COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **CRE Investment Risk Declines in 1Q13**

  2013 年第一季度商業地產投資風險降低、公寓樓和購物商場收益率上升 30 個基點

  While internal rates of return remained mostly flat for the industrial and office sectors during that period, IRRs increased 30 basis points on average for the multifamily and retail sectors. Going-in capitalization rates for multifamily and retail also declined 10 to 20 bps on average.
- **Appreciation Shifts from Cap Rate Compression to Real Growth**

  分析師稱至 2017 年，資本化率不會有過大變動，導致房地產價格增速較近期將有所放緩

  Analysis of the top 54 U.S. markets finds that cap rates should remain within 20 basis points of today's average through 2017, which will reduce the rate of real estate price growth relative to the recent past.
- **Bank CRE Distress Levels Improving; Profits From REO Sales in Sight**

  第一季度商業地產貸款的困境水平有所改善

  Distress levels on commercial real estate loans continued to improve for the nation's banks in the first quarter.
- **How To Invest In Real Estate Without Being A Landlord**

  不用做房東，投資者可以通過房地產信託基金來投資房地產

  REITs are sold like stocks, and they're held by many individuals and institutional investors. You might have a REIT in your retirement fund. REITs are trusts that own and develop property and earn rental income. Most of it gets passed on to investors.
- **Investors Bracing for More Sharp Swings in Stocks, Commodities and Currencies**

  股票、大宗商品和貨幣都將產生大幅波動

  Investors are bracing for a stormy summer, as steady asset-price gains fueled by bottomless central-bank liquidity have given way to sharp swings jolting stocks, currencies and commodities alike.
- **World Chasing U.S. Yield With 25% Deal Jump: Real Estate**

  受經濟增長和價格反彈吸引，新加坡、韓國、以色列和挪威正加速購買美國的不動產

Singaporeans, South Koreans, Israelis and Norwegians are accelerating purchases of U.S. real estate as a growing economy and rebounding prices lure yield-hungry buyers from overseas.

RETAIL
購物商場

- **Restaurants Find Less Is More (Profitable) When it Comes to Square Footage**

  較小面積的餐廳盈利能力更強

  When it comes to burgers, bigger is better. But when it comes to burger joints, some believe it's better not to be too big.
- **Why the Mall Will Never Die**

  當今年輕人的依然喜歡到實體店購物，這讓購物中心依然興旺

  Today's teens have literally never known life without the modern web. Yet they still prefer brick and mortar shopping.
- **Retail Clinics Proving Their Worth**

  基於零售店面中的診所（如CVS和Walgreens的診所）讓病人的醫療費用降低，因而逐漸顯現出價值

  Retail-based walk-in care centers are here to stay, and they serve a valuable role in extending access to health care to millions of patients, at a lower cost.
- **Will Whole Foods Dilute the Brand With a Lower Cost Chain?**

  健康食品連鎖超市 Whole Foods 推出低價產品，試圖擺脫價格高昂的名聲

  While getting more affordable, the company denied that its existing stores deserve their pricey reputation.
- **7-Eleven Owner to More Than Double North America Stores**

  連鎖便利店 7－Eleven 將翻倍北美店面

  The operators of 7-Eleven convenience stores plans more acquisitions in the U.S. and may more than double North America outlets as consumer spending improves in the largest economy.
- **How Much Do E-Commerce Sales Matter?**

  電子商務增長明顯，有助於零售業

  Shopping is part of our daily routine, and since the consumer recovery began in 2010, where we shop has become a point of interest.

OFFICE

辦公樓

Sale Of Tallest Building In Downtown L.A. To Asian Investors Is Done

洛杉磯市中心最高樓出售給亞洲投資者

The planned sale by MPG Office Trust Inc. was announced in March. MPG, which has been the largest office landlord in downtown L.A. for many years, is winding down its business and selling its assets.

Skyscraper Prices Head North

由於借貸成本低廉，投資者尋求高層塔樓的高收益，辦公樓市場出現了一股高價購買摩天樓的風潮，特別是在紐約

The office market is seeing a flurry of high-priced skyscraper sales, as cheap debt and the hunt for yield lead investors to pile money into tall towers, particularly in New York.

INDUSTRIAL

工業倉庫

- **Land Sale Opportunities and Challenges**

當前土地投資的機遇與挑戰

Land deals are out of mothballs and back at the forefront of the real estate industry—in some cases a bit too much ahead of the forefront.

HOTEL

酒店

- **Spike in International Travel to U.S. Helps Boost Lodging Demand**

國際旅客的激增提振酒店需求

The combination of a record number of international travelers to the United States, healthy growth in business investment and consumer spending and limited new room supply in most major markets means it’s a great time to be a hotel owner or operator.

FINANCING

貸款與資金

- **Surge In U.S. Commercial Lending Raises Bubble Worries**

美國商業貸款的強勁增長曾一度被認為是利好經濟的標誌，但今年兩位數的激增拉響了泡沫的警報

There was a time when robust growth in U.S. commercial loans was seen as a good sign for the economy, but this year a double-digit surge is being seen as a red flag.

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

消費者市場利率：房貸、基本利率、等等

CRE Investment Risk Declines in 1Q13

2013 年第一季度商業地產投資風險降低、公寓樓和購物商場收益率上升 30 個基點

Source: CCIM Institute

The investment risk posed by commercial real estate continued decline in 1Q13, according the spring 2013 RERC Real Estate Report. While internal rates of return remained mostly flat for the industrial and office sectors during that period, IRRs increased 30 basis points on average for the multifamily and retail sectors. Going-in capitalization rates for multifamily and retail also declined 10 to 20 bps on average.

“This is not at all unexpected, as we transition to this ‘risk off’ investment environment,” stated Kenneth Riggs Jr., CCIM, CRE, MAI, chairman and president of RERC. “The financial markets — including stocks, as well as Treasury and bond rates — are suggesting that there are earmarks indicating that another unintended overpricing or another potential crisis is in the making. Further, our institutional survey respondents are viewing monetary policy as increasingly risky. In his report to Congress several weeks ago, Mr. Bernanke even mentioned the ‘frothiness’ and possibility of a ‘bubble.’ During such times, investors have often looked to commercial real estate for the stability, transparency, risk-adjusted returns, and safety that could be lacking elsewhere.”

In 1Q13, RERC’s return versus risk rating for commercial real estate reached its highest point since spring 2012, jumping to 5.8 on a scale of 1 to 10, with 10 being high. Across all property types, the return versus risk ratings increased at least two-tenths of a point. The retail sector saw the biggest increase, climbing six-tenths of a point to 5.5, while the apartment sector maintained the highest rating, at 6.4.

Appreciation Shifts from Cap Rate Compression to Real Growth

分析師稱至 2017 年，資本化率不會有過大變動，導致房地產價格增速較近期將有所放緩

By CoStar Staff (CoStar)

CoStar's Property and Portfolio Research (PPR) division is forecasting that the wave of cap rate compression that has in some cases accounted for an astronomical 90% of the gain in core real estate value since the last recession is likely to slow; after all, trees do not grow to the sky.

Specifically, PPR's analysis of the top 54 U.S. markets finds that cap rates should remain within 20 basis points of today's average through 2017, which will reduce the rate of real estate price growth relative to the recent past.

Supporting the view that appreciation will slow, Exhibit 1 shows that transaction pricing gains, as reported by the NCREIF Transaction-Based Index (NTBI), were nearly 2% below growth reported by the NCREIF appraisal-based index (NPI).

This is significant because transaction pricing tends to be an early indicator of appraisal pricing, and the last time transaction-pricing growth fell below appraisal trends was at the start of the recent recession, in the second half of 2007.

Despite the expectations of slowing value growth through 2017, it is entirely possible that the market will continue to show some near-term cap rate compression due to the focus of capital on real estate.

After all, the equity REIT market experienced over a 40-basis-point decline in the dividend yield in the first four months of 2013; NCREIF transaction cap rates are 80 basis points higher on average than in the previous peak; and cap rate spreads to alternative investments remain wide.

Despite this potential trend, the source of real estate value growth is likely to shift in time from cap rate compression to rent, occupancy, and NOI growth. So, which markets are likely to outperform going forward?

The data in Exhibit 2, which shows the 10 markets with the greatest forecasted value increases across the four property types, suggests a few key trends.

1. As a late recovery play, the office sector offers double-digit capital value gains in eight out of the top 10 metros, suggesting that now is the time to overweight this sector.

2. Apartment opportunities are limited, as this sector is facing supply risks that will limit rent growth. However, Chicago and the East Bay are likely to be top performers within the sector.

3. Warehouse is also expected to do well, especially in San Jose and Portland, which are both benefiting from growth in technology employment.

4. Retail is likely to underperform, with none of the major markets achieving over a 10% cumulative capital value increase through 2017.

5. The Western markets, from San Jose north to Seattle, dominate the list of areas likely to outperform for most real estate property sectors, with housing-bust markets of Phoenix, Chicago, Miami, and Orange County also doing well, plus Austin.

In conclusion, our suggestions to investors are to lower value growth expectations compared to the recent past and focus on improving market and building fundamentals to achieve targeted returns.

