COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL
市場概括

- **Commercial Real Estate Recovery to Accelerate in 2014**

  受更多資本投入影響，2014 年商業地產將加速升溫

  We're seeing a tremendous weight of capital from a growing and diverse set of capital sources interested in a much wider range of U.S. real estate.

- **CRE Prices Rebound In October**

  隨著政府關門的解決和債務上限辯論的緩和，以及美聯儲減量政策日漸清晰，商業地產價格繼續上行

  Resolution of Government Shutdown and De-Escalation of Debt Ceiling Debate, Plus More Clarity Over Fed Tapering Policy, Helped Commercial Property Prices Continue Upward Trajectory

- **Housing Hiccup**

  2014 年的美國房市復甦恐虎頭蛇尾，因銀行貸款緊縮和利率上漲。投資者持現金購房可幫房價保底，但難以避免增速的明顯放緩。

  The U.S. housing recovery could run out of steam in 2014. Banks are likely to tighten lending standards once new rules come into place. Rising interest rates may drive down home loan volume, too. Cash purchases by investors could set a floor for house prices, but they may not be enough to prevent a major slowdown.

RETAIL
購物商場

- **Empty Strip Mall? Here's How to Fill It**

  六大適於填補商場空位的快速成長行業商家

  IBISWorld has identified six industries that are composed of profitable, small retailers or service providers that are set to quickly expand during the next five years and represent promising tenant targets for strip mall lessors. These businesses will boom due to rising business-to-business transactions, or thanks to expanding consumer spending and interest in their wares.

- **Reform Mixes Health Care and Retail**

  傳統的健保分離體制將被改變，醫療與保險零售會融合在一起

  Traditionally, health care and retail haven't mixed well together. Typically, health care companies haven't sold products to people. Instead, insurers sold coverage plans to employers and hospitals negotiated payment with insurers. But that is changing.

- **Investors Eating Up Fast Food Properties**

  投資者進一步侵吞快餐店，成交額超出去年 12 億，并高於 2010 和 2011 兩年總額

  The appetite for fast food restaurants continues with sales of such properties on pace again this year to exceed more than $1.2 billion as they did last year. Those amounts top the combined totals for 2010 and 2011.

- **Tech Industry Giants Opening Stores In Malls**

  以 Google 為例的科技業巨頭們陸續在購物中心開店以提高銷售額

  Google and other leading tech giants — Amazon.com Inc., SAP AG, Intel Corp., Hewlett-Packard Co. and Microsoft Corp. — are opening retail pop-up stores, stores-within-stores, mall kiosks and showrooms, even outfitting tour buses with their latest gadgets, to ramp up sales during the holiday shopping season.

- **Aldi Plans 650 New U.S. Stores In Next Five Years**

  德國折扣超市Aldi計劃五年內在全美開設 650 間新店，並在加州 Moreno Valley設立區域總部

  Discount grocer Aldi is launching a five-year strategic plan to open 650 new stores across the United States. The chain launched its expansion efforts with the decision to build its regional headquarters and distribution center in Moreno Valley, Calif.

- **Independent Bookstores Turn A New Page On Brick-And-Mortar Retailing**

  獨立書店逆勢而起

  Bookstores are terminally ill. Borders? Dead. Barnes & Noble? Life support. Amazon is king. E-books are the present and the future. Have tablet, will read. But in downtown Frederick, Md., Marlene and Tom England are defying the future: They recently opened the Curious Iguana bookstore.

- **Dollar General Grocery Poised To Challenge Wal-Mart**

連鎖超市 Dollar General 針對低價消費者，成為沃爾瑪的強勁對手

If recent market studies hold, Dollar General is going to give Walmart a run for its money with shoppers who simply want the lowest prices.

- **Asian Americans' Shopping Habits Make Retailers' Eyes Light Up**

  亞裔美國人的消費狂潮讓零售商眼前一亮

  Spending among so-called swayable shopaholics in the fast-growing demographic of Asian Americans outpaces other groups, even millennials.

- **Riding the Organic-Store Wave**

  乘上有機食品店的浪潮 – 隨著人們對健康飲食的認同，有機食品店漸轉型成連鎖甚至上市大企業

  Organic food stores, once dubbed the hippie trend of the West Coast in the 1960s, have slowly transformed from individual ownership to regional representation to national chains, some of them going public, as selective shoppers have embraced healthy eating habits.

OFFICE
辦公樓

- **Office Outlook: Vacancy Declines, Rents Rise in 2014**

  辦公樓市場展望：空置率有望繼續下降至 14.3%，房租繼續上漲

  Office vacancy across the U.S. is expected to continue declining next year, dropping approximately 80 basis points to 14.3 percent by year-end. The positive trend is expected to continue into 2015 with vacancy landing at approximately 13.5 percent for the year.

INDUSTRIAL
工業倉庫

- **Industrial Assets Are Repositioning as Retail**

  加州橙縣出現工業倉庫改造成零售用途的趨勢

  A new trend of certain industrial properties being repositioned as retail and showroom properties is emerging in Orange County.

- **With Demand Increasing, Developers Warming Up to Spec Warehouse**

  工業倉庫需求增長，預計將有大量以投機為目的的開發商迴歸市場

  CoStar Forecast Projects New U.S. Warehouse Supply Will Outstrip Demand Next Year Through 2017, Luring Speculative Developers Back Into the Market

MULTIFAMILY
公寓樓

- **8 Threats to Apartment Owners in 2014**

  好景不長在，公寓樓房東在 2014 年面臨的八大威脅

As the rest of the economy has foundered, apartment owners have surged coming out of the recession. But the good times might not last forever. Here are eight things that could wreck their joyride.

HOTEL
酒店

- **Sheraton Gateway Hotel and Torrance Marriott South Bay Sold to Chinese Real Estate Developers**

位於洛杉磯的喜來登 Gateway 酒店和位於托倫斯的萬豪 South Bay 酒店分別由中國地產開發商收購

The Sheraton Gateway Los Angeles Hotel, a 15-story hotel with 802 rooms next to Los Angeles International Airport, has been sold for $96 million to a Chinese real estate developer. The deal falls on the heels of the recent sale of the Torrance Marriott South Bay to another Chinese property developer.

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

Commercial Real Estate Recovery to Accelerate in 2014

受更多資本投入影響，2014 年商業地產將加速升溫

SOURCE Jones Lang LaSalle

JLL forecasts investment volumes up 10 percent and leasing markets to moderately improve

CHICAGO, Dec. 17, 2013 /PRNewswire/ -- Jones Lang LaSalle's (JLL) research experts have polished off the firm's crystal ball and it reveals a clear path to stronger performance expectations for commercial real estate in 2014. The firm's top researchers believe the "global real estate disconnect" between buoyant investment markets and more cautious leasing markets that existed during 2013, is narrowing in the United States as the nation's recovery broadly diversifies ahead of many of its global counterparts.

JLL's 2014 global viewpoints point out the surprising upsides in investment sales volume in 2013, largely attributed to the weight of money flowing into the asset class, an improving lending environment, the heightened appetite for risk and investors' movement into secondary markets. These factors are expected to continue to move the sector forward in the coming year with global investment volume growth of 10 percent year-over-year to $550 billion in 2014. The firm expects particularly strong gains on the U.S. horizon with further gains in more diversified investment across primary and secondary markets and sectors.

"We're seeing a tremendous weight of capital from a growing and diverse set of capital sources interested in a much wider range of U.S. real estate," noted Ben Breslau, Jones Lang LaSalle's Americas Research Managing Director. He describes the dynamics of today's investment and leasing markets around the world in this short video, "Investors feel more comfortable with the economic outlook, and they've shown a greater appetite for risk that has led to a 21 percent global increase in year over year investment volumes."

JLL is less exuberant on the global leasing market forefront. "Global leasing volumes for the full-year are expected to be flat, and in most markets and countries, 2013 is likely to turn out to be a weak year for rental growth," added John Sikaitis, Managing Director of Office Research for Jones Lang LaSalle.

Corporate profitability is high and occupier sentiment has improved markedly over the last quarter, however, and leasing markets will move from flat globally in 2013, to slightly improving growth of leasing volumes of 5 to 10 percent in the year ahead. There remains a wide variation in leasing momentum across geographies around the world.

In the United States, the office leasing forecast is brighter based on the market seeing demand diversifying and supply dwindling: U.S. Cross Sector Report. CBD locations have shifted to landlord-favorable conditions in the vast majority of markets driven by the highest quality and most efficient buildings with potential rent spikes ahead in these segments of the market in the next 24 months due to limited construction. While new office development is steadily increasing, especially in tech-rich and energy-heavy geographies, overall construction levels will be below trend until at least 2015. With limited new supply delivering ahead, mid-sized and large tenants, especially in America's CBDs, will face challenges in 2014.

