medical centers,” she said. “Gyms are one of the major retail sectors on the move.”

Fast food franchises are also growing rapidly in New Jersey, Villa said, as well as quick-serve restaurants like Smashburger or Chipotles.

Part of the uptick in activity is the lower rents

“A couple of years ago, we were fielding a lot of rent reduction requests,” said Matt Harding, president of Levin Management. “We reviewed them and we did work with tenants. But over the past 12 months, the number is slowing, absolutely.”

Harding said the recession was a wake up call for some landlords. The message many heard was that “tenant retention is important, and building a strong property so tenants will want to stay is critical.”

The birth of new, big box stores along highways may be a thing of the past. The growing segment of new retailers is the “junior anchors,” stores like TJ Maxx instead of a Costco.

Several big-store retailers are planning to expand their presence in New Jersey, but the store footprints are shrinking because they are taking more of their products off the shelves and putting then online.

“These are tenants that five years ago would be taking 30,000 to 35,000 square feet,” said CoStar’s McCullough. “They’re getting more efficient. They’re cutting products that are less profitable. We’re seeing the average store sizes shrinking.”

Levin’s Harding called those tenants “adaptive,” describing one large box store that normally would command 125,000 square feet of retail space recently moving into a building less than half that size.

“They want to take advantage of an opportunity in a really good market,” he said.

Office Parks Get a Makeover, Developers Want to Put Aging Suburban Facilities to New Uses

開發商試圖運用城郊地區，將辦公園區打造成小城市

By LAURA KUSISTO (WSJ)

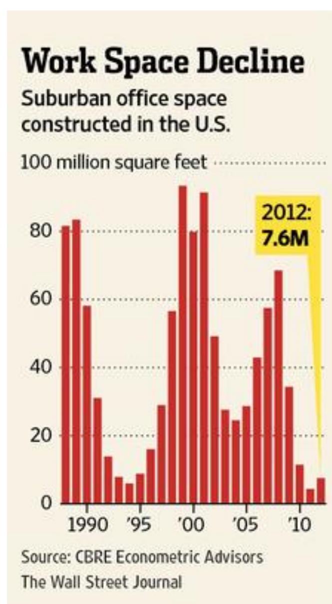
Once a symbol of suburban dominance, office parks from California to New Jersey are being reimagined as little cities.

Hoping to stave off suburban blight, local officials in more than a dozen communities have approved plans for developers to turn aging corporate parks into urban-style complexes with amenities including apartments, stores, movie theaters, bike paths and office space.

The most recent example is in Bridgewater, N.J., where a 1.2 million-square-foot office and research park once occupied by French pharmaceutical giant Sanofi was purchased in April by a developer who wants to create a hotel, retail, restaurants and potentially apartment buildings. A similar plan is under way in the Richmond, Va., suburbs, where an area with 8 million square feet of 1980s-era offices could be transformed by taller buildings with multiple uses.

And in the suburban cities of California's Silicon Valley, such as Mountain View and San Jose, city officials have approved plans for taller buildings, bike paths and pedestrian networks, and in some cases housing.

"Suburban office buildings are passé," said Burrell Saunders, a principal at Lyall Design who has redesigned suburban corporate spaces around the country. "We need to have office space integrated into daily life."



The transformation comes as demand for suburban office space has plummeted. In 1988 and 1989, developers created more than 160 million square feet of new suburban office space around the country, according to CBRE Group Inc., a real-estate firm. In 2011 and 2012, just over 12 million square feet of suburban office space was built—the smallest amount built in more than 20 years.

The recent recession played a role in the drop in construction, as it did in urban office areas, though office demand in urban areas, such as downtown San Francisco and New York, has rebounded better. The vacancy rate in suburban markets is 17%, compared with 12% in downtown areas, according to CBRE.

Office parks emerged mainly in the 1980s, after baby boomers who had moved to the suburbs increasingly wanted to work there too, especially as cities became less safe. Employers liked the fact that such parks were free of distractions for workers—"a sea of asphalt to get people into their little cubicles and have them do routine office work," said James Hughes, dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University.