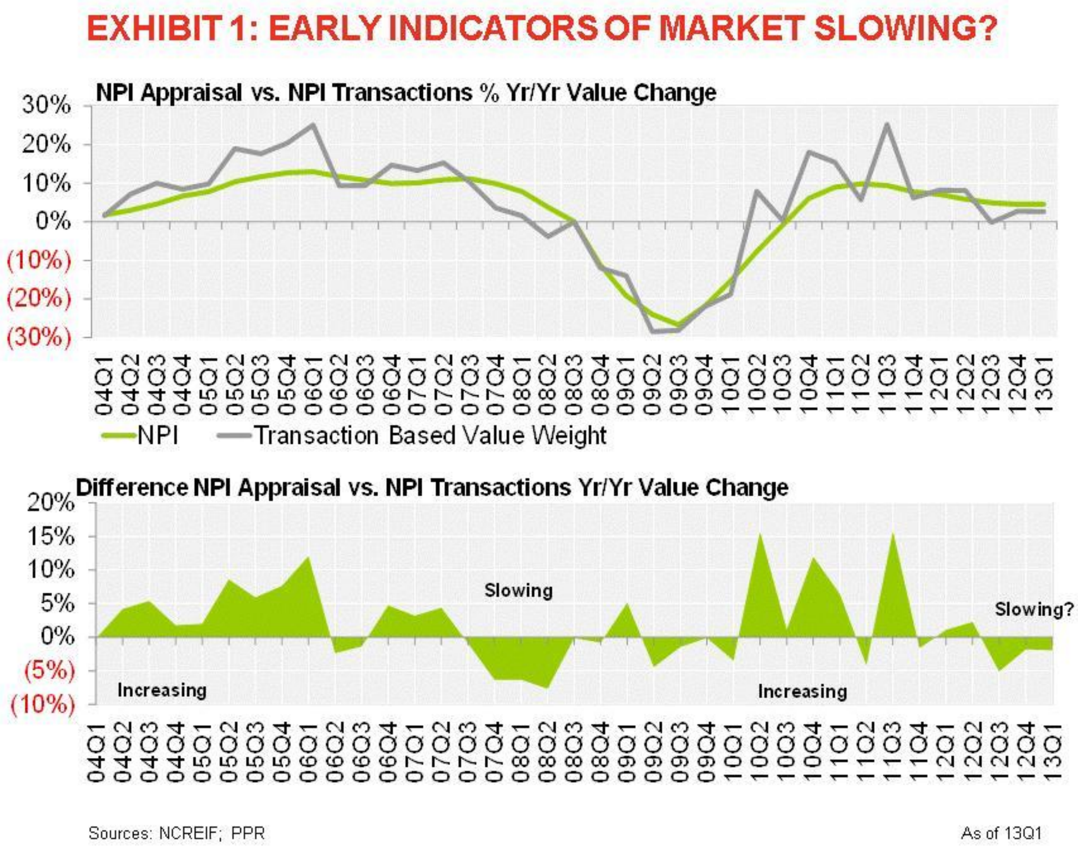


EXHIBIT 2: GREATEST CUMULATIVE CAPITAL VALUE INCREASE 13Q1 TO 17Q4

	Apartments	Office	Retail	Warehouse	Average
San Jose	0%	17%	1%	26%	11%
Portland, OR	8%	11%	(4%)	21%	9%
San Francisco	5%	16%	0%	9%	7%
Phoenix	4%	19%	(2%)	5%	7%
East Bay	9%	11%	0%	5%	6%
Seattle	2%	15%	3%	1%	5%
Chicago	13%	1%	(1%)	7%	5%
Miami	6%	(1%)	2%	13%	5%
Austin	(2%)	10%	(1%)	6%	3%
Orange County	(5%)	10%	(4%)	11%	3%
PPR54	2%	2%	(3%)	3%	1%

Source: PPR

As of 13Q1

Bank CRE Distress Levels Improving; Profits From REO Sales in Sight

第一季度商業地產貸款的困境水平有所改善

By Mark Heschmeyer (CoStar)

Distress levels on commercial real estate loans continued to improve for the nation's banks in the first quarter. Levels of past due and foreclosed CRE fell more than $6 billion to a combined $78.1 billion at banks. However, pockets of weakness (or opportunities, depending on your investment perspective,) continued across the country.

The aggregate amount of foreclosed properties dropped $949 million in the first quarter. Unlike in past quarters when multifamily properties made up the largest share of the decline of REO properties, this quarter the share of construction and development properties declined the most. Banks ended the quarter with an aggregate of $841 million less in C&D properties; $105 million less in nonresidential real estate and only $2.7 million less in multifamily properties.

[Editor's Note: if REO falls by $1 billion, it generally doesn’t mean there were only $1 billion in sales; the actual amount of properties sold would likely be much higher. The figure only reflects the value of properties on the bank's books at quarter's end and not the amount of properties moved in and out of that category during the quarter.]

Banks still held more than $20.8 billion in foreclosed CRE assets on their books, with more than half of that being construction and development properties.

Past due loans declined by more than $5.1 billion to a total of $57.3 billion. More than half the decline came from improving C&D loans on the books; while nonresidential past dues also dropped by more than $2 billion.

Loans on nonresidential properties are now the most vexing for bankers. Past due loans for office, industrial, retail and hotel properties account for almost two-thirds of banks' past due loans.

"Commercial and multifamily mortgage performance continues to improve," said Jamie Woodwell, the Mortgage Bankers Association vice president of commercial real estate research. "The improving economy and property fundamentals are supporting loan payments and fewer loans are maturing this year than did last year or the year before. With interest rates still low, property incomes improving and property values on the rise, those loans that are maturing are facing an easier environment in which to refinance."

The delinquency rate for commercial and multifamily mortgages held by banks and thrifts was 4.15 percentage points lower than the series high (6.58%, reached in the second quarter of 1991), according to the MBA. The

FDIC delinquency rates for bank and thrift held mortgages reported by the MBA do include loans backed by owner-occupied commercial properties.

Despite the overall improvement in asset quality, still one-third of the nation's banks are posting higher delinquent CRE loan amounts and 16% are still showing increased amounts of foreclosed properties.

In addition, there were 10 states across the country in which banks reported increasing amount of foreclosed CRE properties. Banks in Mississippi posted $17.5 million more in foreclosed properties; Virginia, $14.7 million; Wyoming and New Jersey more than $7 million; and Indiana more than $5 million.

Banks in 11 states posted increasing amounts of past due CRE loans. Banks in Rhode Island posted more than $18 million in increases in past due loans; New Mexico and West Virginia, more than $9 million; and Nebraska and Arizona more than $8 million each.

Population-heavy states where the residential housing recovery has kicked in fared the best in CRE asset quality improvement. Banks in North Carolina and Illinois reported less than $100 million each in foreclosed CRE properties on their books; California, $95 million; Georgia, $65 million and Ohio, more than $55 million.

Ohio and North Carolina based banks also posted strong improvements in CRE loan delinquencies; more than $844 million less in Ohio and more than $500 million less in North Carolina. South Dakota banks reported past due loans dropping more than $472 million and banks in Virginia and Delaware went down more than $300 million.

Individual Bank REO Activity

Individual banks reporting the largest amount of decreases in foreclosed property in the first quarter were:

Bank of America down $44.7 million

U.S. Bank $40.1 million

Branch Banking and Trust Co. (BB&T) $37.4 million

SunTrust Bank $35.7 million

PNC Bank $30.7 million

The above five banks also reported still having $1.2 billion in foreclosed CRE properties on their books assigned for sale or disposition. Both BB&T and PNC reported higher amounts of foreclosed multifamily properties on their books at the end of the first quarter compared to the end of the year.

Individual banks posting the largest increases in foreclosed CRE properties in the quarter were:

Trustmark National Bank up $35.7 million more

First State Bank Central Texas $16 million

Towne Bank $15 million

RiverWood Bank $9.4 million

Synovus Bank $9.2 million

Most of the increases were attributed to construction and development projects and nonresidential real estate. One of the five banks, Trustmark National Bank in Jackson, MS, also was one of the banks posting the largest increases in past due CRE loans in the first quarter.

The number of banks on the FDIC's "Problem List" declined from 651 to 612 during the quarter. The number of "problem" banks reached a recent high of 888 institutions at the end of the first quarter of 2011.

Since the Great Recession set in 2007, banks have collectively posted a net loss on REO properties they have sold of more than $18.1 billion. They reported losing $2.28 billion in such sales last year. In the first quarter of this year, however, banks have reported net losses of just $155 million. If that pace continues, net losses on foreclosure sales would come in at less than $700 million - a substantial improvement.

The nation's five largest banks have already turned the corner. JPMorgan Chase Bank, Bank of America, Citibank, Wells Fargo Bank and U.S. Bank have reported net profits on foreclosure sales either this quarter or last year. Bank of America, in fact, has posted a net profit of $232 million on such sales through the recession and recovery; oddly though, it posted a net loss of $700,000 this quarter.

Four FDIC-insured institutions failed in the first quarter, the smallest number since the second quarter of 2008 when two institutions were closed. Thus far in 2013, there have been 13 failures, compared to 24 during the same period in 2012.

How To Invest In Real Estate Without Being A Landlord

不用做房東，投資者可以通過房地產信託基金來投資房地產

By Uri Berliner (wbnr.org)

REITs are sold like stocks, and they're held by many individuals and institutional investors. You might have a REIT in your retirement fund. REITs are trusts that own and develop property and earn rental income. Most of it gets passed on to investors.

"They are forced by law — a law created in 1960 — that provides that real estate investment trusts have to meet certain tests," says Brad Thomas, editor of the Intelligent REIT Investor. "And if they do, they are forced to pay out 90 percent of their taxable income in the form of dividends."

Those dividends are a regular stream of income, and they're what make REITs attractive to investors. In a rising real estate market, they're what clinch it for me.

I put down $513.94 on a REIT index fund. It's basically a smorgasbord of many different REITs. It contains what you might expect — REITs that own apartment buildings and shopping centers. But Thomas says the range of REITs today goes far beyond that, "from billboards to prisons to cell towers, campus housing. Even solar is on the horizon potentially."

With so many kinds of businesses seeking to become REITs, the Internal Revenue Service has begun reviewing some conversion applications to determine whether the companies truly qualify as real estate firms. In other words, are they really landlords? The REIT structure can allow companies to significantly reduce their tax bills. The fund I've bought only includes existing REITs, not firms hoping to convert to them.

With that in mind I decide to check out some of my holdings — not online but in the physical world. Within easy driving distance from my house in Washington I find REITs in my fund that own and operate self-storage facilities and highly secure data centers that house stacks and stacks of server computers. In other words, the cloud.