> -- Demographic dynamics: Demographics will play a stronger role in the U.S. office market in 2014, as the millennial generation demands a sense of place and increasingly urban or quasi-urban environments. The suburbs are not dead, but will increasingly diverge further into two markets; choice locations on amenities, transit and with a sense of place will heavily outperform suburban locations lacking those characteristics.
>
> -- The pace of recovery expected to appear slower than past cycles: While the recovery is gaining momentum geographically and across industries, the pace of the recovery will appear slower than past cycles as a result of aggressive space utilization measures adopted by most industry sectors. Traditional office users like banks and law firms are doing more with less and high-growth innovation-based industries are leading the trend in efficient and modern workplace standards and utilization; this will place a ceiling on heightened absorption levels in any given quarter for the foreseeable future.

JLL also expects office rent growth to pick-up modestly into 2014. Tech and energy markets will not be the only markets to see rent growth. Overall, Jones Lang LaSalle is forecasting office rents to grow at a 5.5 percent clip in 2014 with net effective rents climbing even higher due to shrinking concessions.

"The big takeaway that we are starting to see is that after two to three years of a very siloed recovery in the energy and technology market, demand is starting to diversify," said Sikaitis. "Now, we are seeing a lot of markets contribute to higher leasing volumes, giving viability to the recovery we haven't seen in the past." Sikaitis shares his perspective on the accelerating recovery and factors that will impact 2014 in this short video.

It all comes down to jobs

Many industries are now recouping job losses from the recession and this -- after occupier downsizes and space considerations in prior years -- will create additional demand for commercial real estate. Every new job in a given sector and region produces or typically correlates highly, with other jobs being created in other sectors in that region. These jobs are known collectively as indirect jobs. These jobs in turn have a multiplier effect and thus create additional demand for real estate.

"Housing is also a bright spot for our recovery and is impacting multiple factors of our economy,' noted Marisha Clinton, Director of Capital Markets Research. "Accelerated housing flows through to commercial property, as construction, real estate, lending, retail and manufacturing jobs are created boosting local economies. However, the Millennials are the ones to watch, creating broad-reaching implications for our culture and economy that will have significant impact for years to come."

CRE Prices Rebound In October

隨著政府關門的解決和債務上限辯論的緩和，以及美聯儲減量政策日漸清晰，商業地產價格繼續上行

By Randyl Drummer (CoStar)

Commercial property prices resumed their upward trajectory in October as concerns eased over Federal Reserve stimulus tapering and government fiscal policy and commercial real estate fundamentals continued to improve.

The value-weighted U.S. Composite Index and the equal-weighted U.S. Composite Index, the two broadest measures of aggregate CRE pricing within the CoStar Commercial Repeat Sale Indices (CCRSI), rose by 1.1% and 1.4%, respectively, in October, according to the latest CCRSI report released this week.

As the market cycle shifts from recovery to expansion mode for most property types, pricing has firmed at both the high and low ends of the market. Transaction activity continues to improve and distress sales volume has fallen to its lowest level since 2008.

Meanwhile, vacancy rates across all four major property types have nearly returned to their historical averages. With the exception of the multifamily sector, construction remains historically low.

The value-weighted Composite Index, which is influenced by larger, higher-quality property transactions, has advanced by 9.5% on an annual basis, while the equal weighted Composite Index, influenced by the many more numerous smaller deals, has risen by 7.4%.

The General Commercial segment within the equal-weighted index, which includes lower-tier properties, gained 1.4% in October and 7.1% for the year. The Investment Grade segment increased by 0.8% during the month but is up 9.8% from a year ago.

In particular, the recovery of the suburban office sector reflects this broad increase in pricing across all building quality levels. Suburban properties posted a 15% pricing gain, compared with 8% in central business district assets, over the last year.

Sales liquidity continues its marked improvement in 2013, with the year-to-date repeat-sale transaction total for 2013 up 16% from the same 10-month period last year.

The general commercial segment has logged a 17% increase in total property trades while investment-grade deals are up 11% as investors search everywhere for pockets of yield -- from primary to secondary markets and even some third-tier markets.

Other liquidity metrics also saw improvement in October. The average time on the market for properties fell 6% in October to 417 days from its 2012 cyclical peak of 443 days.

The narrowing spread between asking and bidding prices also continues to tilt in favor of sellers. In October, sold properties traded at an average of 88.4% of their asking price, up from just 84.6% at the low point in early 2012.

Also, properties withdrawn from the market by sellers declined 1.3% in October from the prior year.

Finally, the share of properties selling at distressed price levels dropped to 10.7% in October from nearly 20% in October 2012, the lowest level since December 2008.

While the latest CCRSI report notes that the major liquidity indicators have not yet come back to pre-recession levels, the trends bode well for a continued recovery in pricing.

As prices for core assets have appreciated and market conditions continue to improve, lenders have become more willing to assume added risk in providing financing for buyers hoping to pick off distress properties at lower prices.

In stronger markets such as San Francisco, Boston, Los Angeles, Seattle and New York, the share of distressed sales fell into the single digits in the third quarter of 2013.

However, distress still varies widely by market. Distress deals still accounted for more than 20% of all sales in third-quarter 2013 in such housing bust markets as Atlanta, Las Vegas and Orlando, suggesting there's more opportunity for prices to rise in those markets.

Housing Hiccup

2014 年的美國房市復甦恐虎頭蛇尾，因銀行貸款緊縮和利率上漲。投資者持現金購房可幫房價保底，但難以避免增速的明顯放緩。

Source: Breakingviews

The U.S. housing recovery could run out of steam in 2014. Banks are likely to tighten lending standards once new rules come into place. Rising interest rates may drive down home loan volume, too. Cash purchases by investors could set a floor for house prices, but they may not be enough to prevent a major slowdown.

Of late, the market has been on a tear. American home prices in the third quarter of 2013 rose 11 percent compared with the same period a year earlier, the S&P/Case-Shiller index shows. That's the strongest jump since the bubble popped six years ago. Foreclosure activity, meanwhile, has fallen to 2005 levels, according to online marketplace RealtyTrac. And existing home sales have been the best since 2007, with over 5 million on an annualized basis since May, reports the National Association of Realtors (NAR).

But Washington appears poised to throw cold water on the fiery recovery. In January, the so-called Qualified Mortgage rule goes live. It piles strict new standards on lenders who want to avoid borrower lawsuits. That could shrink home loan credit from the current level that is already lower than before the boom.

Congress may even make some reforms to mortgage finance next year, possibly laying out the funeral plan for guarantors Fannie Mae and Freddie Mac. Both lawmaking chambers are pondering bills, and outgoing Senate Banking Committee Chairman Tim Johnson needs some legacy legislation.

Meanwhile, demand for mortgages is likely to shrink, too. That's because long-term interest rates are on the verge of rising after years of the U.S. Federal Reserve holding them artificially low. Not only will that lead to a slump in borrowers refinancing their existing home loans – a business that already dropped in 2013. It will also dissuade some from buying a new home.

It's not looking totally bleak. Since mid-2010 all-cash purchases, mostly by investors like Blackstone, have made up 30 percent of all existing home sales, according to the NAR. That's more than three times its historical norm. That may prevent house prices plummeting, but it's of little comfort to the average buyer.

Empty Strip Mall? Here's How to Fill It

六大適於填補商場空位的快速成長行業商家

By AGATA KACZANOWSKA (IBISWorld)

Swathes of strip malls still stand unfinished and empty across America since the recession bankrupted local businesses and sent commercial construction activity on a downward spiral. Over the three years to 2011, the value of commercial building construction plummeted 12.6 percent annually, on average.

While still a ways away from making a full recovery, a recent rise in credit access is slowly encouraging retailers to open additional locations in strip malls while interest rates stay low. To expand their market reach, many vendors are franchising their businesses and relying on local support to establish a successful business in a previously untapped market.

Because business owners are increasingly building storefronts in regions they are unfamiliar with, it is important for lessors to keep tabs on retail trends throughout the economy. Small establishments, as opposed to anchor stores, can represent particularly attractive opportunities because they often achieve faster growth than well-established chains.

IBISWorld has identified six industries that are composed of profitable, small retailers or service providers that are set to quickly expand during the next five years and represent promising tenant targets for strip mall lessors. These businesses will boom due to rising business-to-business transactions, or thanks to expanding consumer spending and interest in their wares.

A strong foundation

Industries expected to rapidly expand into new locations during the next five years include real estate agency franchises and lumber and building material stores. Strip malls, which benefit from high traffic exposure, are prime locations for these types of establishments. Growth in these two industries, though seemingly unrelated at first glance, signals a long-awaiting return in demand for real estate and construction-related products and services.

Real estate agency franchises and lumber and building material stores are estimated to add a combined total of 19,230 locations during the five years to 2018.