But office parks went into a decline in the past decade, as governments encouraged development of commercial properties in more densely packed areas near transit. They also have an image problem. Movies such as "Office Space" helped popularize the idea that corporate parks are associated with monotonous, dead-end office jobs.

Now there is early evidence the suburbs are experiencing a reconfiguration. In New Jersey, municipal officials and the developer, Advance Realty, said they want to tear down about 300,000 square feet of the Sanofi complex—the pharmaceutical firm has consolidated staff in Cambridge, Mass., and at another facility in Bridgewater—and change zoning to allow different types of uses. The park is one of several in Somerset County— where one-fifth of 25 million square feet of office space is vacant—that could also be redeveloped.

"It's easy to say these office buildings or office complexes may be obsolete, but we can't walk away from them," said Michael Kerwin, president and chief executive of the Somerset County Business Partnership, a regional chamber of commerce.

It remains to be seen if the new complexes will attract residents, retailers and companies. Most office parks aren't connected to reliable public transportation, and even a makeover may not create the appeal that now draws more young people to live in city centers.

In the Innsbrook area, about 15 miles northwest of Richmond, Va., a plan allowing denser development on office parks met initial resistance, said R.J. Emerson Jr., Henrico County planning director. Then the area lost major tenants including Lawyers Title Insurance Corp. and Circuit City. The need for change became clear, Mr. Emerson said.

Highwoods Properties, a Raleigh, N.C., firm that owns a number of office buildings in the area, has received approval to redevelop the first 40 acres of a site that will include 400,000 square feet of retail, 1,000 hotel rooms, some 6,000 apartment and condo units and 3.5 million square feet of office space.

"We're not going to move our buildings in Innsbrook to the [Richmond central business district]. How can we urbanize where we are?" said Ed Fritsch, president and chief executive of Highwoods.

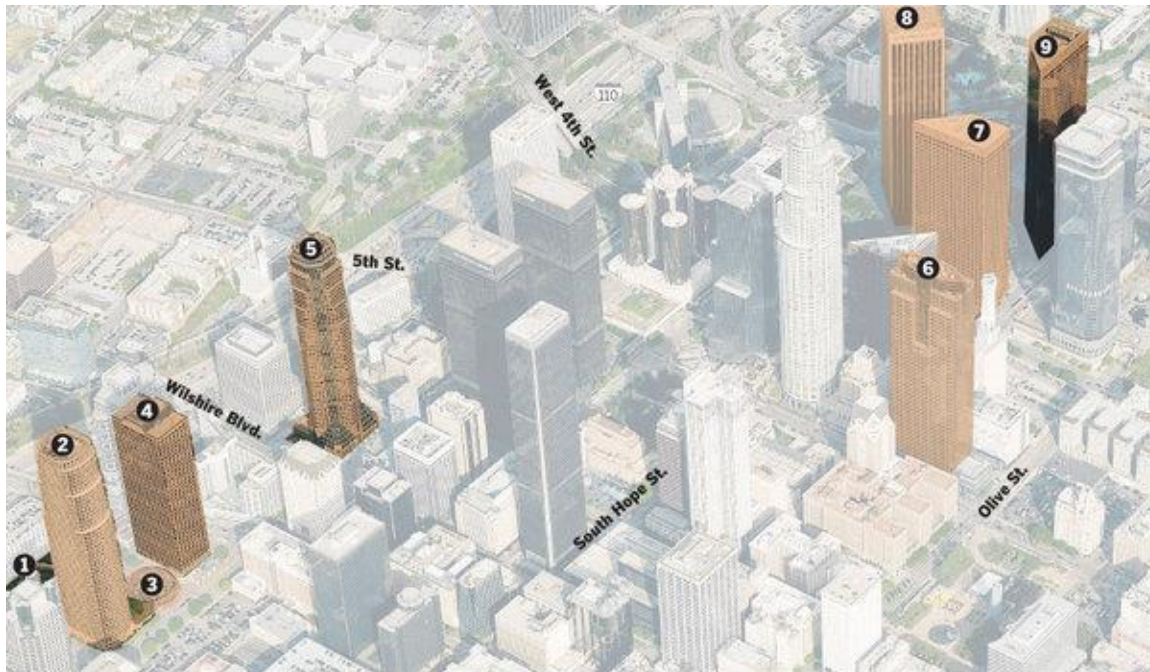
In the North Bayshore area of Mountain View, home to the headquarters of Google Inc., GOOG -0.41% city officials approved last year a plan to allow buildings of up to eight stories and allow more hotels, retail and restaurants.