When I started out looking to invest in real estate, I never imagined I would wind up owning a little piece of the cloud. Or a stake in storage units. Or a bit of my former workplace. But it turns out that one of the many holdings in the fund I bought is a REIT called Boston Properties. Boston Properties, I discover on its website, now owns the site where, until recently, NPR had its headquarters. We moved out nearly two months ago. Now it's tearing the old NPR down, and a new building with law offices will go up in its place. Bulldozers are doing fast work. There's lots of debris around. I meet Larry Smoot, the superintendent on the job, and I ask him for a little keepsake from the old building. He comes up to me with a serious piece of real estate right in his hands.

"This came off the Massachusetts [Avenue] side of the face of the building we're taking down," he says, giving me a heavy hunk of black marble.

Nice guy. I didn't even have to tell him I was an investor.

Investors Bracing for More Sharp Swings in Stocks, Commodities and Currencies

股票、大宗商品和貨幣都將產生大幅波動

By ALEXANDRA SCAGGS (WSJ.com)

Investors are bracing for a stormy summer, as steady asset-price gains fueled by bottomless central-bank liquidity have given way to sharp swings jolting stocks, currencies and commodities alike.

Many investors breathed a sigh of relief after Friday's U.S. employment report signaled that the Federal Reserve isn't likely to immediately pull back on $85 billion of monthly bond purchases. Together with ultralow interest rates, the purchases are widely seen as powering rallies this year in markets as diverse as low-rated corporate bonds and dividend-paying stocks.

Even so, few investors are expecting to see an end to the volatility that has rocked all corners of financial markets in the past month. Many market participants say the shift is healthy, but warn investors to expect sudden reversals that were largely absent during the placid start to 2013.

"It's a little early to put your bottle of Maalox back in the drawer," says Alan Gayle, senior investment strategist at RidgeWorth Investments, an Atlanta firm that manages $48 billion. He is bracing for continued swings in the stock market by holding more cash.

Since Federal Reserve meeting minutes released May 22 indicated the central bank would consider as soon as this month cutting back on bond purchases, the Dow Jones Industrial Average has swung more than 200 points in a day six times. There were only four such moves during the first 20 weeks of the year.

To be sure, 200 points isn't what it used to be. Four years ago, 200 points was 2.3% of the Dow. As of Friday's close, it is 1.3% of the average's value.

The moves in the U.S. have been dwarfed by those in Japan. The Nikkei Stock Average had rallied 76% from Nov. 13 through its peak on May 22 as the country's government and Bank of Japan undertook new efforts to revive Japan's economy. Since then, the Nikkei has tumbled 18% and traders have regularly been rocked by large intraday price swings.

Stocks aren't alone in their bumpy trading. Gold, once an investor favorite amid questions about the long-term impact of easy central-bank policy, dropped seven consecutive days last month in its biggest losing streak in four years. The yen, after slumping 26.5% against the dollar between November and May, last week rose 3%.

"Positions that were built up over many months are coming under fire," says Shahab Jalinoos, a currency strategist at UBS.

Mr. Jalinoos said the price swings show that investors are re-evaluating their wagers after months in which the dominant market theme—recovering economic growth aided by expansive central-bank policy—went essentially unchallenged. A May selloff in the debt markets, mixed economic data and comments by central-bank officials about the limits of easing have changed all that. "If you start to see underlying markets become more volatile, it means market participants have to think more deeply about where to place their bets," says Mr. Jalinoos.

There have been big reversals among dividend-paying stocks that had posted big gains as investors hunted for yields in a zero-interest-rate environment. For example, utilities shares in the Standard & Poor's 500-stock index, often seen as worthy alternatives to bonds at a time of low rates, rose 14.4% this year through May 21. But since then, the group has fallen 5.7% while the S&P 500 has dropped 1.5%.

As stocks have seen more pronounced moves, the Chicago Board Options Exchange's Volatility Index has risen. The VIX—often called the fear index because it tends to rise at times of market anxiety—spent much of the first four months of the year near a six-year low, before climbing 39% over three weeks.

Before May, "people were solely focused on the potential of a rally in the equities market," says Nelson Saiers, chief investment officer at New York-based hedge fund Saiers Capital LLC, which has about $600 million under management. "Now people have realized that we could head lower before we head north again."

Friday's report showing the U.S. economy gained 175,000 jobs in May has eased the anxiety, for now. The Dow Jones Industrial Average gained 1.38% Friday to 15248.1, leaving the index just 1.05% below its all-time high, hit on May 28. The VIX notched its largest one-day drop in seven weeks, closing at 15.14.

The solid jobs number could slow the flight from high-yielding assets like junk bonds, says Rick Rieder, BlackRock's co-head of Americas Fixed Income. U.S. Treasury yields have risen over the past month amid investor optimism about the strength of the economic recovery and talk of the Fed cutting back on stimulus. That shift helped propel junk-bond yields back above 6% last week following a brief, record-breaking foray below 5%. "The sense after today is that rising rates will be moderate," Mr. Rieder says. "I've been surprised that the market has had such an extreme reaction over the past few weeks."

But many observers say volatility likely is back, and that investors should embrace it. Charles Kantor, who manages the $740 million Neuberger Berman Long Short Fund, says the return of volatility serves as "a reminder that investors could lose money" regardless of what investment they choose. That makes the recent market swings "quite healthy."

World Chasing U.S. Yield With 25% Deal Jump: Real Estate

受經濟增長和價格反彈吸引，新加坡、韓國、以色列和挪威正加速購買美國的不動產

By Hui-yong Yu & Kathleen Chu (Bloomberg)

Singaporeans, South Koreans, Israelis and Norwegians are accelerating purchases of U.S. real estate as a growing economy and rebounding prices lure yield-hungry buyers from overseas.International investors made $7.97 billion in U.S. commercial-property purchases this year through April, a 25 percent jump from the same time in 2012, according to Real Capital Analytics Inc. Their $27.5 billion in deals in all of last year was almost six times the $4.7 billion low in 2009, the research firm said.

With deals including the tallest buildings in Los Angeles and Minneapolis, cross-border buyers are contributing to a U.S. real estate recovery that has seen prices by some measures reach new peaks. Sellers are taking advantage of the rising values and demand. Blackstone Group LP, the second-biggest U.S. office landlord, has said it expects strong interest from sovereign-wealth funds for properties it plans to sell starting this year.

“This is the tip of the iceberg,” said Sonny Kalsi, a co-founder of New York-based GreenOak Real Estate LP, which has advised Asian investors on deals. “You’re going to see a lot more capital coming in. They like where the U.S. is in the real estate cycle.”

Foreigners made 8.8 percent of U.S. commercial real estate transactions in the first four months of 2013, up from an average of 8.1 percent for the previous 10 years, according to New York-based Real Capital. The data measure direct purchases of physical buildings, not investments in funds or securities.

GM Building

The figures don’t include the largest recent purchase by foreign buyers. The families of Chinese real estate developer Zhang Xin and Brazilian banking billionaire Moise Safra last week bought a 40 percent stake in New York’s General Motors Building. The transaction values the 50-story tower near Central Park at about $3.4 billion, according to CBRE Group Inc., the broker on the deal. The building sold for $2.8 billion in 2008.

In a deal announced yesterday, Ivanhoe Cambridge, the real estate arm of Caisse de Depot et Placement du Quebec, Canada’s largest pension-fund manager, bought the 47-story Wells Fargo Center office tower in Seattle for $390 million.

The makeup of foreign buyers is changing as wealth funds expand their real estate holdings outside their own countries. International investors in search of yield are also fueling deals in markets such as the U.K., France and Russia, according to brokerage Jones Lang LaSalle Inc.

Global commercial real estate investments topped $100 billion for the first time in five years in the first quarter, Jones Lang said in a report in April. New York, Washington, Atlanta, Houston and Los Angeles ranked among the world’s top 10 cities for cross-border deals, the Chicago-based company said.

Steadily Increasing

“We’ve seen steadily increasing demand from non-U.S. investors,” said Max Swango, director of client portfolio management for Dallas-based Invesco Real Estate, which managed $52 billion of assets as of March 31. “The interest comes from all parts of Asia, Europe and the Middle East. You’ve got some relatively young, very large sovereign-wealth funds that are just starting to actively invest.”

Buyers are attracted to high-quality assets that offer better returns than government bonds, Kalsi said. For all commercial-property types, the average capitalization rate, a measure of investment yield, was 6.78 percent in the first quarter, according to Real Capital. The yield on the 10-year Treasury is hovering around 2 percent.

Rebounding Prices

Demand for top-quality buildings helped commercial real estate prices rise in April above an August 2007 record, according to Green Street Advisors Inc., a Newport Beach, California-based research firm that measures values based on property appraisals. Another gauge, the Moody’s/Real Capital Analytics Commercial Property Price Index, regained 51 percent of its peak-to-trough losses as of March, the latest available data. That measure is based on repeat-sales transactions.

International investors are typically most attracted to high-quality buildings located in prime U.S. cities, such as the GM Building. Another midtown Manhattan tower, 650 Madison Ave., had a bid from a foreign buyer, according to a person with knowledge of the sale process who asked not to be named because the details are private. That building is under contract to be sold for $1.3 billion to New York-based Crown Acquisitions Inc. and Highgate Holdings Inc. of Irving, Texas.

“It is the large trophy deals that really move the foreign volume,” said Dan Fasulo, managing director at Real Capital.

Harel Insurance Investments and Financial Services Ltd., Israel’s second-largest insurer, was part of a group of investors that in April acquired the 57-story IDS Center, the tallest tower in Minneapolis, for $253 million.

‘Iconic’ Property

“This was an iconic property and they just don’t come up too often,” said Terry Kennon, managing director of asset management at Hallandale Beach, Florida-based Beacon Investment Properties LLC, which bought the IDS Center with partners Harel and Menora Mivtahim Insurance Ltd., which manages Israel’s largest pension fund. “Minneapolis is a very vibrant town with a lot of Fortune 500 companies.”