1. Real estate agency franchises

Pent-up demand for residential housing and for commercial real estate will provide the impetus for an influx of new real estate agency franchises. Real estate agents and brokers are mostly paid on a commission basis, which results in stable industry profit, averaging about 7.5 percent of revenue, making such businesses a prime lending candidate.

Though industry consolidation will continue as larger real estate firms acquire franchises to expand into new geographic markets, smaller business owners will also increasingly connect with existing franchises to leverage their operational support and resources to attract new customers.

IBISWorld estimates that the number of industry establishments, or franchise locations, will expand at a 5.2 percent average annual rate to about 40,995 during the five years to 2018. These franchises are expected to expand into small, office-like suites that are often spattered throughout strip malls.

2. Lumber and building material stores

Increased consumer spending on home improvements and an upturn in the construction markets will drive demand for lumber and building material stores as the economy's recovery gains momentum, pushing up industry revenue 9.5 percent to $102.6 billion in 2013. Although profit will only account for an estimated 1.9 percent of revenue in 2013, rising sales are expected to benefit the industry's bottom line.

Because rent and wage costs are largely fixed, profit generally expands in line with revenue. Therefore, increased spending on home improvements and renewed activity in the residential housing sector show promising signs of success for operators of lumber and building material stores.

Increasing revenue and rising profitability will invite small and non-employer operators into the industry, especially in areas that are more remote and underserved. Because about 69.1 percent of operators employ fewer than five workers, most businesses will seek out loans to start up or expand.

Lumber and building material store expansion is forecast to surge at a 3.6 percent annualized five-year rate to 61,072 locations in 2018. These businesses are expected to occupy medium-size leases in strip malls and other shopping centers where they can best showcase their wares, attract curious consumers and conveniently service construction contractors.

Consumer-driven expansion

Other retailers that are expected to add a significant number of new locations during the next five years include single-location, full-service restaurants, pizza restaurants, jewelry stores and health stores. Consumers are increasingly spending on the products and services that these industries provide as disposable income rises.

3. Single-location, full-service restaurants

Intense competition in single-location, full-service restaurants will continue during the next five years as consumers resume spending on luxuries like eating out. And, although profitability varies greatly between operators, IBISWorld estimates that earnings before interest and taxes average a healthy 6.2 percent of revenue.

New technologies will make restaurant operations run more efficiently, which typically supports profitability and, in turn, attracts new entrants into the industry. For example, restaurants will implement new systems using websites, text messages and social networking sites for contacting customers and making bookings. Technological investment will also improve back-of-house operations, including labor scheduling and product ordering systems.

The number of establishments is expected to total 220,125 in 2018, representing 1.3 percent annualized growth from 2013. They will benefit from high-profile spots in strip malls where they can easily tempt potential diners.

4. Pizza restaurants

Pizza restaurants will also benefit from rising consumer spending on eating out as unemployment falls. Although the industry is expected to expand, pizza restaurants will continue to contend with rising competition from other retail food outlets and consumers' preferences toward healthier foods. As a result, pizzerias will get creative with their menus and offer more products made with fresh ingredients to satisfy consumer demand.

With revenue expected to rise consistently, IBISWorld anticipates more of these restaurants to pop up over the next five years. From 2013 to 2018, establishment numbers are forecast to increase at an average rate of 3 percent per year to 89,009. Pizza restaurants are also estimated to be slightly more profitable than single-location, full-service restaurants, earning an average profit of 6.4 percent of revenue.

Pizza restaurants will particularly benefit from strip mall locations near neighborhoods, so patrons can choose between conveniently stopping by for a slice, ordering takeout or dining out close to home.

5. Jewelry stores

As the economy enters a full-blown recovery during the next five years, new entrants and reemerging companies will push jewelry stores into a period of fast-paced expansion. Rising discretionary spending will enable jewelry stores to raise their prices and earn higher profit, which will attract additional firms and investment in expansion activities. Consequently, IBISWorld projects that the number of jewelry stores will grow at an annualize five-year rate of 2.3 percent to 65,749 in 2018.

Strip malls are particularly attractive to industry operators because they are typically well lit and provide additional security to protect their merchandise. Despite relatively high security costs, profit is estimated to total 9.2 percent of industry revenue. As luxury spending rebounds during the next five years, profit is anticipated to climb even further to 13.2 percent of revenue by 2018, making this industry a low-risk leasing opportunity.

6. Health stores

Rising demand for dietary supplements, the emergence of healthcare legislation and the aging of the American population will boost demand for health stores during the next five years. Rapid growth in the supplement and sports nutrition segments and the recent uptick in available real estate have encouraged operators to open additional locations despite mounting competition from mass merchandisers and online retailers.

Due to heightening competition and rising rent and wage costs over the next five years, industry profit is expected to average about 5.5 percent of industry revenue in 2018, a slight decrease from 2013. However, strong revenue growth is expected to make up that decrease in terms of higher dollar amounts.

Small start-ups that are knowledgeable about health are entering the industry to capitalize on rising consumer demand for expert nutritional advice from salespeople. As a result, the number of stores is forecast to expand at a 1.9 percent annualized rate to 64,146 in 2018. To attract consumers on the go, health stores will benefit from highly visible locations in strip malls, such as corner shops or storefronts near major roadways.

The way to growth

With a bump in real estate investments from pension funds, real estate investment trusts, credit unions and investment banks, small businesses will slowly but surely fill the high number of vacancies that currently characterize strip malls across America. The aforementioned retailing industries are poised to lead an expansion into markets that are rebuilding in the post-recession era, enabling them to negotiate mid- to small-size leases for retail space. Therefore, the low cost of financing and renting is likely to result in higher returns for retailers, which will benefit lessors.

New stores are paving the way for investment into the construction of shopping malls, department stores, food retail outlets, entertainment facilities and warehouses. Many underserved American communities are hoping for such expansion, and will benefit from the small business loans that can enable endeavoring retailers to establish a storefront in their town.

Reform Mixes Health Care and Retail

傳統的健保分離體制將被改變，醫療與保險零售會融合在一起

By Shelley DuBois (US Today)

NASHVILLE -- Carl King once used alligator tweezers to dislodge a piece of cotton from deep within the ear canal of an Israeli soldier traveling through Nashville.

King is a physician's assistant at the CareHere clinic near Terminal C at Nashville International Airport. CareHere has 140 clinics in 22 states, most of them built for employers who offer on-site care as a perk to employees. But the airport clinic is special, said Ernie Clevenger, the company's president, because it is the first airport clinic that treats airport personnel and passengers.

It is also the only one of CareHere's clinics with a retail component: Its three exam rooms are attached to a store that sells products ranging from Burt's Bees lip balm to high-end health bars. And that retail store has led to surprising returns — generating 48% of the clinic's total revenue.

Traditionally, health care and retail haven't mixed well together. Typically, health care companies haven't sold products to people. Instead, insurers sold coverage plans to employers and hospitals negotiated payment with insurers.

But that is changing. The Affordable Care Act is accelerating several trends that spotlight individuals as stakeholders in their own health care. For one, employers, uncertain of the ACA's impact, are offloading more of the cost of care onto employees through high-deductible plans and health savings accounts. According to a study by the National Institute for Health Care Management, 69% of employers plan to shift even more of the cost of care onto consumers over the next four years.

That shift will have an impact on the industry.

"If you're an individual, you're buying for you and your family. The things that are important to you are different than the things that are important to a group administrator at a large employer who's trying to satisfy many," said Henry Smith, chief marketing officer for Blue Cross Blue Shield of Tennessee.

Second, the government will push hospitals to act more like other service industries. The Centers for Medicare & Medicaid Services will hold hospitals responsible for the quality of care. Hospitals must monitor not only patients, but also how patients experience their care.

Finally, traditional retailers are moving into the health care space. If hospitals want to attract patients and insurers want more "lives" on their plans, companies in both industries will have to think a lot more like retailers than they do now.

"Imagine people going into an Abercrombie & Fitch and having no idea what these different products are suited for," said Nancy Puccinelli, a consumer marketing fellow at Oxford's Said Business School. Imagine that shoppers couldn't figure out whether a shirt was made to wear in the winter or summer, or if they should shop for socks versus cologne. For the health care consumer, she said, "That's really what you're looking at right now."

Market research

Granted, Puccinelli said, health care will never function completely like a retailer in the free market, because of the ethical argument that societies are obligated to treat people who can't afford the product.

But even programs designed to help financially stressed people are following age-old retail adages. For example, some use market research to deliver products to consumers, in a way they can access them, where demand is high.

The state of Tennessee has tasked UnitedHealthcare to better serve members of TennCare, Tennessee's iteration of Medicaid, said Darren Hodgdon, chief operating officer for UnitedHealthcare's Community Plan of Tennessee.

To do so, United is building centers in high-need areas and working with nearby providers to track members' care. The idea is to help doctors reach patients who need follow-up appointments, which cuts down on emergency visits down the road. The company has a 92 percent success rate of finding patients within two days, Hodgdon said.