Egon Terplan, regional planning director for SPUR, an urban-planning think tank in the San Francisco Bay area, cautioned that the transformation of office parks in the Bay Area suburbs is still in its early stages. But he added that "we need to keep suburban office parks close to the infrastructure that we've spent billions on. It's not just a nice idea of the moment. It's the key strategy."

Downtown L.A. Landlord Brookfield Sees Office Market Rising Steadily

儘管洛杉磯市中心辦公樓市場停滯多年，紐約的 Brookfield 地產公司押寶上百萬賭它未來會穩定升溫

By Roger Vincent (LA Times)



1 Empty lot to be developed currently owned by Brookfield.
2 777 Tower, to be acquired from MPG, 725 feet tall.
3 Fig at 7th currently owned, shopping mall.
4 Ernst & Young Tower currently owned, 534 feet tall.
5 601 S. Figueroa currently owned, 717 feet tall.
6 Gas Company Tower to be acquired, 749 feet tall.
7 KPMG Tower to be acquired, 606 feet tall.
8 Bank of America Plaza currently owned, 735 feet tall.
9 Wells Fargo Tower to be acquired, 723 feet tall.

The office rental market in downtown Los Angeles has been stagnant for decades, but New York real estate firm Brookfield Office Properties Inc. is betting millions of dollars that it will improve in the years ahead.

Chief Executive Dennis Friedrich talked up downtown Los Angeles in a conference call with analysts Friday, a day after Brookfield announced plans to pay about $430 million for four large, prominent office buildings there.

“We are being realistic about the downtown market,” he said. “It’s going to be a slow, steady improvement.”

If the purchase is approved by shareholders of seller MPG Office Trust Inc., Brookfield would be the largest downtown office landlord, having 8.3 million square feet to rent in seven buildings.

Overall vacancy in the business district was 21% at the end of the first quarter, almost two percentage points higher than it was a year ago, according to real estate brokerage Cushman & Wakefield.

Brookfield owns $23 billion worth of office properties in some of the largest cities in the United States, Australia, Canada and the United Kingdom. Friedrich said the downtown L.A. office market will eventually catch up with others that are prospering.

“Around the globe there has been a trend toward growth in urban centers, and L.A. is looking at this over time,” he said. “We like the direction the market is heading and think it will be improving quarter over quarter.”

Friedrich’s comments came after Brookfield reported its first-quarter earnings. The company reported a profit of $275 million, or 48 cents a share, down from $352 million, or 62 cents, a year ago.

Revenue was down about 1% to $628 million. Shares closed up 14 cents at $18.08 on Friday.

Samsung Opening 1,400 Mini-Shops Inside Best Buy Stores Across U.S.

三星將在全美百思買開設 **1400** 家迷你店中店

By Salvador Rodriguez (LA Times)

The next time you walk into a Best Buy store, there's a good chance you'll see Samsung's answer to Apple's retail stores.

The South Korean electronics giant, which has been closing the gap between itself and Apple, is rolling out hundreds of mini-shops across the U.S. inside Best Buy big-box locations as well as its smaller mobile-specific retail shops. The stores are formally called Samsung Experience Shops and will showcase Samsung products.

A couple of shops opened in March and more have opened since. Samsung hopes to have 900 of them up and running by the end of this month with another 500 opening throughout "late spring and early summer."

One of the primary purposes of the shops is to provide Samsung customers with assistance on their devices. That's no surprise considering Samsung credits its social media fans for sparking its decision to build out the shops.

"We heard from those fans and they said 'Hey Samsung, we love your products but are you going to be there for the life of my product ownership?' " Ketrina Dunagan, Samsung's vice president of retail and channel marketing, said Monday.