In March, Overseas Union Enterprises Ltd., a Singapore-based commercial landlord and developer, agreed to buy the U.S. Bank Tower in Los Angeles, the West Coast's tallest office building, for $367.5 million. Overseas Union didn't respond to requests for comment on the purchase.

Canada has ranked as the biggest foreign acquirer of U.S. commercial real estate since 2010. Singapore moved up to No. 2 this year, from No. 7 in 2012, according to Real Capital. Purchases by Singaporean investors, at more than $1.9 billion through April, are already twice the $957 million recorded for all of last year.

GIC Deals

Government of Singapore Investment Corp. last year invested in 101 California St., an office tower in San Francisco's financial district, and in March acquired the Grand Wailea in Maui and four other resorts from a group including Paulson & Co. for $1.5 billion.

GIC, as the sovereign-wealth fund is known, had 10 percent of its assets in real estate globally in the 2012 fiscal year, and about one-third of total assets in U.S. investments of various types. The fund, which is prohibited from investing in its home country, doesn't disclose total assets and declined to comment on its purchases.

South Korea is the third-biggest international buyer this year, up from No. 6 in 2012. Deals through April totaled $1.59 billion, exceeding the $1 billion for all of last year, Real Capital data show.

'Very Active'

Mirae Asset Global Investments, a Seoul-based manager of $58 billion, last month bought a 31-story office building in Chicago's West Loop district for $218 million, according to a May 17 statement. It was the South Korean company's first purchase in the city.

"In 2006 and 2007, the Australians were the lead foreign investor. Today, Canadians are No. 1," said Jaime Fink, a senior managing director at broker HFF Inc., which represented the seller of the IDS Center. "It all depends on how their local economies are going. The South Koreans are very active today, the Japanese less so."

The U.S. is an investment target partly because it has about one-quarter of the world's institutional-quality commercial real estate, according to Montreal-based Ivanhoe Cambridge.

"The New York market alone has more office inventory than the entire country of Canada," said Adam Adamakakis, executive vice president for U.S. investments at Ivanhoe Cambridge. "The U.S. market, which is still in recovery, gives us access to opportunistic transactions. We are looking to further accelerate our U.S. expansion over the next several years."

Manhattan, Chicago

Ivanhoe Cambridge in November paid more than $360 million for a 49.9 percent stake in 1411 Broadway, a 40-story office tower in Manhattan, and in March bought 73 office buildings in California's Silicon Valley. It's investing $300 million to develop an office tower in downtown Chicago that would be the city's biggest new project in five years, Adamakakis said.

Canadian deals through the first four months of this year totaled $4.2 billion, almost half of the country's 2012 tally of $9.1 billion, according to Real Capital.

After the financial crisis, many foreign investors prefer buying buildings over real estate securities, said Philip McAndrews, head of global real estate transactions and joint ventures for TIAA-CREF. The New York-based asset manager has joint ventures with Norway's sovereign-wealth fund to acquire U.S. office buildings and with the Dutch pension manager APG to buy shopping malls.

Investor Control

"What's really attracting them is the level of control," McAndrews said. With stocks, "you are a passive investor. If you're a sovereign-wealth fund and you're going to own 25 to 30 buildings in the U.S., you probably would like to handpick them."

The venture with TIAA-CREF is Norges Bank Investment Management's first foray into U.S. real estate. The sovereign-wealth manager said in February that it wants to have about 5 percent of its roughly $700 billion fund in real estate, and one-third of that in the U.S.

The influx of international capital would be much higher if not for a tax on foreigners who sell U.S. real estate if they're the majority owner, according to GreenOak's Kalsi. For this reason, many deals are structured so the foreign entity buys less than 50 percent of a property. Norges Bank, for example, owns 49.9 percent of its venture with TIAA-CREF.

Tax Act

The Foreign Investment in Real Property Tax Act, or FIRPTA, was passed in 1980 in response to international investors buying U.S. farmland, said Tony Edwards, general counsel of the National Association of Real Estate Investment Trusts, a Washington-based trade group. Aside from the 10 percent of gross proceeds from the sale of U.S. real estate withheld under the law, foreign majority sellers must pay additional U.S. federal, state and local levies that may increase the total tax burden to as much as 60 percent, he said.

As foreign demand helps drive up prices, many investors are paying a premium for fully leased buildings, which offer predictable income streams in lieu of big potential price appreciation, said Alex Berman, chief executive officer of Skokie, Illinois-based EPN Group. Elbit Imaging Ltd., based in Tel Aviv, was a founding investor in the company.

EPN Group last year sold 46 U.S. shopping centers to Blackstone and DDR Corp. for $1.43 billion. DDR agreed in May to buy Blackstone's stake in 30 of those properties for $1.46 billion.

EPN was more focused on purchases in 2009 and 2010, when prices were lower, Berman said.

"There are some people who like stability and they were not so excited about the U.S. market three years ago," he said. "Now they're coming in."

Restaurants Find Less Is More (Profitable) When it Comes to Square Footage

較小面積的餐廳盈利能力更強

By Mark Heschmeyer (CoStar)

When it comes to burgers, bigger is better. But when it comes to burger joints, some believe it's better not to be too big.

Take MOOYAH Burgers, Fries and Shakes, a Plano, TX-based chain with a signature build-it-yourself, double-beef patty sandwich that is adding locations across the country. Bill Spae, CEO/president of MOOYAH says 'big' box is not necessarily the 'best' box to operate within.

MOOYAH has created two restaurant models: one for larger Tier 1 and 2 markets with higher incomes and density, and one for smaller Tier 3 markets. Its newest location in Frisco, TX, is opening in a few days.

"The largest we will build is 2,500 square feet, down about 300 feet from past units," Spae said. "Our sweet spot for Tier 1 and 2 restaurants is 2,200-2,300 square feet. The smaller model is between 1,800 and 2,000 feet depending on the layout and availability to have usable outdoor seating."

"While the economy is slightly better, same store sales are still challenged," Spae said. "The smaller footprint provides an overall reduction in rental cost and construction cost but also reduces energy use, so your overall cost of entry is reduced. Couple that with higher efficiency and I really do not see a reason to return to a larger footprint."

Spae is not alone. The more sales a restaurant can put through an eatery, the better able it is to spread the lease cost across the board. And with more restaurants thinking the same way, landlords are able to pit more and more potential tenants against each other to compete for the best available spots. That, in turn, is fueling a concentrated rise in rents, particularly endcap locations.

Rather than discourage restaurants from expanding, that rent dynamic is entrenching the 'less-is-more' thinking among casual and fast casual restaurant owners.

"The quick serve and fast casual restaurant category is still on fire," said Garrett Colburn, senior vice president and market leader of SRS Real Estate Partners in Newport Beach, CA. "The fast casual segment has filled up rapidly with all the new burger and sandwich concepts rolling out, as well as a handful of more recent pizza concepts fighting for those 2,500-square-foot endcap spaces. At some point this segment will be oversaturated, but for now the consumer still seems to be hungry for fast casual dining with a reasonable price point."

Even though rents for such restaurant space have been ticking up lately, it still makes more sense for most such eateries to right-size and pay a little more per square foot than it does to be stuck in a box that's not right for their business model, Colburn said.

His counterpart in New York, David M. Hochberg, Esq., senior vice president of SRS, says the same thing is happening in the Big Apple.

"I think retailers will continue to seek smaller space to operate, so long as the cost of operations continue to escalate," Hochberg said. "No one wants to pay more rent."

"Downsizing cuts not only their expenses but staffing overhead as well," said Jason Ryals, principal | Northeast Florida of Colliers International in Jacksonville, FL.

In fact, Ryals said, "Downsizing is also occurring in the fast food industry. Land prices for the best locations have skyrocketed and we are seeing a lot of fast food restaurants cutting the size of their building and parking requirements so they can afford the best land parcels."

"The fast food companies have realized that the drive thru window is their main revenue source so they have less seating and parking and can fit on much smaller parcels. 10 years ago fast food users typically needed an acre to build their 3,300-square-foot building on. Now we are seeing them fit on 0.6 acres with a 2,300-square-foot prototype," Ryals said.

Why the Mall Will Never Die

當今年輕人的依然喜歡到實體店購物，這讓購物中心依然興旺

By JORDAN WEISSMANN (The Atlantic)

By most accounts, the commercial Internet was born in 1995 -- the same year as today's high school seniors. That makes this Taylor Swift and Snapchat-loving generation of teens the first wave of Americans who have literally never known life without the modern web.

So if you'd expect anybody to feel more at home spending money online than at a brick and mortar store, it might be them. But you would also be wrong. The investment bankers at Piper Jaffray & Co., which has long tracked teenager consumer habits, recently asked more than 5,000 teens whether they prefer to do their shopping on the Internet or IRL. More than three quarters of both males and females said they preferred trekking the to the store (graph courtesy of Pew).

When it comes to their shopping habits, then, contemporary teens may not be some exotic tribe of digital natives after all. Obviously, this is good news for traditional retailers. Teens have tremendous spending power. They have inordinate sway over our cultural lives (again, Snapchat and Taylor Swift). And of course they're tomorrow's adults. Physical retail is already under siege from Amazon and the rest of the web. If it were going out of style with the kids, it would be a disaster.

Of course, teens aren't like the rest of us. As Pew notes, they see shopping as a time to hang out with friends. And as Piper Jaffray has found, about 40 percent of their budgets are devoted to fashion -- clothes, shoes, and accessories. Suffice to say, the eternal desire of 16-year-olds to hang out at Abercrombie with friends isn't going to save all of retail, even if the local mall still has its place.

Retail Clinics Proving Their Worth

基於零售店面中的診所（如 CVS 和 Walgreens 的診所）讓病人的醫療費用降低，因而逐漸顯現出價值

BY JIM FREDERICK (drugstorenews.com)

Are retail clinics a fad or a permanent and viable part of the healthcare landscape?