As to why the company wasn't doing this before, Hodgdon said, "Sometimes personalization and local community focus get lost in scale," but efforts to center care in communities have taken off in the past two years.

"The best part about the whole program is that the members' response to this has been a real surprise. They have been so appreciative that somebody's been out there looking for them and helping them coordinate their care," Hodgdon said.

Think like retailers

Hospitals also must think like retailers. Beginning with patients discharged in 2012, hospitals' Medicare reimbursement rates are linked to patient satisfaction scores, courtesy of the Affordable Care Act. A hospital visit is a much more complex encounter than trying on clothes at a store, but that's not an appropriate excuse, said Kevin Gwin, vice president of communications for Nashville-based provider Ardent Health Services: "Welcome to retail — the customer doesn't care."

And patients do vocalize their satisfaction or lack thereof, Gwin said.

"They're in the hospital bed, and they're posting on our Facebook pages, they're telling us what room they're in, they're naming names, and they're just letting us have it," Gwin said.

While some companies' knee-jerk response may have been to yank negative posts, Gwin said, Ardent didn't. Instead, like Blue Cross and retailers everywhere, the company increased its social media efforts, flagging patient concerns and addressing them offline.

Hospitals need good street cred with patients to battle against new and emerging competitors.

Retail pros such as Walgreens are colonizing the health space, too. The drugstore chain has built 370 on-site health clinics for employers. Like the CareHere clinics, those facilities keep patients away from primary care doctors at hospitals.

Perhaps even more threatening to hospitals, Walgreens has folded 400 retail health clinics, called Healthcare Clinics, into stores across the country. The company plans double-digit percentage growth in the number of these clinics during 2014, said a spokesman.

It is tumultuous times for insurers and hospitals, and they have a bigger cross to bear than other retailers.

After all, it's hard to trigger the same serotonin hit selling a sensible insurance plan or a throat culture that you do selling a brand-new Audi Q5 or a pair of Jimmy Choo shoes.

On the other hand, these companies have a leg up in that they offer products that either improve people's lives — the soldier at the airport was extremely grateful to get the cotton out, the caregiver said — or, in some cases, save them.

Investors Eating Up Fast Food Properties

投資者進一步侵吞快餐店，成交額超出去年 12 億，并高於 2010 和 2011 兩年總額

By Mark Heschmeyer (CoStar)

The appetite for fast food restaurants continues with sales of such properties on pace again this year to exceed more than $1.2 billion as they did last year. Those amounts top the combined totals for 2010 and 2011.

In the latest major acquisition, Centre Partners, a leading middle market private equity firm, acquired Captain D's Holding Corp. a leading national chain of 521 seafood-themed fast-casual restaurants in 26 states. Terms of the private transaction were not disclosed.

Captain D's senior management team will own a significant stake in the business and continue to serve in their current roles.

The seller was Sun Capital Partners Inc.

In another notable set of deals that closed just before this past Thanksgiving, an entity affiliated with New York-based American Realty Capital Trust V Inc. purchased and leased back 41 Burger King restaurants across Illinois, Ohio and Pennsylvania for a total of $63.2 million, averaging $1.54 million per eatery.

The leases were 20-year, absolute NNN deals.

A cap rate of 7.04% was reported by a market source with knowledge of the transaction.

The seller/lessee, affiliates of Toms King Services LLC, originally rolled up ownership of the properties mostly in the spring of 2012.

Not only is the volume of deals running at a significant pace, the average sales price is increasing rapidly.

In the second quarter of 2012, the average sale price per eatery was coming in at $405/square foot. So far this quarter, they have been averaging $580/square foot. That is a 43% increase, according to CoStar COMPs data.

The only thing inhibiting investor demand at this point is a limited availability of product, according to Cassidy Turley's Single Tenant Net Lease Overview issued last month.

Going forward, the trend of rising prices could slow or flatten if interest rate hikes hit next year as many anticipate, the report noted.

The average capitalization rate for fast food deals that closed in the third quarter of 2013 was 6.9%, according Cassidy Turley. That compares to an average of 6.5% in the second and a reading of 7 a year ago.

"In general, we are seeing first-tier fast food properties moving with cap rates below the 6% mark nationally, though we have seen some top quality assets (great location in strong market) with the most desirable long-term tenancy in place (McDonald's., Chick fil-A, In-N-Out, etc.) trade with caps heading into the 4% range," the report noted.

Second-tier fast food properties are averaging in the 6% to 8% rate nationally. Third-tier and/or value-add fast food properties are generally trading with cap rates above the 8% mark everywhere.

Cap rates too could likely increase by the final half of 2014 if interest rates rise. However, continued intense competition for first-tier fast food opportunities will mean less of an uptick for these properties, Cassidy Turley noted.

Tech Industry Giants Opening Stores In Malls

以 **Google** 為例的科技業巨頭們陸續在購物中心開店以提高銷售額

By Heather Somerville (The Columbus Dispatch)

ROSEVILLE, Calif. — The glowing winter wonderland inside the mall here, adorned with fake snow and pulsing with electronic music, beckons weary holiday shoppers. But there’s no Santa and no elves; instead, tablets and laptops are the lure of Google Inc.’s high-tech holiday display.

Google and other leading tech giants — Amazon.com Inc., SAP AG, Intel Corp., Hewlett-Packard Co. and Microsoft Corp. — are opening retail pop-up stores, stores-within-stores, mall kiosks and showrooms, even outfitting tour buses with their latest gadgets, to ramp up sales during the holiday shopping season.

Inspired and challenged by Apple’s retail stores, the companies hope to convert tech-skeptical consumers into gadget buyers by letting them swipe, type and tinker with the new technology, experts say.

Not every sale, these companies are learning, can be made online.

“They have to be where the public goes and frequents, and that’s the mall,” said David Johnson, CEO of Strategic Vision, a Georgia-based branding firm. “Your tech geeks are going to order online. But before you’re going to see mass consumption, people are going to want to touch the products."

As more big tech companies add consumer gadgets to their product lineup and compete with Apple, which has an ever-growing footprint of flourishing stores, they’ll also add more pop-up displays to show off those gadgets, allowing consumers to interact with tech in a personal way, experts say.

“Everyone in retail has looked at Apple in the last few years to try and replicate what they’ve done,” said Stephen Baker, an analyst with the NPD Group. “If you are dabbling in hardware, you have to be in front of the customer.”

Palo Alto, Calif.-based HP added mini-stores inside two locations of the Nebraska Furniture Mart, and had a pop-up store and restaurant in New Zealand for the 2011 Rugby World Cup.

Intel, of Santa Clara, Calif., has opened the Intel Experience Store in Chicago, Los Angeles and New York, showcasing HP detachable laptops that run Intel processors. EBay Inc., the San Jose, Calif.-based e-commerce company, last month put up large touch-screen panels on the walls at Westfield San Francisco Center. Consumers can shop from three interactive glass screens.

HP and SAP, the German software giant, each have taken retail displays on the road. HP is running a truckload of gadgets and demos across the country. SAP built a bus to showcase its cloud services, mobile technology and data applications. It has since parked the bus at 61 events, including the TechCrunch Disrupt conference in San Francisco and a football tailgate party in Detroit.

“It kind of looks like an Apple store,” said Byron Banks, vice president of product marketing at SAP’s Palo Alto office. “It has iPads on it. It has touch screens on it.”

Aldi Plans 650 New U.S. Stores In Next Five Years

德國折扣超市 Aldi 計劃五年內在全美開設 650 間新店，並在加州 Moreno Valley 設立區域總部

By Dan Berthiaume (Chain Store Age)

Batavia, Ill. – Discount grocer Aldi is launching a five-year strategic plan to open 650 new stores across the United States. The chain launched its expansion efforts with the decision to build its regional headquarters and distribution center in Moreno Valley, Calif.

To reach its aggressive five-year goal, Aldi plans to accelerate the pace of new store openings to an average of 130 per year, up from an average of 80 stores per year in recent years. Aldi also is planning to invest more than $3 billion to pay for land, facilities and equipment. When the expansion is complete, Aldi will have stores coast-to-coast and anticipates serving more than 45 million customers per month.

The expansion is expected to create more than 10,000 new jobs at Aldi stores, warehouses and division offices. Today, Aldi has nearly 1,300 stores across 32 states and employs more than 18,000 people

"We're ramping up our expansion plans to meet growing demand for Aldi from customers across the country," said Jason Hart, president, Aldi. "Recently, we successfully entered new markets such as Houston, and expanded our presence in competitive markets like South Florida and New York City. At Aldi, we believe that great quality can be affordable, and we are eager to bring the Aldi difference to new markets like Southern California."