Dunagan said the mini-shops allow Samsung to educate its customers about their device's features by teaching them in-person with staffers trained by the company itself.

"Consumers want to know that the people they're speaking to are knowledgeable about the products they're speaking about," Dunagan said. "When it comes to explaining to the consumer how to really use their device, that we feel is best done through Samsung employees."

This, of course, is very similar to what Apple -- and Microsoft and Sony -- do at their stores. However, those three all have independent retail locations. Samsung says it considered opening its own locations but found that would take too long and not be helpful to its customers. Instead, Dunagan said Samsung decided to partner with Best Buy in order to get the shops opened as quickly as possible.

The shops will focus on Samsung's smartphones, tablets, laptops and cameras. and accessories made specifically for their devices. Best Buy will continue to stock Samsung products throughout its stores.

And similar to Apple stores, some Samsung shops will include a section called Samsung Smart Service, where specialists will help users with technical support throughout the life of their products. Samsung expects its shops to be there helping customers for a long time.

"This is not a temporary endeavor," Dunagan said. "Once a brand commits to a branded presence to retail it's making a commitment to consumers that we will be there. So you will see this a year from now."

Will Building Boom End the Party for Apt. Investors?

隨著建造市場回溫供應增加，公寓樓投資者的美夢恐在 **2015** 年完結

By Randyl Drummer (CoStar)

Apartment developers and investors likely can look forward to enjoying another year or two of high occupancy and pricing power in a strengthening economy. But the music may stop by 2015 when the full brunt from the growing wave of new supply is expected to be felt across U.S. markets.

For now, the good times continue to roll. Multifamily pricing continued to post the strongest results of all product types during the first quarter, though there are signs of a deceleration in apartment fundamentals, mainly as a result of growing new supply, according to the latest CoStar Commercial Repeat Sale Indices (CCRSI).

The multifamily index gain of 0.8% in the first quarter was the best of the four major property types - but a notable decline from its quarterly average of 3.2% over the last two years, according to the CCRSI.

The apartment sector's impressive performance has been driven in part by stronger fundamentals and in part by the free and easy activity of lenders, especially Fannie Mae and Freddie Mac lenders, the government-sponsored enterprises (GSEs) that have provided cheap debt for investors.

Much of that readily available financing has been used to buy multifamily property. But increasingly developors have jumped at the opportunity to build, especially with the diminished demand for new office and retail space.

"Construction is getting back to normal levels and it's changing the way some markets are behaving," said Erica Champion, senior real estate economist with CoStar's Property and Portfolio Research (PPR). "A full recovery is on the books, and after tumbling for nine successive quarters, we expect vacancies to pivot north over the coming year, thanks to the supply wave that's quickly turned into a tsunami."

The elevating levels of new construction are accompanied by more risks, according to Mark Hickey, who joined Champion and Director of U.S. Research, Multifamily Luis Mejia to present the First-Quarter 2013 Multifamily Review and Outlook to clients recently.

"As there are more properties to bid on due to new supply and fewer bidders in the market as the REITs become less active buyers, that will cause downward pressure on pricing," noted Hickey.

The current national vacancy rate of 5.9% is 230 basis points below the peak rate and 60 bps below the average rate since 2000. Rents are higher than in the heyday before the housing bust. In the first quarter, rents were 3.6% above their pre-recession high point.

Demand has been very strong for the last three years, with demand outstripping supply by a factor of three in 2010 and 2011, and new leasing activity bested inventory additions by a factor of two, Champion added.

Echo boomers entering adulthood are driving above average household formation, and CoStar expects demand will be above average for the coming year -- but not enough to keep vacancies from rising.

But the dent will only be a minor ding. Most of those new units will probably lease up at a pretty decent clip if job growth meets expectations.

New apartment supply has ramped up quickly and will reach normal historical levels this year for the first time since 2009, when multifamily starts were at their lowest annual level for at least 30 years. The rapid healing of fundamentals in 2010 caught the attention of developers, with starts rising in 2011.