That was the question explored by health experts at a web-based summit April 25, presented by the Rand Corp. and the University of Pittsburgh. The summit featured Ateev Mehrotra, a policy analyst at Rand and associate professor at the Pitt School of Medicine, and Bernard Katz, assistant professor of family medicine at the David Geffen School of Medicine at the University of California Los Angeles. The clear answer: Retail-based walk-in care centers are here to stay, and they serve a valuable role in extending access to health care to millions of patients, at a lower cost.

Two companies dominate the retail clinic landscape, said Mehrotra — CVS Caremark's Minute Clinic and Walgreens' Take Care division. "Together, they make up almost 1,000 of the [approximately] 1,400 clinics in the United States," he said. But there's been a rise in clinics operated by large health systems like the Mayo Clinic and Geisinger Health, and in co-branded clinics operated within stores operated by Walmart and other chains."

"After a period … when there was relatively slow growth, we've seen in the last year or so an uptick in the number of clinics opening around the country," Mehrotra said, citing recent research by Rand. In addition, he said, "we've seen a rapid rise in the number of retail clinic visits."

But along with their "rapid emergence onto the healthcare landscape, [clinics] have generated a lot of controversy" around the issues of "quality, access and primary care physician relationships and costs," Mehrotra added.

"On the positive side, people have argued that retail clinics, by their use of strict evidence-based guidelines and well-trained nurse practitioners, can provide high quality of care. But there have been concerns, in particular from the physician community, that they're going to provide lower quality of care and over-prescribe antibiotics," he said.

In particular, Mehrotra said, while clinics can provide "a new entry point into the health system, including access for all patients," concerns linger that the use of clinics "could undermine primary care physician/patient relationships, and also because they have negative downstream effects, such as decreasing the use of preventive care."

On the issue of costs, said the physician, “there has been the hope that retail clinics can decrease [emergency room] visits and overall spending. But there have been concerns that patients will go to the clinic, not trust the care they’ve received and end up seeing their doctors anyway, and actually increase healthcare spending.”

Mehrotra said that Rand’s study of retail clinics should allay those concerns. “On the quality side, we looked at the care provided at retail clinics, and compared that care with care from doctors, urgent care and EDs [i.e., hospital emergency departments]. We found that the number of patients who received an antibiotic was quite similar at retail clinics compared with doctors’ offices and urgent care centers — therefore not supporting the concern that clinics will lead to overprescribing.”

In addition, said the analyst, surveys by Harris Interactive and other firms showed that patient satisfaction and scores for retail clinics were “very similar to what we saw at doctors’ offices and urgent care centers.”

One area of divergence is in the types of patients visiting retail clinics. “The largest fraction of patients who go to a retail clinic are in the 18- to 44-year-old group,” Mehrotra noted. “That’s very different from what you see at a doctor’s office. The patients who are going to retail clinics … are actually similar in terms of demographics … to those who go to an emergency department.”

Rand researchers also found that roughly a third of patients visiting a clinic are paying out of pocket, with two-thirds using insurance. “That’s much higher than what we see at a doctor’s office, and again … similar to what we see in an emergency department,” said the Rand analyst.

Another major difference between retail clinics and other care sites, said Mehrotra, goes to the core of retail clinics’ appeal: their much lower cost to patients and payers. Rand research found that clinics’ total costs of care for patients with three conditions — ear infection, sore throat and urinary tract infection — were almost always lower than what it cost patients for treatment at doctors’ offices and urgent care centers, and dramatically lower than emergency room costs.

“On the total costs of care for their conditions … [including] prescriptions received, any testing and follow-up visits … we find that care at retail clinics is 30% to 40% cheaper compared with the care provided at a physician’s office or urgent care center, and on average about 80% cheaper than what we see at an emergency department,” Mehrota said.

Rand estimates that roughly 100 million total patient visits each year could be shifted to a retail clinic from a physician practice or other care site. That could mean “billions of dollars in potential cost savings if patients shifted their care from those sites to a retail clinic,” Mehrotra said.

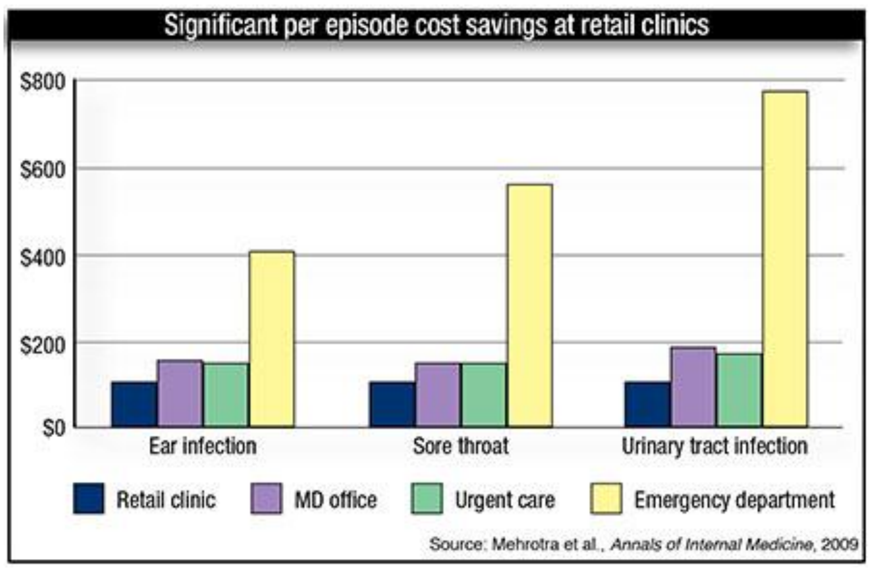
As for concerns that clinics would undermine primary-care relationships, he noted, “just under 40% of the patients who go to a retail clinic report they have a primary care physician. So for the majority of the patients who go to these clinics, there appears to be no relationship to disrupt.”

For patients who do have a PCP, he added, there does appear to be some "modest" shift away from primary-care doctors in favor of a retail clinic in the year following their visit to the retail site.

One major provider that has come to embrace the value retail clinics represent is the UCLA Health System, which has entered a collaborative relationship with CVS' Minute Clinic. "We recognize there is a primary-care shortage in Southern California, and with the expansion of coverage from the Patient Protection and Affordable Care Act, we believe we're going to need to make available to our patients other ways of receiving care," Katz said.

To that end, UCLA Health launched a partnership in October 2012 with Minute Clinic, the nation's largest retail clinic provider with 13 million patient visits since 2007. Under terms of the partnership, signs in all Minute Clinics in greater Los Angeles now alert patients that the clinic is "a clinical affiliate of UCLA Health." In addition, said Katz, "the medical directors at the clinics are all UCLA primary care physicians."

Among new steps to expand the partnership, Minute Clinic patients will have access, beginning in June, to EPIC, UCLA's medical records patient portal. "They will be able to pull up that record in a Minute Clinic when they register," said Katz, "and the patient can share that information with the nurse practitioner who's treating them. The nurse practitioner's clinic notes will then be embedded back into the UCLA electronic health record, and routed to the primary care physician for subsequent review."



The alliance blossomed despite the reservations some UCLA physicians had "about whether this will interfere with the primary care physician's role in providing care," Katz said. "We realized that because patients have easy access to Minute Clinic, they're going to utilize it anyway … whether we supported it or not. They want ease of access, the lower costs [and] the availability of after-hours care. And while we as a health system do provide urgent care centers and EDs and expanded primary-care hours, we saw our patients were still going to Minute Clinic … because it was more convenient. So we felt it was better to partner in order to at least be able to share information."

One factor that drew UCLA to Minute Clinic was the clinic's "support for the medical home model," Katz said, and for efforts to involve the patient's primary care physician in all interventions and share information via visit summaries, etc. What's more, he said, "the scope of services at Minute Clinic is expanding," with wellness screenings and chronic-condition monitoring for diabetes, asthma, hypertension and hyperlipidemia. “We feel this will help our patients in a medical home setting.”

UCLA Health also is exploring other ways to leverage the collaboration, Katz said. “We see other opportunities where we’ll be able to send our patients to Minute Clinics for lower costs, easier access, administration of immunizations,” and for follow-up care “for patients with chronic conditions at lower cost.”

Sale Of Tallest Building In Downtown L.A. To Asian Investors Is Done

洛杉磯市中心最高樓出售給亞洲投資者

By Roger Vincent (LA Times)

The $367.5-million sale of U.S. Bank Tower in downtown Los Angeles, the tallest building in the West, has been completed.

Its new owners are Singapore investors Overseas Union Enterprise Ltd. The developer and landlord also owns commercial properties including, offices, shopping centers and hotels in Singapore, Malaysia and the People's Republic of China.

The planned sale by MPG Office Trust Inc. was announced in March. MPG, which has been the largest office landlord in downtown L.A. for many years, is winding down its business and selling its assets.

In April, MPG agreed to sell its other four remaining downtown buildings to Manhattan real estate company Brookfield Office Properties Inc. for $430 million. That transaction is expected to close in the third quarter.

A month later, MPG agreed to sell its Plaza Las Fuentes office and retail complex in Pasadena to East West Bank and Downtown Properties Holdings in a $75 million deal expected to close this month.

MPG was a powerhouse for decades but suffered a deep blow after a property acquisition spree during the last real estate boom in the mid-2000s left it deep in debt with falling revenue from rents when the mortgage crash and worldwide credit crisis hit.

At 72 stories, the circular U.S. Bank Tower has commanded the city skyline since it was completed in 1989 and is one of the best-known office buildings in the country. It was previously named Library Tower and also First Interstate World Center.

The skyscraper designed by the New York firm of star architect I.M. Pei is only 56% leased, the new owner said. The company hired respected Texas commercial developer and landlord Hines to manage the 1.4 million-square-foot building.

Overseas Union Enterprise will help prospective tenants fund remodeling and renovations, said Richard Stockton, the company's president and chief executive of the Americas.

"With space available for lease in the building, there is an ability to generate a strong return on investment for OUE shareholders," Stockton said. "We are confident of a continued strong economic recovery in the U.S. and the continued revitalization of downtown Los Angeles."