Independent Bookstores Turn A New Page On Brick-And-Mortar Retailing

獨立書店逆勢而起

By Michael S. Rosenwald (The Washington Post)

Bookstores are terminally ill. Borders? Dead. Barnes & Noble? Life support. Amazon is king. E-books are the present and the future. Have tablet, will read.

But in downtown Frederick, Md., Marlene and Tom England are defying the future: They recently opened the Curious Iguana bookstore. It carries books printed on paper. Nonfiction. Poetry. Short stories. That seems insane, right? Some people strolling by certainly think so.

“I’ve heard them say: ‘A bookstore? Who would open up a bookstore these days?’ ” Marlene said. “I mean really, the door is open. I can heeaaaaaaaar you.”

Marlene has not ventured outside to offer the doomsayers a retort, but if she did, it would be this: Independent bookstores are not dead. In fact, in some of the country’s most urbane and educated communities, they are making a comeback.

In an e-tailing world, their resurgence is driven by e-book growth that has leveled off, dyed-in-the-wool print lovers who won’t (or can’t) abandon page flipping, a new category of hybrid reader (the latest mystery, digital; the latest John Irving, print) and savvy retailers such as the Englands, positioning their stores squarely in the buy-local movement and as a respite from screens.

The American Booksellers Association, which represents independent bookstores, says its membership — it hit a low of 1,600 in 2008 — has grown 6.4 percent in 2013, to 2,022. Sales were up 8 percent in 2012, and those gains have held this year. In the District, sales at Politics and Prose, where President Obama and his daughters went Christmas shopping last month, have grown each of the past few years. Its owners pondered an additional outlet in Georgetown, but the original idea for a location fell through.

Nationally, while there are still indie bookstores shutting their doors, unable to hold on against the tough head winds, there are more stores opening than closing. Word, the popular Brooklyn indie, just opened a new branch at an old Burger King in Jersey City. Bookbug, in Kalamazoo, Mich., has doubled its size. Novelist Ann Patchett opened a store in Nashville. There are new openings in St. Louis, in Durham, N.C., and beyond.

“We just never bought into the sky-is-falling mentality,” Marlene England said. “You see the headlines, but you have to dig deep to see what’s really happening.”

The indie resurgence became publishing’s central narrative this year. Publishers Weekly, the industry’s trade bible, last month named Oren Teicher, chief executive of the American Booksellers Association, and his group’s board as its person of the year, an honor previously given to "Fifty Shades of Grey " author E.L. James and Jeffrey P. Bezos, the founder of Amazon.com, the owner of The Washington Post and a villain to indie booksellers.

"We are a lot like Mark Twain: The rumors of our death are a little bit exaggerated," Teicher said. "We have been counted out for a very long time."

Twenty-five years ago, independents were supposed to vanish when Waldenbooks showed up in malls. They were supposed to vanish when Borders and Barnes & Noble came along with endless selection and comfy chairs. They were supposed to vanish when Costco started selling the latest Doris Kearns Goodwin . They were supposed to vanish when Amazon perfected low prices and fast shipments — not just for books but even for rowboats, meaning nobody would ever have to leave the house again to shop.

"I think what we're seeing is that the inevitable death of any kind of physical retailing was a gross exaggeration," said Laura J. Miller, a Brandeis sociology professor and author of "Reluctant Capitalists: Bookselling and the Culture of Consumption ." "There are a lot of reasons people like going to bricks-and-mortar stores, especially to bookstores that are offering something more than just a convenient shopping experience."

The Englands' objective when they opened the Curious Iguana was to offer something more. They are experienced in the art of throwback retailing. They own Dancing Bear Toys and Gifts, a popular downtown Frederick toy store specializing in toys without batteries. Even in the face of Xboxes, flying toys and children snatching their parents' iPhones to play games, the Dancing Bear's sales have increased every year.

"We think there's a desire by many to go back to a very simple time," Tom England said. "Kids are starting to play Risk again. People want to touch things. They want to be a little low-tech."

The Englands were pondering opening another toy store in a different downtown, but they love Frederick and realized something special was happening there — a rebirth fueled by upscale food, high-end antiques and cute cafes. Their toy store's book section was booming, so they thought of opening a kids bookstore.

But people around town pushed them to open a bookstore for general interest. They visited Politics and Prose one morning. It was packed. They saw statistics showing that indie stores' sales were growing again. And so they took a huge gamble: They moved their toy store off the main street and around the corner, putting the Curious Iguana in its spot.

The walls are a warm purple. Edison lights hang from the ceiling. The hardwood floor creaks. And they gave the store a larger mission, too — sharing a portion of the proceeds with international nonprofit organizations. Sales, the Englands say, are higher than they expected. One recent Saturday afternoon the store was packed with about two dozen customers.

"We need intimate, small places like this that care about the books they pick," said Lisa Solomon, a Frederick resident holding several children's books. "This isn't just a bookstore. It's more than that."

Ryan Young, 38, dropped $130 on cookbooks, kids titles and some other hardcovers. She said something that many book buyers would be afraid to utter in an indie store: “I’m an Amazon Prime member.” She also admitted to owning and enjoying a Kindle. Lightning did not strike her. That’s because she also said this: “Having a book in my hands — nothing stacks up to that.”

Young is an emerging positive for indie bookstores: a hybrid reader. About 64 percent of U.S. book buyers prefer reading in both print and digital, according to the Codex Group, which regularly surveys readers. Young reads series mysteries on her Kindle, but literary titles come home in print. Industry statistics show that e-book sales are largely tilted toward genre reading, a trend playing out in Young’s life.

“There has to be a value in both,” she said. “There are books on my bookshelves that are like my friends. You can go back to them over and over again.”

Marlene England is not offended about the Amazon.com remark. “It doesn’t have to be an either-or,” she said. “You don’t have to feel guilty for buying e-books. We all do it — for convenience, for travel, whatever.”

E-books, however, have not come to overwhelm bookselling as many experts predicted five years ago. Statistics from earlier this year showed that e-book sales were up 5 percent in the first quarter, compared with 28 percent in 2012 and 159 percent in 2011.

“The growth curve really has flattened, so that’s good for us,” said Bradley Graham, a former Washington Post reporter who owns Politics and Prose with his wife, Lissa Muscatine.

But many independent bookstore owners, including Graham, concede that e-books are a big part of the industry’s future, so they are embracing the technology. In partnership with Kobo, an Amazon competitor, Politics and Prose and other independent bookstores are selling the company’s e-readers and e-books in exchange for a small cut of sales.

Graham says the partnership hasn’t yielded meaningful revenue. More promising, he said, are the store’s other ancillary offerings — daily author readings, dozens of paid classes, and book-oriented trips. The store recently added beer and wine sales for in-store events.

Still, publishing experts say that independents might be fighting for their lives again five or 10 years down the road. College students today — the book buyers of tomorrow — are finding a heavy emphasis on digital textbooks in the classroom, and there is a risk they won’t ever become hybrid book buyers.

Also, Amazon shows no sign of giving indies any relief on what store owners consider predatory pricing, especially on key titles they need to push. Donna Tartt’s new novel, “The Goldfinch ,” is selling for $30 at Curious Iguana. Amazon is selling it for $15.41.

And then there’s Barnes & Noble. While the Borders demise was good for indie sales, a Barnes & Noble collapse would be catastrophic for the publishing industry, which depends heavily on the company’s enormous bookselling footprint to move huge inventories, including bestsellers that help finance the more literary offerings that indies typically stock.

“I think the independents have been given a break for now,” said Al Greco, who studies publishing at Fordham University.

The Englands know the risks. “We knew exactly what we’re getting into,” Tom said.

And besides, Marlene said, “if it all fails, Curious Iguana is a great name for a bar.”

Dollar General Grocery Poised To Challenge Wal-Mart

連鎖超市 Dollar General 針對低價消費者，成為沃爾瑪的強勁對手

By Richard Mullins (TBO)

The prices on strawberries are great, same with milk. And though the bananas may be on the ripe side for some people's taste, they're cheaper than Publix by a significant margin. Is this a new Walmart store? Nope. A new Dollar General "Market" grocery store.

The dollar store brand that helped start the market sector of dollar stores in the first place has recently built a new prototype, full-sized grocery store in Thonotosassa, and the company is replacing other older, basic dollar stores around the Tampa region with a new prototype design, including one at 8212 N. Armenia Ave., complete with lush landscaping, bright colors, polished concrete floors and neatly organized inventory.

And if recent market studies hold, Dollar General is going to give Walmart a run for its money with shoppers who simply want the lowest prices.

"The reputation of a dollar store comes with the territory, but we are actually not really a dollar store," said company Spokeswoman Crystal Ghassemi. In fact, only about 25 percent of items at Dollar General are a dollar or less. "A lot of people are starting to realize that we carry a lot of the most-popular brands on the shelf." Jif peanut butter, Gatorade drinks, Dasani water and so on, often (but not always) at matching or lower prices than rival budget stores.