The supply spigot is now open across the country. In the first quarter, more than half the 54 largest metros received more than 1,000 new units over the past four quarters as developers flocked to energy, tech and government focused metros least scathed by the recession, including Texas markets, Seattle, Denver, Raleigh-Durham and Washington, D.C, where employment barely fell due to federal spending.

"Over the coming year, CoStar expects multifamily starts will come in at about 300,000 for the U.S. Our supply forecast [for the 54 largest U.S. metros] will come in at about 160,000 units, about 40% above the average annual supply additions since 2000 and the biggest year for construction deliveries in over a decade," Champion said.

But how will all of these new projects affect the investment sales markets, where public REITs emerged from the recession stronger than ever and have been major net buyers since 2012 after pulling back in 2009 to deleverage, sell underperforming assets and repair their balance sheets?

Over past three years, the top REITS have grown at 28%, double the annual rate of the S&P 500, making it easy to raise capital to buy properties. Equity raises moved to a high in 2012 with the purchase of the Lehman Bros. Archstone portfolio by Equity Residential and AvalonBay Communities. At some point, however, the REITs are going to stop the capital raises as new supply causes rent growth to dwindle and REIT revenue growth slows, Hickey and Champion noted.

Most public REITs have been focused primarily on higher-end assets in primary markets, but some REITs may begin focusing on more affordable apartment products such as micro housing units, Mejia said.

Those companies may be able to remain and raise capital and not necessarily have to sell their assets as high-end, primary market projects, which might not be attractive to investors, given the continued high prices and predicted slowdown in rents, Mejia said.

Big Money on Campus, Student housing remains a lucrative investment

學生公寓仍是好的投資標的

By Dan Bernstein (CCIM.com)

Economic cycles close the door on some opportunities while opening the door to others. In the case of student housing, all key indicators suggest that the door continues to remain wide open — promising the availability of attractive investment opportunities for years to come.

Investment Outlook

The current economic climate has caused business leaders across industries to shift gears by figuring out how to do more with less, and academic leaders are no exception. To that end, colleges and universities are now turning to the private sector to finance their new student-housing projects with greater frequency than ever before. These partnerships, if structured properly, afford developers and investors access to precious and normally unobtainable land that, considering the recession-resistant demographics of higher education, should result in attractive, risk-adjusted returns for decades.

Beyond the shift to the private sector, other positive macro-level fundamentals indicate the investment strength of student housing, whether it is on- or off-campus. College-age cohorts are keeping demand for housing high, but today's students are not settling for the same dorms of their parents' era. Against this backdrop, developers and investors alike can rest assured that the sector's outlook is as bright as ever in 2013.

Rising Demand. Reduced endowments and continued declines in state funding have produced budget cutbacks, hiring freezes, and reductions in capital spending on college campuses across America, at a time when many institutions are experiencing all-time highs in enrollment. College-age cohorts will remain above the 5 million mark annually through 2020. These population projections should translate into steady undergraduate enrollments throughout this period.

Private Capital. Generally, capital spending budgets are extremely tight with most institutions preferring to preserve their debt capacity for those projects that support the core academic mission.

Public-private partnerships offer advantages to both sides. For student-housing developers, these arrangements provide access to unparalleled locations, which can offer better risk-adjusted returns over the long run. For colleges and universities, these partnerships deliver new, state-of-the-art facilities, while the developer typically assumes the financial burden and risk associated with the project. The end result is that the university usually incurs only indirect debt, which greatly minimizes the project's impact on its credit rating/debt capacity.

High Expectations. Institutions across the country are facing the same situation: Much of their on-campus housing stock consists of 1950s- and 1960s-built dormitories that may no longer carry debt but still require a tremendous amount of ongoing capital for operations and maintenance and fail to meet the higher

expectations of today's students. As a result, university administrators need to replace these outdated buildings with new residence halls featuring the amenities that attract students. Furthermore, because universities only house about 30 percent of students on campus, there is opportunity to modernize housing both on- and off-campus.