Skyscraper Prices Head North

由於借貸成本低廉，投資者尋求高層塔樓的高收益，辦公樓市場出現了一股高價購買摩天樓的風潮，特別是在紐約

By ELIOT BROWN (WSJ.com)

The office market is seeing a flurry of high-priced skyscraper sales, as cheap debt and the hunt for yield lead investors to pile money into tall towers, particularly in New York.

There was only one deal for all or a portion of a U.S. office building that topped $1 billion from fall 2008 to the end of 2012. This year, there have been three deals that topped that level, all in Manhattan, blowing past record values for price per square foot set during the boom years, according to Real Capital Analytics LLC.

Other deals with similarly lofty prices are expected soon. Most notably, Time Warner Inc. is talking to bidders vying for the company's one-million-square-foot headquarters overlooking New York's Columbus Circle.

It has received offers of more than $1.2 billion, according to real-estate executives familiar with the sales process. Earlier this year, Sony Corp. 6758. sold its New York headquarters for $1.1 billion, more than four times what it paid in 2002 to acquire the tower.

"Corporations can mine their best assets now at peak pricing," said Douglas Harmon, of real-estate-services firm Eastdil Secured LLC, which is marketing Time Warner's space and brokered the Sony sale.

Buyers bidding up prices include New York's real-estate families and investors from around the globe. On May 31, Chinese developer Zhang Xin and an entity controlled by Brazilian banking magnate Moise Safra purchased a 40% stake in the General Motors building in a deal that valued the 50-story tower overlooking Central Park at $3.4 billion, including debt.

Closer to home, private-equity shop Carlyle Group purchased the tower at 650 Madison Ave. for $680 million in the spring of 2008 and invested another $100 million. Carlyle just reached an accord to sell it for $1.3 billion to a venture of the Chera real-estate family and Highgate Holdings.

"This market was facing a bit of a glass ceiling on the $1 billion transaction," said Darcy Stacom, of CBRE Group Inc., the broker in the GM building sale. "We now have a new opening in the marketplace."

The market is being powered primarily by low interest rates, which have made it cheap to borrow money and have made the income buildings generate from rent seem relatively appealing. Indeed, the market forces that typically push values up—rising rents and occupancies—aren't as much of a factor in this boom as they were in previous cycles.

Manhattan office rents have been sluggish lately because employers have been reluctant to expand. Office rents for Manhattan's top-quality buildings are still about 20% below their peak levels, according to commercial-real-estate brokerage Jones Lang LaSalle Inc.

Instead, buyers are paying up for trophy towers as safe bets in which to park money and get a modest income from rents, a more lucrative investment than what they would get from low-interest bonds.

"When we talk to investors around the world, they look at prime New York real estate as having some of the same characteristics as gold, except it has income to it," said Scott Rechler, chief executive of New York landlord RXR Realty LLC, one of the city's most-active recent buyers. "The world is starved for yield," he said.

Rising values have sparked sales in other markets, including San Francisco, Houston and London, although typically at smaller values than in New York.

Multiple bidders are in the race for Blackstone Group LP's 49% interest in the sprawling Broadgate office complex in London. The value of the four-million-square-foot property, including debt, is expected to exceed $4.5 billion, according to an executive with knowledge of the deal.

Meanwhile, values have lagged behind in smaller cities and suburbs in the U.S.

Market participants say they are aware the party won't last forever. The rise in interest rates in recent weeks has made financing more expensive and bonds more attractive. Fears that the low-rate environment may end has helped persuade some owners to put their properties on the block now.

"If you have a dramatic [interest-rate] increase, that definitely creates a pause and a reassessment," said Michael Knott, an office-market analyst at Green Street Advisors. Historically, values haven't been hurt by modest increases, he said.

Office values took a dive along with the rest of the world's economy in the fall of 2008 and began recovering in late 2009.

The largest gains have been seen in U.S. downtowns, where prices were up 16.7% at the end of the first quarter compared with a year earlier, coming within 7% of their 2007 peak, according to a Moody's /RCA index.

Of course, office-building sales volume is still below the frenzied 2007 pace, when there were more than $35 billion in office sales in New York. At least 10 deals had price tags over $1 billion, according to Real Capital.

Manhattan deal volume in 2013 through June 1 was up nearly 10% over the period a year earlier, with $4.8 billion in completed deals, Real Capital says. Another $3.2 billion in sales are pending.

Sales over $1 billion have been unusual in the current recovery. The only one between 2008 and 2012 was Google Inc.'s purchase of its New York headquarters, for $1.9 billion in 2010.

The flurry of deals is producing big paydays for many investors, especially those who purchased during the depths of the downturn.

A group led by New York landlord George Comfort & Sons has reached a deal to sell a 49% stake in its Worldwide Plaza tower on Eighth Ave. in Manhattan to RXR Realty in a deal that values the full tower at more than $1.2 billion, executives familiar with the deal said. The Comfort group bought the tower for about $600 million in 2009.

Time Warner paid about $500 million to build its glassy tower a decade ago. Should the media giant complete a sale, the company hopes to use the profit to help finance a move to cheaper space in Manhattan, according to the real-estate executives familiar with the sales process.

Even some who bought near the market's peak are making sizable gains. The sellers of the GM building stake, Middle Eastern investors and a Goldman Sachs Group Inc. fund, teamed up with Boston Properties Inc. BXP -0.67% three months before the collapse of Lehman Brothers Holdings Inc. in 2008 to buy the tower for $2.8 billion. With the building's value now 20% higher, the investors figured the timing was right to get out.

"We're at a time now where there is just a ton of liquidity in the real-estate space," said Alan Kava, a partner at Goldman Sachs who oversaw the deal. "I don't know what rates are going to be a year from now. I don't know what the appetite from equity markets is going to be a year from now."

Will Whole Foods Dilute the Brand With a Lower Cost Chain?

健康食品連鎖超市 Whole Foods 推出低價產品，試圖擺脫價格高昂的名聲

By Joan Voight (ADWeek.com)

Whole Foods Market, the upscale purveyor of organic and local food, is opening a new store in economically struggling Detroit June 5 as part of its repositioning as a go-to grocery store for everyday staples for shoppers on any budget.

The chain will launch pilot stores in Detroit, New Orleans and on Chicago's South Side in 2013 and 2014 that feature fewer staffers, lower prices, and more frozen and prewrapped food, said Whole Foods co-CEO John Mackey. "For every penny we cut off the price, we reach more people who can afford to shop with us," he said.

In anticipation of the Detroit store opening, the company has been offering classes in community centers about how to shop frugally at its store, focusing, naturally, on Whole Foods' own 365 private label line. Anne Howe of Anne Howe Associates, a shopper marketing consulting firm, commended the chain for going into so-called food deserts like parts of Detroit and New Orleans. "They are trying to serve the needs of communities that others ignore completely," she said.

But while getting more affordable, the company denied that its existing stores deserve their pricey reputation. "The premise that the healthy food we sell at our stores is expensive or elitist is false," Mackey said. "If you know how to cook and if you buy whole grains, beans and produce, you don't need to spend lots of money," he said.

Whole Foods' price margins, however, show the retailer's perception is probably warranted. In the last three years, the company reported gross margins (the amount a retailer earns from the sale of its products) of 34 percent to 36 percent, according to financial analysis site Seeking Alpha. (In comparison, Walmart's and Target's gross margins are about 24 percent to 29 percent.)

Experts see branding risk to Whole Foods' high-quality image. "Whole Foods might be able to deliver a value proposition in these new locations by adjusting its assortment and pushing its 365 brand," said Andrew Pierce, U.S. president of brand consultancy Prophet. "But if Whole Foods pushes into truly low income areas, it could create some discontinuity in the brand positioning. Whole Foods is perceived as high price and high quality, so unless carefully managed, there can be a disconnect."

Meanwhile, the retailer continues growing but at a slower pace. For the quarter ended April 14, Whole Foods reported 13.3 percent sales growth and 6.6 percent same-store sales growth compared to the previous quarter. In each case the percent is less than last year.

Consequently, regional rivals that sell organic, fresh and local food are clearly on Mackey's radar. He noted that two of them, Trader Joe's and Wegmans, also nurture socially conscious cultures, similar to that of Whole Foods, which Mackey promotes as "Conscious Capitalism."

But Whole Foods, with 350 stores and counting, is betting on experimentation to keep its brand robust. With 89 signed leases representing over 3 million square feet in its development pipeline, it'll have ample opportunity to do so. "Everybody is copying last year's model of Whole Foods," Mackey said. "But we're building the next one."

7-Eleven Owner to More Than Double North America Stores

連鎖便利店 7－Eleven 將翻倍北美店面

By Yuki Yamaguchi (Bloomberg)

Seven & I Holdings Co. (3382), the operator of 7-Eleven convenience stores, plans more acquisitions in the U.S. and may more than double North America outlets as consumer spending improves in the largest economy.

In North America the company "could increase our store number to 20,000 or even 30,000," Chairman Toshifumi Suzuki said in a May 30 interview at the company's Tokyo headquarters. It currently has more than 8,000 outlets in the region and Suzuki didn't provide a timeframe for the planned expansion.

Seven & I, the world's biggest convenience store operator by number of outlets, has been buying small chain stores in the U.S. as it tries to strengthen the competitiveness of the local unit. Strength in consumer spending and business investment is helping the U.S. economy overcome government cutbacks, underlining forecasts for a growth pickup later in the year.

"There will be a huge potential in expansion in large cities in the U.S.," said Dairo Murata, analyst at JPMorgan Securities Japan Co. "There are over 50,000 convenience stores in Japan with 120 million people. Considering the U.S. population is about 300 million, there is an unlimited potential."

The company bought 662 convenience stores in North America in its last fiscal year, according to spokesman Nobuyuki Miyaji.

"We will raise the quality of operations, and we will go into the areas where we don't have outlets," Suzuki said. The company will continue to make acquisitions in the U.S., the 80-year-old executive said, without elaborating.

International Expansion

The retailer plans to have 10,000 stores in North America, which makes up about a quarter of group sales, as early as 2014.