So far, Dollar General has only built about 100 of these grocery stores nationwide, and 14 are in this state -- jumping right into one of the most competitive grocery markets nationwide, with Publix dominating, followed by Walmart, Target, and then Winn-Dixie and Sweetbay, which are merging operations. But the Thonotosassa location is fortunate in one regard. There's not a lot of that competition nearby. Though there's a Winn-Dixie just down the street, there's no Publix or Walmart for at least five miles. Family Dollar did recently build a new location about a mile away, but the area is generally speckled with low-slung single-family homes, RV storage yards, and the nearby Big Top Flea Market.

As for prices overall, the market research firm Kantar Retail found Dollar General just barely beat out Walmart on pure price for the second year in a row, and beat Family Dollar by 7 percent, Stop & Shop by 19 percent, Aldi by 32 percent and Target by 48 percent. The survey did not include Publix.

In Thonotosassa specifically, Dollar General Market bananas were priced lower than Publix, at 59 cents a pound versus 69 cents. Eggs were lower, at $1.65 per dozen versus $1.98 at Walmart. And milk was priced at a remarkably low price of $3 per gallon, versus $3.69 at Walmart.

The Dollar General Market almost matched Walmart exactly on cans of tuna, bags of sugar and store-brand bread. But the Dollar General was higher on Oreos than Walmart, at $3.25 per bag, versus $2.98, higher on Bertoli pasta jars, at $2.50 versus $2.18 and much higher on peanut butter, with a 16-ounce jar of Jif at $3 versus $1.98 at Walmart.

In central Tampa, the new, mainly retail prototype store on Armenia Avenue shares some design elements with the Market grocery store. The aisles are a bit wider than usual, the overall building is a bit bigger, and the inventory is better organized. There are still the occasional oddity items, such as overstocks that may not have sold out elsewhere. For instance, the Lays “Limon” potato chips with lime flavor for $3.50 per bag, and “Alligator Gumbo”-brand gator jerky for $3 per bag.

Much of the nation is built-out as far as some kind of Dollar General store, as there are 11,000 in the nation, with 650 in Florida, including 28 in Hillsborough County, 21 in Pinellas and 26 in Pasco.

Financially, the company has been stable, though it’s perception on Wall Street is mixed. The stock rose six percent Friday after the company posted better-than-expected profits. Sales at stores open more than a year increased more than four percent, and total sales grew 10.5 percent. Still, some analysts are also asking when shoppers who downshifted from places like Target to dollar stores may reverse course and go back to their favored stores.

Meanwhile, shoppers should expect more of the fresher-designed stores to pop up. Over time, Dollar General plans to use the new prototypes for any new store, any renovated or relocated store.

Asian Americans' Shopping Habits Make Retailers' Eyes Light Up

亞裔美國人的消費狂潮讓零售商眼前一亮

By Anh Do (LA Times)

In her Tory Burch flats and carrying the requisite Burberry bag, Linda Mar eyes the buttery leather designer purses, pausing to click off the labels: Phillip Lim. Chloe. Prada.

"I want the name brands," the Taiwanese immigrant says, as she wanders the aisles of Saks Fifth Avenue at South Coast Plaza.

Mar is part of an emerging class of Asian Americans, identified as the "swayable shopaholics," who now rank as the most prolific and impulsive buyers in the United States, according to a Nielsen report released Thursday.

They prefer Costco over Walmart, choose brand names over generics and lead the nation as a demographic in online buying. As a group, their spending power outpaces the coveted millennials — those in their 20s and early 30s, according to Nielsen's "Significant, Sophisticated and Savvy: the Asian American Consumer 2013 Report."

Asian Americans have a median household income of $63,400 compared with the general population's $49,600, and are 54% more likely to earn incomes in excess of $100,000.

The study, which confirms that Asian Americans are the fastest-growing group in the nation, with a growth spurt of almost 58% from 2000 to 2013, offers a look at the shopping habits of Asian Americans.

As digital users, 77% of Asian Americans made an Internet purchase in the past year, with books, clothing, airfare, computer hardware and software at the top of the shopping list. Nearly three-quarters of those surveyed said they have smartphones, and 85% said they had used the device to shop, most often making purchases based on multigenerational family needs over their own.

Mar, who lives with her parents and children in Huntington Beach, slips neatly into that category. She plans to buy mall gift certificates as Christmas presents for the youngsters and cozy slippers, wine and packets of tea sold in bulk at warehouse stores for the elders.

"When I'm at a discount place, I still look for a good name," she says. "I don't choose generics."

Mac Gutierrez, pushing a cart loaded with coffee, steak and soda at a Costco in Fountain Valley, said he seeks good deals because his family shares their home with his in-laws.

"But even when I'm buying a lot, I want the best product for what I'm paying," said the Filipino immigrant, reflecting a study trend showing that Asian Americans are unwilling to sacrifice quality for price, even when looking for value for their money.

By 2017, Asian Americans are expected to reach $1 trillion in consumer buying power, "showing their influence and the need for marketers to continue to offer culturally relevant materials," said Betty Lo, vice president of public affairs for Nielsen.

South Coast Plaza is among the retail centers heeding that advice and marketing to Asian Americans and travelers from Asia, with concierge staff and dozens of retail employees who speak foreign languages as well as maps and directions printed in Korean, Japanese and Chinese.

The study is Nielsen's second report on the consumer habits of Asian Americans. The company used results from marketing consulting company Scarborough, along with data from the Census Bureau's American Community Survey and its own market findings, to assemble a "deeper portrait of who the Asian American consumer is, what motivates him or her and what kind of messages he or she responds to," Lo said.

The results show that the need for culturally sensitive programming and services for Asian Americans is critical, she said, with nearly 70% of the population speaking a language other than English at home. Chinese ranks as the second-most frequently used foreign language in the U.S., after Spanish, with 2.6 million speakers.

In the Los Angeles market, more Chinese and Korean Americans watch in-language TV channels than English-language channels.

When it comes to consumers like Mar, who splashes out on designer wear, the term "swayable shopaholic" is an adjective referring to "informed shoppers," those willing to switch brands if they believe another brand offers more quality, notes Frank Piotrowski, Nielsen's senior vice president working in measurement science.

The report said that 35% of those surveyed identified as being a "swayable shopaholic."

Riding the Organic-Store Wave

乘上有機食品店的浪潮 – 隨著人們對健康飲食的認同，有機食品店漸轉型成連鎖甚至上市大企業

By Anna Spiewak (Commercial Property Executive)

The times, they are a-changing. Organic food stores, once dubbed the hippie trend of the West Coast in the 1960s, have slowly transformed from individual ownership to regional representation to national chains, some of them going public, as selective shoppers have embraced healthy eating habits.

And investors are starting to take notice. Exhibit A: Sprouts Farmers Market (SFM), which completed its IPO on Aug. 6. In the third quarter, its first as a public company, the Phoenix-based specialty chain reported $633.6 million in net sales, a 24 percent increase over the same period last year, on same-store growth of 10.2 percent. Net income nearly doubled, reaching $11.5 million, up $10.2 million over the same period last year. The company has already signed 30 new leases, with a total of 55 approved for commencement in 2014 or later.

"(Organic stores) are appealing to investors because they're a niche that is beginning to get real traction from the customer. They see the customer as being willing to pay the price for these types of groceries," said Jeff Edison, CEO of Phillips Edison-ARC Shopping Center REIT, which houses Sprouts as a tenant. In fact, 10 percent of its tenants are organic/specialty stores.

Although organic/specialty stores constitute just $28 billion of the $700 billion overall grocery market, according to Edison they represent one of the fastest-growing segments today. Over the past four years, organic store chains grew by 36 percent, compared to just 11 percent for traditional grocery stores.

"Investors are interested in certainty, and therefore the particular tenant is the most important thing," said Dan Wald, principal at Cassidy Turley in charge of selling retail properties. Fifteen percent of Cassidy Turley's retail division business comes from the organic grocery store sector.

The concept is now catching on with traditional grocers, as well. Those that retail experts call the "smarter ones" are starting to offer a variety of organic products in their stores, among them Kroger, which recently bought Harris Teeter Supermarkets, mainly in the Southeast, along with Safeway and even Walmart.

"Those who don't follow suit will fall behind. It's a changing way of buying and eating that's occurring as time goes on, especially among the younger individuals, who don't necessarily have money to shop at (organic stores) but they do. Whole Foods is obviously providing a value to them, value being quality," said Jeff Green, president & CEO of Jeff Green Partners, which specializes in shopping center research.

Whole Foods is considered the crown jewel of organic/specialty stores, with the largest space at 40,000 square feet and attracting a higher-end clientele. Some Whole Foods sister organic stores include Fresh Market, based in Dallas, and Sprouts, with an average box size of 25,000 square feet and a more mainstream clientele due to its low-cost products.