Fragmented Sector. The top 10 student-housing owners own fewer than 10 percent of total housing stock, so there is also opportunity to consolidate. Through consolidation, national operators can take advantage of management efficiencies and economies of scale and improve the operating performance of stock acquired from local firms.

However, some local student-housing firms know their market extraordinarily well and could teach the national firms a thing or two. Just as with acquisitions in other sectors, it's important to take the time to explore what's being done well.

Investor Challenges

Despite attractive demographic and national trends, savvy student-housing investors must pay very close attention to the individual markets they are considering for investment. This includes gaining a thorough understanding of a market's supply/demand fundamentals, barriers to entry, and the overall campus culture of the particular institution.

While occupancies and annual rent growth are great macro-level data points to test a market's overall health, investors should dig deeper to ensure that they are identifying well-positioned opportunities within a specific market. For example, a luxury student-housing project may not work at a public commuter institution with a price-sensitive student body, but it could work at a state flagship institution with a significant number of nonresident students willing to pay a tuition premium for the out-of-classroom experience. This type of market analysis applies to both on- and off-campus housing investments.

Finally, student housing is management intensive and the experience of the management firm or operating partner will play a key role in influencing investment performance. The compressed leasing cycle, high tenant turnover rate, and unique property-level training require a seasoned operations team. Best advice: Select your management partner early in the process.

MIPIM Special Series—Part One: Focus China

MIPIM 國際會議特別系列－聚焦中國：對中國市場特別是作為長期投資充滿樂觀和信心

By Eliza Theiss (Commercial Property Executive)

"We believe in the long-term growth story. We don't believe there's going to be a hard landing in China," declared Stuart Grant, senior managing director & head of real estate asset management for Asia-Pacific at The Blackstone Group. Grant spoke during the "Mastermind Asia" panel at the MIPIM world property market in March. That optimism and belief in the Chinese market, especially as a prospective area for long-term investment, was echoed throughout the four-day international property conference and trade show.

In fact, Reed MIDEM, the organizing body behind MIPIM and MIPIM Asia, itself expressed optimism in announcing there will be a special China-centric event, dubbed MIPIM China, starting in 2014.

It's not hard to see why China is touted as the promised land for real estate development and investment, especially if its market indicators are compared to those of the United States or the Euro zone. Europe has an estimated 19 million unemployed, a negative growth rate and countries struggling to lift themselves from recession—if not to prevent going completely over the cliff, as in the case of France. The U.S. picture is better, but its estimated 125 percent growth over the past decade pales in comparison to China's 325 percent.

In fact, the country's 1.34 billion population and US$8 trillion GDP (in 2012) make it the second-largest global economy after the United States, a position it reached in a matter of years. The speed of its rise is breathtaking: Five years ago, Beijing International Airport barely breached the global top 10 chart; it now threatens to overtake leader Atlanta International Airport. And even though the explosive growth of the country is expected to cool off some, it is still predicted to present satisfying growth numbers.

Three major trends currently characterize the country, all of them likely to persist: the rise of the middle class, continued rapid urbanization (about 50 percent of Chinese now live in urban areas) and an increase in consumption and decrease in export of China-produced goods.

Of course, China continues to be known for its challenges, including a highly politicized investment environment and a local culture sometimes quite different from the western business status quo, further complicated by the fact that it is racing through motions other markets had decades to pursue. Veterans of the Chinese real estate arena, such as Hampton Hoerter China President Bromm Cole, stress the importance of knowing the local investment and political environments, staying on top of the rapidly changing local culture and having the right local partner. A strong, trustworthy, transparent local partner is particularly important, stressed Grant. With ever-changing legislation controlling the market, and many areas of investment still off limits to foreign investors, such a partner from the highly competitive local pool of real estate players can make all the difference.

Land availability presents another challenge. Thanks to massive inland sprawls unfit for development, urban development is largely limited to the coastal regions. Where urban growth is possible, however, it reaches a

scale that is hard to imagine. The megacities of Guangzhou, Shanghai and Beijing are booming, and a vast and expanding network of bullet trains is joining together second- and third-tier cities that would pass as tier one in most parts of the world. According to Cushman & Wakefield Inc. estimates, by 2025 China will have 200 cities with populations in excess of one million, and 15 of them will become megacities with an urban populations above the 25 million mark. And 350 million new urban residents will require five million new buildings, roughly translating to 40 billion square feet of new built space.