Seven & I had a 24 percent market share in the U.S. convenience store industry last year, the largest in the country, followed by the 1.6 percent from Circle K owner Canada-based Alimentation Couche-Tard Inc. (ATD/B) and 0.1 percent from North Carolina-based The Pantry Inc. (PTRY), according to London-based researcher Euromonitor International.

Seven & I had 50,254 convenience stores worldwide with 8,116 outlets in the U.S. as of March this year, according to the company's website.

Japanese food retailers are expanding in China, Thailand, Vietnam and other fast-growing overseas markets as they contend with unfavorable demographic trends at home, Bloomberg Industries analyst Thomas Jastrzab noted in March. Convenience-store operator FamilyMart Co. plans to have 8,000 stores in China by 2020 and 40,000 worldwide, he wrote.

Seven & I had 15,218 convenience stores in Japan as of March 2013 and plans to open a record of 1,500 news outlets in the Asian country this fiscal year, it said in an April statement.

7-Eleven Inc., the retailer's U.S. convenience store unit, will probably have sales of 1.8 trillion yen ($17.9 billion) for the year ending December, an increase of 44 percent from last year, Seven & I said in April. The profit for the unit may increase 13 percent to $540 million, it said.

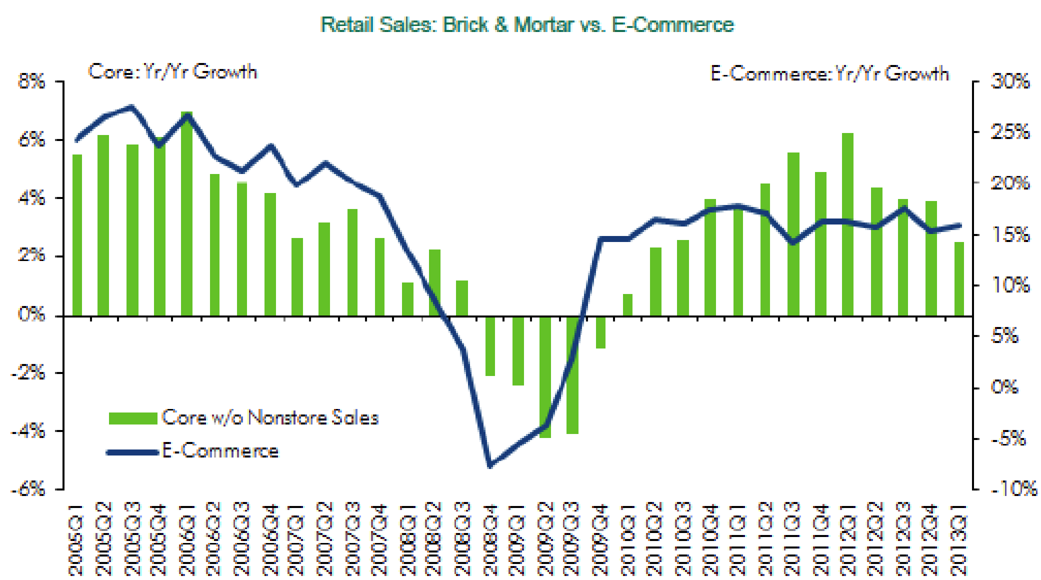
Seven & I expects net income will increase 23 percent to record 170 billion yen for the year ending February 2014 with sales up 13 percent to 5.6 trillion yen, the company said.

How Much Do E-Commerce Sales Matter?

電子商務增長明顯，有助於零售業

By Abigail Rosenbaum (CBRE)

Shopping is part of our daily routine, and since the consumer recovery began in 2010, where we shop has become a point of interest. The volume of goods being purchased online continues to grow, but are consumers stretching their purchasing power online to new goods? We have heard that the increasing competition from online sales is affecting brick-and-mortar stores (i.e. smaller stores), but when it comes to demand for space at U.S. retail centers, is it statistically significant?

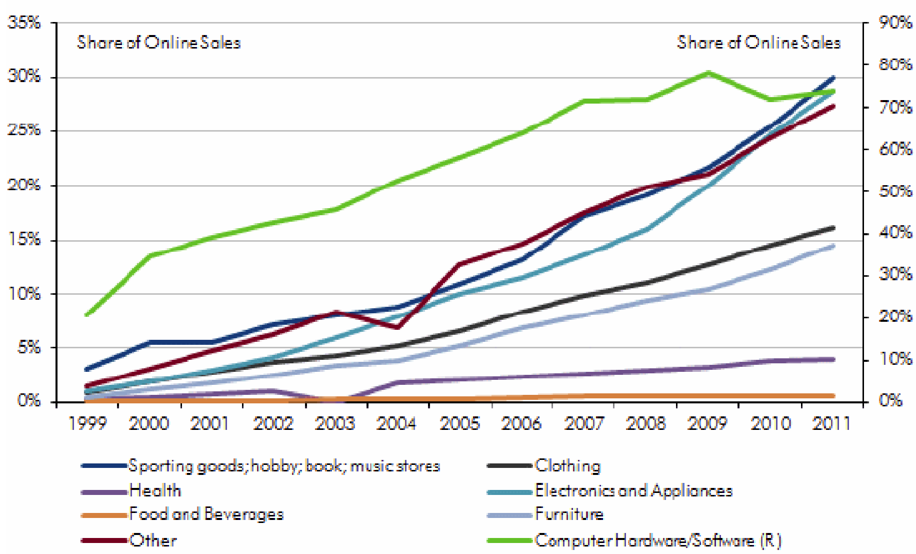


Source: Census Bureau.

In looking at sales at brick-and-mortar stores (core retail sales with nonstore sales excluded) versus e-commerce sales, it should be noted that over the past several quarters, growth has been diminishing across the board. While spending continues to grow, core retail sales growth has dipped below its long-term trend and consumers seem hesitant to overspend, in light of recent economic issues such as the sequester and the debt ceiling. Is diminishing core retail sales growth attributable in any part to consumers flocking to the internet for their shopping fix? Certainly, year-over-year growth above 15% per quarter shouldn't be classified as weak growth, but compared to growth of nearly 20% in 2010, e-commerce's expansion has decelerated a bit. The amount of consumption online seems to have stabilized in recent months; have online sales stopped grabbing ever-larger slices of the pie?

Once a year, the Census releases e-commerce sales figures broken out by segment. The recent release of these E-Stats shows an overall deceleration of growth in 2011—to 16.7%, from 2010's 17.4%—indicating that some online segments failed to take a greater share of brick-and-mortar store sales in 2011 than in the previous year. Those segments were computer hardware/software; health; food and beverages; and office equipment and supplies. The computer hardware/software segment in particular represents a significant portion of e-commerce sales, so its slide from 12.7% in 2010 to 12% in 2011 certainly had an impact on online sales' overall number. The other segments that comprise large parts of online sales are books and music; clothing; electronics and appliances; and other—from 2010 to 2011, each of these recorded share increases. Consumers continue to favor particular goods online.

Shares of Online Sales by Segment



Source: Census Bureau.

The segments whose shares of e-commerce sales increased also saw the largest increases in their shares of brick- and-mortar store sales. Sporting goods; hobbies; books and music; and electronics and appliances saw the greatest increases, followed by clothing; computers; and furniture. The furniture segment did see its share of total e-commerce sales increase from 8.3% to 8.6%—a small but accelerating gain. Food and beverages remained unchanged, as did health; consumers are not ready to shop for these goods online yet. Also evident in the e-commerce figures for 2011 were the showrooming of electronics, and consumers' willingness to purchase books, music and clothing online. No further trends emerged, however.

In 2010, e-commerce sales among these segments totaled 9.4% of their brick-and-mortar sales; in 2011 that increased to 10.4%. The question arises, then: do e-commerce sales have a real effect on demand for space at retail centers in the U.S.? It turns out that for the period 2005Q4 to 2013Q1, e-commerce sales growth was a significant, positive determinant of absorption for all major retail center types. As e-commerce sales grow, so does demand for space at retail centers; its growth helps retail absorption.

With growth in online sales higher than growth in sales at brick-and-mortar stores, the ongoing impact on the retail industry is undeniable. Although consumers have yet to break free of the patterns that currently define online shopping—branching out to other goods, such as food—e-commerce sales are continuing to grow. Growth in e-commerce sales may have diminished in recent months, but growth of 15-16% is still enough to demand our attention. E-commerce sales appear to be helping demand for space at retail centers; with both core retail core and e-commerce sales growing, the effects on the retail industry can only be positive.

Land Sale Opportunities and Challenges

當前土地投資的機遇與挑戰

By Kevin Seabolt (Globest.com)

PHOENIX-Land deals are out of mothballs and back at the forefront of the real estate industry—in some cases a bit too much ahead of the forefront. In Southern California, Phoenix, and other Southwestern markets, the surge is causing concern from recession-weary landowners who thought they'd cash in on the upturn but are finding home prices aren't necessarily back to where they were during the boom six years ago—leaving them wondering when to sell.

Rockspring Capital CEO Jim McAlister IV told GlobeSt.com recently that there's "a massive land play, a rush to buy and develop. . . . As far as the pathway of growth, urbanization of farm land will also continue."

Investors and builders who acquired distressed property during the downturn have a lower basis, but many more owners bought earlier and held on for better times. Residential land prices rose an average of 13% in 2012, the first annual gain since 2005, reports Zelman and Associates. But the firm also notes that land lost a cumulative 58% of its value from 2006 to 2011.

Thus, "better times" aren't necessarily hitting pre-2007 levels, when a bevy of buildable land changed hands. Now these owners are beginning to see national home builders leapfrog over close-in sites to buy on the cheap in exurbs. Other challenged properties that are close-in or infill, such as half-finished communities, also face leapfrogging because of stigma or because they simply aren't build-ready. Getting it done and open is key.

In Los Angeles, Kraemer Land reported in GlobeSt.com that it acquired a partially completed Highland Park housing development and is working with Orange County builder South Coast Communities to complete the homes—within a 90-day window.