Trader Joe's averages 12,000 square feet per box and produces its own goods, which actually makes the most money, according to sector experts.
Organic stores overall bring in added certainty for investors because they have remained stable in the face of economic downturns. U.S. sales of organic food reached $26.7 billion in 2010, according to the Organic Trade Association. That was a 7.7 percent increase over 2009, which was in turn 5.1 percent higher than 2008. The U.S. has now outpaced Europe and become the largest organic market.

"Something has changed in the way one perceives health, farming, insecticides," said Wald. "Shoppers will look at their kids and say, 'Oh, this is healthier for them,' without understanding the science of it. 'I don't want to put that adulterated stuff in my body': That has become the mainstream belief in our country, where in the past it wasn't and it created stores that didn't exist."

In the face of controversy in the specialty supermarkets business over whether products are actually organic or simply labeled as such as a marketing ploy to sell at a higher price point, Whole Foods came out with a policy that differentiates between genetically modified food and that which is not genetically modified.

There is also said to be a political movement to legislate proof that a product labeled as organic really is and thus can be priced higher.

"It's not going to be a hard hurdle for those who are honest," Green said.
The popular specialty grocers like Sprouts might even start looking attractive to REITs.

"It's only as important as the money it makes," Green added. "The way the financial community looks at it is, is it positioned right for the market, is it making money and will it continue to make money?"

Based on Sprouts' IPO performance, there is money to be made from organic specialty chains going public.
"It will be an integral part of the market over a long period of time," Edison concluded.

Office Outlook: Vacancy Declines, Rents Rise in 2014

辦公樓市場展望：空置率有望繼續下降至 14.3%，房租繼續上漲

Source: CCIM.com

Office vacancy across the U.S. is expected to continue declining next year, dropping approximately 80 basis points to 14.3 percent by year-end, according a CBRE Group office market outlook. The positive trend is expected to continue into 2015 with vacancy landing at approximately 13.5 percent for the year.

“The office market recovery is poised to accelerate in 2014, as an improving economy should result in increased office-using employment. The growth in office-using occupations, particularly in high-tech industries, is increasingly pacing demand for office space,” says Arthur Jones, senior managing economist of CBRE Econometric Advisors. “Home prices have also risen and will soon become an important source of wealth to consumers, which should further bolster the strength of the economy and aid the office market recovery.”

Rents are forecast to rise slightly during the same period, increasing approximately 3 percent next year and another 4.4 percent in 2015, according to the report.

“We should see a broader and more sustained recovery in occupancy and rents in 2014 and beyond, as employers continue to hire office workers and more markets bounce back from the housing crisis,” added Mr. Jones.

Office development, which has hovered near historic lows in recent years, is expected to remain subdued through 2015. Markets with high growth among high-tech and energy-related industries, including New York, Boston, Washington, D.C., Houston, Dallas, San Francisco, and San Jose, Calif., will comprise approximately 70 percent of all new office development through year-end 2016, according to the report.

Industrial Assets Are Repositioning as Retail

加州橙縣出現工業倉庫改造成零售用途的趨勢

By Carrie Rossenfeld (GlobeSt.com)

SANTA ANA, CA-A new trend of certain industrial properties being repositioned as retail and showroom properties is emerging in Orange County. Investment and management firm MCA Realty is furthering this trend by purchasing Brookhollow Freeway Showroom Center, an 87,609-square-foot multi-tenant industrial/retail property here, from a Seattle-based investment manager for $9.5 million; MCA plans to reposition the property as a retail destination center.

MCA was represented in the acquisition by Joe Winkelmann of Voit Real Estate Services. The seller was represented by Mike Hartel and Kevin Turner, also of Voit. The three brokers will also handle leasing of the property. MCA was able to open escrow at a favorable basis as a result of the firm’s relationship with the local brokerage team that handles leasing for the project.

“This property presents enormous potential to tenants looking to attract new customers based on its location, freeway visibility and size,” says Tyler Mattox, principal at MCA Realty.

Brookhollow, which consists of four separate buildings that are visible from the 55 freeway, was acquired as an off-market transaction. MCA plans to implement improvements and complete the leasing of the center, which was 63% occupied at the time of purchase by Bestwinesonline.com, Kid’s Room Furniture, Sit n’ Sleep and AGR. One of the property’s four buildings is vacant and is divided into two suites of 15,894 square feet and 16,006 square feet, which MCA plans to market for lease.

“Southern California’s multi-tenant industrial market is progressing in a unique way,” says Mattox. “Selected high-visibility industrial properties are being renovated into contemporary showroom projects. Owners and investors are creating spaces that deliver a distinctive experience to consumers.”

Mattox adds that today’s investors have new opportunities to transform older multi-tenant properties into hubs for shopping, dining and more. The SoCo center in Costa Mesa, a unique destination for interior-design trade, boutique shopping and dining, is an example of this new evolution.

“By repositioning multi-tenant industrial properties and creating destination centers, owners will be better able to attract and retain strong tenants, which will ultimately have a positive impact on an investor’s bottom line,” says Mattox.

As GlobeSt.com reported exclusively in October, MCA Realty has completed its fifth industrial acquisition of the 2013 calendar year in the Las Vegas market. At the time, Mattox said that the area is an "extremely attractive investment market on a relative value basis."

With Demand Increasing, Developers Warming Up to Spec Warehouse

工業倉庫需求增長，預計將有大量以投機為目的的開發商迴歸市場

By Randyl Drummer (CoStar)

Speculative warehouse development is coming back into vogue across more markets as the remaining blocks of modern industrial space continue leasing up at an accelerating rate in the recovering economy - though not quite at the level of the Great Warehouse Boom years of the 1990s and early 2000s, before coming to a near standstill in late 2009 during the Great Recession.

Though total construction and delivery volumes for new industrial space have picked up only modestly over the last 18 months, the ratio of speculative development as a percentage of new inventory has finally returned to 2006-2008 levels. According to an analysis by CoStar's forecasting and analytics company, Property and Portfolio Research (PPR), developers and their investment backers are becoming increasingly confident in the future prospects for new spec warehouse and distribution space.

For example, nearly three-quarters of new supply in California's Inland Empire warehouse market is being built with no tenant in tow. High percentages of new warehouse construction in Chicago, Dallas-Fort Worth, Houston, Lehigh Valley, PA, and even Atlanta are also going vertical on a speculative basis.

In Chicago, strong absorption and occupancy and a shortage of top-tier industrial space is fueling a rapid increase in spec construction, said Scott Marshall, executive managing director for CBRE's Industrial Services, Americas, in presenting the company's 3Q 2013 U.S. Industrial Marketview. Of the 5.5 million square feet under construction in the market, almost half broke ground in the third quarter.

While interest rates and other concerns have kept a relative lid on construction in many markets, "we may see spot shortages of space developing in some of the healthiest markets, including Orange County, Los Angeles metro, Denver and Oakland," Marshall said.

"These trends are exemplified by the conversations we are having with many institutional owners, where they are singing the praises of rent growth for first time since pre-recession."

All told, about 62% of the 59 million square feet under construction in the country at the end of the third quarter is being built without signed tenants as optimistic developers take on more risk in response to rising occupancies, rents and tenant demand, according to CoStar data.

Moreover, as investors acquire leased-up, existing buildings at record-low capitalization rates in many markets, the value proposition is narrowing between building new warehouse space versus buying older warehouses, some of which lack dockside appeal for today's efficiency minded retail and distribution tenants.

"If an investor can either buy existing warehouse property at a 4.5% cap rate in the Inland Empire [CA], or build something new with a 200-basis-point spread on top of that, then development looks pretty good," observed Rene Circ, PPR director of industrial research, during a recent third-quarter industrial real estate market review and forecast.

Improved Economy, Fundamentals Push Demand

Underwriting criteria for financing spec warehouse development is easing after 13 consecutive quarters of positive industrial absorption nationally since 2010. Especially after 41 million square feet was absorbed in the third quarter of 2013, the second-strongest since the recession. The recent market performance has pushed tenant demand and investment capital beyond the nation's largest distribution hubs and into secondary markets, including such long-dormant housing crunch markets as Las Vegas.

The U.S. warehouse vacancy rate has fallen to 8.3%, down 91 basis points from a year ago, and CoStar forecasts that vacancies will fall by another 50 or 60 basis points over the next five or six quarters. With developers still raising new warehouse walls at low levels compared to history, demand could ramp up quickly as U.S. rents finally approach their long-term 1.3% annual average.

In fact, demand is forecast to outstrip available new supply by late next year, with new construction fueled also by tenant preference for modern, efficient warehouse space, including the new 37-foot-clear heights compared to the standard 32 feet.

Recent industrial space development activity in Central Pennsylvania, Philadelphia and Texas markets illustrates the varying appetite for risk for building warehouse and distribution space without tenants in tow.