That would seem to diminish risk from a market bubble, and panelists speaking on the session China – Asia's Destiny were not concerned it would burst and cause a repeat of the United States in 2008. Their consensus was that while a market bubble does exist, it is controlled. "China cannot risk an Arab spring" was one of the assurances given regarding the nation's economic and market growth, although the panelists also cautioned that the Chinese government will need to keep the market and economy growing, control poverty and promote the rise of the middle class.

Picking Properties

Opportunities exist in a variety of property sectors—some less obvious than others. With a middle class whose economic potency is on the rise both in the immediate future and for the long haul, those directly connected to consumer habits offer real potential, including both retail and the logistics-related properties needed to support it. Some dismiss a need for shopping malls and retail centers in China, but with the ratio of shopping malls to population quite low compared to that in the United States, there is plenty of room for growth. Furthermore, Western brands, common throughout Europe and the United States, are still expanding in China.

China's growing middle class also has a voracious appetite for housing, a severely underserved market primed for investment. With millions flocking to dense urban areas every year, the need for housing is acute. In many areas, "if we build it, they will come" becomes "we must build it; they are here." And urban transplants aren't the only ones driving demand; it is also coming from upgraders—households that have reached new financial potency but cannot move to bigger, higher-end residences due to a market shortage.

Still other potential lies in the hot new market for seniors housing. One of the consequences of China's lightning-fast economic growth is the clash between cultures, generations and the economy. While a strong stigma persists against checking older family members into nursing homes, the traditional Chinese culture of the younger generation caring for its elders within the family core is rapidly becoming logistically unattainable. One of the main reasons is the accelerated migration of the young generation into the densely populated cities. The other is the artificially inflated senior demographic due to the decades-long one-child policy. Currently, this demographic represents 20 percent of the population, which has led to a 4-2-1 family structure: Each child potentially has to care for two parents and four grandparents, a ratio that doubles in the case of couples. With the precariously low number of government-run senior homes looking and functioning like the 1950s American nursing homes and some of the new projects handled by local developers that were squeezed out of the multi-family arena and lack the know-how to make these properties successful—not to mention a reinterpretation of what caring and honoring elders means—there is plenty of potential in this sector.

Some failed developments do exist, Grant affirmed, but the stories of China's ghost towns—those developed in recent years but uninhabited—are "a bit overblown" and located mostly in inland China, far from other settlements and opportunities. "In Asia," Grant added, "there's a big difference between headlines—and especially Western (outlets') headlines—and the reality on the ground." And China's urbanization is favoring a move toward higher-quality development and longer -term investment. Having moved from an opportunistic to an emerging market in only a few years, it now even has pockets of core assets, such as SAR Hong Kong, which is so dynamic it is developing a second CBD: Kowloon East. Change is also happening on the regulatory front, with new title legislation under consideration.

China is changing in its approach to growth. And with a market of its immense size, that is likely to breed further change. After all, when China shifts, all other Asian markets shift, as well.

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

消費者市場利率：房貸、基本利率、等等

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	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.27	0.27	0.47	0.27	-0.19	-0.26
Money market, annual yield	0.46	0.46	0.53	0.46	-0.04	-0.33
Five-year CD, annual yield	1.23	1.24	1.44	1.15	-0.16	-1.36
30-year mortgage, fixed	4.21	3.92	4.21	3.54	0.35	-0.81
15-year mortgage, fixed	3.38	3.06	3.38	2.80	0.16	-1.08
Jumbo mortgages, $417,000-plus	4.30	4.12	4.42	3.97	-0.10	-1.54
Five-year adj mortgage (ARM)	2.97	2.88	3.33	2.80	0.12	-1.01
New-car loan, 48-month	2.64	2.45	4.36	2.42	-1.24	-3.72
Home-equity loan, $30,000	5.23	5.19	5.23	4.57	0.56	0.11