The bottom line is that slaying the sprawl monster is a decades-long problem, now taking on a new iteration from the housing rebound. Land costs are one of the largest components of a home's final price, and builders know that buyers will drive a few miles to exurbs for cheaper, newer homes.

The most important strategy is to be build-ready. Developers have snapped up predeveloped land with roads and infrastructure in place, so owners of raw land are moving quickly to join the wave. Home builders in an upturn are focused on speed to market. Companies like Silver Fern Management, in Phoenix, have been in overdrive, turning partially completed and raw land into developed property, according to its president, John Fortini.

Another challenge, especially in the Southwest, is that experienced resources for building homes—architects, designers, contractors, and specialty subcontractors—are relatively scarce, having been decimated by the recession that hit this region particularly hard. As a result, a lot of institutional knowledge and experience has been lost. And now that the demand for these services exceeds the supply, prices and fees have risen accordingly.

In short, the marketplace is seeking equilibrium—with some profits along the way—and landowners are in the hot seat to either capture value or see it jump to the next county.

Spike in International Travel to U.S. Helps Boost Lodging Demand

國際旅客的激增提振酒店需求

By Mark Woodworth (REBUSINESS ONLINE)

ATLANTA — The combination of a record number of international travelers to the United States, healthy growth in business investment and consumer spending and limited new room supply in most major markets means it's a great time to be a hotel owner or operator. Mark Woodworth, president of PKF Hospitality Research, delivered the upbeat message about the state of the lodging industry to the National Association of Real Estate Editors (NAREE) on Thursday during its 47th annual journalism conference at the Hilton Atlanta.

The projected number of international visitors to the U.S. in 2013 is 69.2 million, up from 56 million in 2007, according to the International Trade Administration. The number of international visitors is expected to grow to 80.5 million in 2017. "That's good news and particularly relevant as we look at some key gateway cities around the U.S.," says Woodworth.

Meanwhile, Moody's Analytics is forecasting attractive gains in business investment and consumer spending through the remainder of 2013 and 2014, which gives PKF confidence that outlook for the U.S. lodging industry "remains very, very solid," says Woodworth.

PKF forecasts the average annual net increase in room supply to be 1.9 percent through 2017 in the top 50 major metros, with most markets below that level. One notable exception is the Big Apple, where the annual net increase in supply through 2017 is projected to be 4.7 percent. "New York City is absolutely going through a construction boom right now, particularly as it relates to hotels, and we're watching that very closely, but that's another market that we feel really good about."

The fly in the ointment is group travel, which still hasn't fully recovered, says Woodworth. Before the Great Recession, strong group demand for meeting space enabled a hotel manager to have a meaningful amount of hotel room nights sold six to 12 months in advance. That's not the case today.

"Right now, for meeting planners, scarcity is not an issue. That meeting planner pretty much knows I can get what I want where I want, and probably get it at a pretty good price. We think that is slowly beginning to dissipate, but we really won't see that kick in until sometime next year," says Woodworth.

Still, PKF predicts hotel demand to increase 2.6 percent this year and 3.3 percent in 2013. That compares favorably with new supply, which is projected to rise at a rate of 0.8 percent this year and 1 percent in 2014, below the long-term average of two percent (see table below). Meanwhile, PKF forecasts revenue per available room (RevPAR) to rise 6.1 percent this year and 7.7 percent in 2014. The forecast for growth in the average daily rate (ADR) is a little less robust. Specifically, ADR is expected to grow 4.3 percent this year and 5.4 percent in 2014.

National Forecast – 2013/2014 PKF Hospitality Research

Very Limited New Supply

	Long Term Average	2008	2009	2010	2011	2012	2013F	2014F
Supply	2.0%	2.4%	2.8%	1.7%	0.5%	0.5%	0.8%	1.0%
Demand	2.1%	-2.5%	-6.2%	7.2%	4.7%	3.0%	2.6%	3.3%
Occupancy	61.9%	59.8%	54.5%	57.5%	59.9%	61.4%	62.4%	63.8%
ADR	2.9%	3.0%	-8.7%	0.0%	3.8%	4.2%	4.3%	5.4%
RevPAR	2.9%	-2.0%	-16.7%	5.4%	8.2%	6.8%	6.1%	7.7%

Passing Through Long Run Average Level

Source: PKF Hospitality Research, LLC – Hotel Horizons® June-August 2013, Smith Travel Research

Although hotels have achieved the strongest income growth of any of the major property types during the past three years based on quarterly data from the National Council of Real Estate Investment Fiduciaries, the industry still lags the other major property sectors when it comes to price appreciation. "One might ask, ' Why are hotels, from an investment perspective, being penalized?' It is this notion of volatility," explains Woodworth. "The income yesterday was really good, but what's going to happen tomorrow?"

Hotels have 24-hour leases, remarks Woodworth, and with that short lease term comes the uncertainty of whether the good times will persist. "The investment community is heavily discounting the next six months in the hotel business. Even though everything looks solid, there is a lot of uncertainty around that." Some of that uncertainty surrounds the direction of U.S. economic policy.

Surge In U.S. Commercial Lending Raises Bubble Worries

美國商業貸款的強勁增長曾一度被認為是利好經濟的標誌，但今年兩位數的激增拉響了泡沫的警報

By Tim McLaughlin (Reuters)

BOSTON, June 10 (Reuters) - There was a time when robust growth in U.S. commercial loans was seen as a good sign for the economy, but this year a double-digit surge is being seen as a red flag.

U.S. banks reported $1.53 trillion in commercial and industrial loans in the first quarter, a 12 percent year-over-year gain.

Bankers and analysts say this big gain in C&I lending looks more like an early asset bubble than an economic breakout. The banks reported double-digit gains in 2011 and 2012, too.

Mid-size companies and publicly traded corporations are not using the loans to grease the skids of the economy for expansion. Instead, they're mostly getting cheaper credit lines or refinancing the replacement of obsolete factory equipment by dictating easy terms to banks clamoring for their business.

C&I loans, as they're called in the banking industry, normally provide an important source of working capital for businesses to fund inventory and equipment, for example.

The greater emphasis on this type of lending comes as banks contend with declines in home equity lines and single-family residential lending, according to data from the Federal Deposit Insurance Corp.

"With so much liquidity, banks feel a lot of pressure to make loans," said Mariner Kemper, chairman of UMB Financial Corp , a Kansas City, Missouri-based bank with $3.2 billion in outstanding C&I loans.

"There's deterioration in covenant terms and pricing and that's potentially the kind of behavior that drives a crisis."

Bank of America Corp reported $209 billion in C&I loans at the end of March for a 24 percent gain from year-ago levels, according to FDIC data. The bank is the No. 1 C&I lender followed by Wells Fargo & Co ($149 billion), JPMorgan Chase & Co Inc ($136 billion) and Citigroup Inc ($134 billion), FDIC data show.

SILLY SEASON

Douglas Bryant, a senior lender for Wells Fargo in New England, calls the C&I lending shift the "return of the silly season."

"Any well-known company with a credit need is called on by a half a dozen or so banks," Bryant said. "These companies are offering very aggressive term sheets on price and loan covenants."

Bryant said banks today are lucky to get one or two strong covenants on a loan. Covenants allow banks to restructure loans if a company fails to meet projections on leverage, cash flow and debt service, for example. But with more leeway on those financial metrics, a company can get deeper into trouble before it breaks a covenant, exposing banks to greater losses.

"A company can deteriorate a significant amount before you get back to the table to restructure the loan," Bryant said. "We used to get as many as five strong covenants."

Though delinquency and charge-off rates remain well below historical levels, the surge in C&I loan growth and fewer restrictions worried some top Federal Reserve officials at the April 30-May 1 Federal Open Market Committee meeting, minutes show.

A few Fed policymakers expressed concern that conditions in certain U.S. financial markets were becoming too buoyant, according to meeting minutes. The committee also discussed how a survey of senior lending officers revealed a greater percentage of banks easing standards and reducing spreads on C&I loans to firms of all sizes.

"We expect deterioration from the currently low levels of delinquent and noncurrent C&I loans and reversion to higher historical averages," analysts at Fitch Ratings said in a recent research note.

Bankers are quick to blame the Fed's easy money policy, which since 2008 has relied on three rounds of bond-buying and cutting short-term interest rates to near zero to spur economic growth.

The purchases of mostly Treasury and mortgage securities - known as quantitative easing and nicknamed QE1, QE2 and QE3 - have injected trillions of dollars into the financial system.

U.S. companies are taking full advantage. 1-800-Flowers.com Inc in April trumpeted a new $200 million credit line that reduced the top end of its interest rate range by 40 percent to LIBOR-plus 225 basis points. The on-line florist used the new credit line to pay off $18 million on a term loan. A syndicate of banks led by JPMorgan arranged the financing.

"I don't see an economic breakout," UMB's Kemper said. "The broad-based economy is still operating with caution. There's some good news that makes us all cautiously optimistic, but I'm hesitant to call it a new day."

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

消費者市場利率：房貸、基本利率、等等

(Reprinted with Permission of the Wall Street Journal)

	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	-	-
Prime rate*	3.25	3.25	3.25	3.25	-	-
Libor, 3-month	0.27	0.28	0.46	0.27	-0.19	-0.26
Money market, annual yield	0.45	0.45	0.53	0.45	-0.05	-0.33
Five-year CD, annual yield	1.27	1.23	1.44	1.15	-0.10	-1.26
30-year mortgage, fixed	4.50	4.65	4.71	3.54	0.69	-0.27
15-year mortgage, fixed	3.59	3.74	3.76	2.80	0.43	-0.68
Jumbo mortgages, $417,000-plus	4.80	4.82	4.83	3.97	-0.43	-0.87
Five-year adj mortgage (ARM)	3.83	3.57	3.83	2.80	0.91	-0.13
New-car loan, 48-month	2.57	2.57	3.72	2.42	-0.61	-3.82
Home-equity loan, $30,000	5.19	5.20	5.23	4.57	0.53	0.04