In Dallas/Fort Worth, one of the nation's hottest development areas, large industrial developers such as Majestic Realty Co., Trammell Crow and Hillwood Properties are racing to complete their spec warehouse projects as quickly as possible to meet rising demand from local and regional suppliers such as Grocers Supply Co. as well as a growing list of large corporate tenants like Home Depot, L'Oreal and BMW seeking lower business and labor costs and affordable land in the Lone Star State.

At more than 1 million square feet, Majestic's new project near Dallas/Fort Worth International Airport, Majestic Airport Center DFW, is the largest speculative warehouse under construction in the northern part of the state. Trammell Crow Co. and Prudential Real Estate Investors are building a 823,379-square-foot warehouse south of Interstate 20 in Dallas. In the AllianceTexas project, Hillwood is building Alliance Center North 2, a spec building of 1 million square feet, along with a separate 310,000-square-foot spec building.

In South New Jersey, on the other hand, spec warehouse building is just getting its groove back. Liberty Property Trust (NYSE: LBY) broke ground last month on a 200,000-square-foot warehouse along the Jersey Turnpike at 2277 Center Square Road, in Logan Township, NJ. It's Liberty's first spec project in Gloucester County since 2009.

Sharp vacancy declines are helping drive spec demand the markets of Central Pennsylvania and Lehigh Valley, typical of smaller distribution markets where developers are waiting to lease up existing developments before starting new ones. For example, Liberty finally leased its 1.2 million-square-foot building in Lehigh Valley to Walmart.com, and promptly started another 800,000-square-foot spec building.

Other Lehigh Valley spec projects include 425,000 square feet of speculative warehouse space by Denver-based DCT Industrial in Palmer Township, PA. Verus Partners has entitlements for 2.5 million square feet of warehouse and light industrial space the Chrin Commerce Center.

However, plans by industrial developer Dermody Properties and investment management firm PCCP for a 1.3 million-square-foot industrial park on 107 acres acquired near Harrisburg, PA, show a more cautious approach.

Dermody and PCCP acquired the land on Ames Drive for LogistiCenter Carlisle with an already constructed building of 700,000 square feet. However, Dermody Properties plans to begin construction of the second 602,250-square-foot building "based upon the leasing progress of the existing building," the developers said.

"Today, the building site is available as a build-to-suit for a future customer," the venture said in a statement.

More Spec Ahead

According to the just-released Third-Quarter Jones Lang LaSalle Construction Outlook, in all, 40 of 48 top U.S. markets are building on a spec basis. As demand broadens, more than half of the new speculative construction involves building sizes that range between 100,000 and 499,999 square feet, according to JLL.

Developers, who haven’t forgotten the overbuilding that marked the last cycle’s peak, are building on spec at a much more measured pace, and tenants with requirements of 750,000 square feet or more -- particularly e-commerce companies which utilize more than 10% of total U.S. warehouse construction -- aren’t finding many options. Those companies, famously including Amazon.com, are commissioning built to suits.

However, warehouses have a very short development cycle and fear of overbuilding is never far below the surface for industrial real estate investors and analysts.

Even though tenant requirements are up from six months ago, a substantial burst of new inventory "may prove too much if developers become too aggressive and are not sensitive to where U.S. demand is concentrated," said Erin Patterson, research manager for Project and Development Services and Construction, author of the JLL construction outlook.

"In a sense, a calculated game of risk is being played, and local market intelligence is crucial to determine where expectations and realities are in-synch," Patterson said.

8 Threats to Apartment Owners in 2014

好景不長在，公寓樓房東在 2014 年面臨的八大威脅

By Les Shaver (Multifamily Executive)

As the rest of the economy has foundered, apartment owners have surged coming out of the recession. But the good times might not last forever. Here are eight things that could wreck their joyride.

1. Fannie Mae and Freddie Mac

It's been more than five years since the speculation about Fannie Mae and Freddie Mac started, yet they remain a vital source of liquidity in the sector, especially in secondary and tertiary markets (where other lenders are less likely to go). "Fannie and Freddie are the most dominant lending sources in our industry," says John Sebree, director of Calabasas, Calif.–based Marcus & Millichap's National Multi-Housing Group. "If that is changed, it will have an effect on our values and our ability to finance properties."

2. Unemployment

The apartment sector has seen great rent growth over the past few years without its customers enjoying real income growth. If the sector wants to continue to grow, employment, and wages, must increase. And, if things regress, the industry will suffer. "You put unemployment and the economy in the macro bucket," says Dan Fasulo, managing director at New York–based Real Capital Analytics. "They'll be hovering above everything we do and directly impacting values."

3. Rising Interest Rates

When interest rates rise, they reduce investor-levered returns, which obviously hinders valuations. "The interest-rate market, and how much interest rates increase and over what period of time, will have a huge effect on value," Sebree says. "If Treasuries jump 100 or 120 basis points, that will have an effect on cap rates."

4. Overdevelopment

Simple supply and demand dictates that when more apartments show up in your neighborhood, it generally decreases the value of those properties that were there already. "Supply is an issue at the submarket and neighborhood levels," says Ryan Severino, senior economist and associate director of research at New York–based Reis. "It's not a uniform thing." But in markets with oversupply, valuations will take a hit.

5. An Exodus of Capital

Already, some players, like Washington, D.C.–based Carlyle Group, are trimming their apartment holdings. If the movement gets bigger, it could hurt values. “Capital is moving out,” Fasulo says. “Your smart money players, chasing yield compression in the market, are already playing in the other sectors where there is a bigger spread.”

6. Inflation

Inflation will hit apartment owners, but, ultimately, the sector is in a good position to handle higher prices. “If we look at what inflation will do, it will increase rents, but it will increase expenses and interest rates [too],” Sebree says. “It will probably increase values, as well. If inflation happens at a higher rate than what many are predicting, the investors that have locked in long-term debt will be in better shape than others.”

7. Political Threats

When Bill de Blasio was elected the next mayor of New York City last month, apartment owners in the city, including Fasulo (who owns units in Brooklyn) took note. “The mayor of New York has a lot of power to impact change very quickly,” Fasulo says. “Understanding the positions of the new mayor-elect, I’m not sure I’d make a bet that operating expenses for New York City apartment owners would be going down.”

8. Geopolitical Issues

Apartment industry executives, like everyone else, are susceptible to what happens in the outside world. If gridlock in Washington or recessions in other countries plunge the U.S. into recession, multifamily owners suffer. “One of my greatest concerns that I believe will impact apartment values and fundamentals is uncertainty about global economics and our government policy,” says Lili Dunn, chief investment officer for Greensboro, N.C.–based Bell Partners (though she remains hopeful the economy will remain along its path of moderate growth).

Sheraton Gateway Hotel and Torrance Marriott South Bay Sold to Chinese Real Estate Developers

位於洛杉磯的喜來登 Gateway 酒店和位於托倫斯的萬豪 South Bay 酒店分別由中國地產開發商收購

By Roger Vincent (LA Times)

The Sheraton Gateway Los Angeles Hotel, a 15-story inn next to Los Angeles International Airport, has been sold for $96 million to a Chinese real estate developer.

The deal falls on the heels of the recent sale of the Torrance Marriott South Bay to another Chinese property developer.

Hazens Investment bought the 802-room Sheraton Gateway from an affiliate of Long Wharf Real Estate Partners, according to real estate broker Harry Pflueger of Maxim Hotel Brokerage Inc.

The purchase is the first in the United States for Hazens, one of the largest private real estate developers in China, Pflueger said.

Built in 1980 at 6101 W. Century Blvd., the Sheraton Gateway is one of the hotels closest to the main entrance of the airport and a popular site for business meetings.

The new owners will upgrade the property with improvements to the guest rooms, lobby and other public spaces, Pflueger said. It will remain a Sheraton, and Pyramid Hotel Group will continue to manage the hotel.

Last month Sichuan Xinglida Group Enterprises Co., which has built numerous mixed-use projects in mainland China, bought the 487-room Torrance Marriott South Bay for $74 million.

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	0.25	0.25	0.31	0.24	-0.06	-0.06
Money market, annual yield	0.43	0.42	0.53	0.41	-0.08	-0.22
Five-year CD, annual yield	1.36	1.35	1.39	1.15	0.00	-0.70
30-year mortgage, fixed	4.69	4.61	4.80	3.54	1.15	-0.36
15-year mortgage, fixed	3.71	3.67	3.84	2.80	0.78	-0.70
Jumbo mortgages, $417,000-plus	4.78	4.76	5.11	3.97	0.65	-0.94
Five-year adj mortgage (ARM)	3.93	3.80	4.16	2.80	0.88	0.14
New-car loan, 48-month	2.98	2.96	3.06	2.42	0.15	-2.45
Home-equity loan, $30,000	5.22	5.20	5.29	4.60	0.57	0.08