STC 資產管理 MANAGEMENT

Lic. No. 01299442

COMMERCIAL REAL ESTATE MARKET UPDATE

GENERAL

市場概括

- **Millionaires See Real Estate as Top Investment for 2014**

  百萬富翁們將房地產看做 2014 年最佳投資標的

  About 77 percent of investors with at least $1 million in assets own real estate. Direct ownership of residential and commercial properties was the No. 1 alternative-investment pick for 2014, with a third of millionaires surveyed saying they plan to buy this year. Twenty-three percent said they expect to invest in real estate investment trusts, the second-most popular choice.

- **Major Investors Clamor To Purchase Distressed Commercial Properties**

  房地產投資者顯現出對不良物業的喜好

  Real estate investors are showing an appetite for purchases of distressed properties as property values rebound.

- **A New Trading Platform for Owning Office Property?**

  個人投資者將有望很快通過新型交易平臺像持有公司股票一樣交易某棟商業地產的股份

  Very soon, if everything goes according to plan, individual investors will be able to buy and trade ownership stock in a single commercial real estate property, just like they would shares of common stock in a single company.

- **Chinese Developer Buys Major Lot In Downtown L.A.**

  洛杉磯市中心連接金融街和 Staples 體育館的街區由中國地產開發商綠地地產買下，這也是一個月內中國開發商在洛杉磯市區進行的第二大購地交易

  The block links the financial district with L.A. Live and Staples Center. Its purchase is the second major downtown land deal struck with Chinese money in barely a month.

RETAIL

購物商場

- **Five Retail Trends To Watch In 2014**

  2014 年需關注的五大零售地產走勢

  More than 2,000 local retailers, developers and franchisees gathered at the Gaylord National last week to discuss the changing retail industry as

part of the International Council of Shopping Centers' annual Mid-Atlantic Conference. Here are five trends to watch in the coming year.

- **Funeral Service Providers Head To Indoor Retail Centers**

  喪葬服務商進駐購物商場

  We eat there, buy our clothes there and some people suspect teenagers may actually live there. So perhaps it was just a matter of time until funeral homes began moving into the local shopping mall.

- **RadioShack to Close About 500 Stores Within Months**

  連鎖電子商品店 RadioShack 將在幾個月內關閉 500 間店面

  On Sunday, RadioShack Corp. used comedy, in the form of a Super Bowl ad, to show its stores being dismantled and rebuilt. On Tuesday, the news broke that some of the stores will be dismantled, period.

OFFICE
辦公樓

- **High Turnover in Office Ownership Confirms Growing Strength of Secondary Markets**

  辦公樓易主頻繁，顯示二級市場增長強勁

  Office Investors Increasingly Active Across More Secondary Markets Even as Core Gateways Maintain Their Luster

- **Office Fundamentals Moving in Positive Direction**

  辦公樓板塊基本面呈現良好態勢，儘管進展緩慢

  After an extended period of underperformance, fundamentals in the office sector appear to be moving in the right direction. However, the pace of improvement does not match past recoveries, according to industry observers.

INDUSTRIAL
工業倉庫

- **Tight Supply Spurs Demand in Self-Storage**

  自助存儲設施供不應求，因房屋裝修增加、就業好轉、以及人口流動性上升推動需求

  The self-storage sector is poised for further growth, with a combination of household formation, job growth and increased population mobility lifting demand.

MULTIFAMILY
公寓樓

- **Apartment Developers Declare 'Amenity Wars'**

  橙縣正迎來公寓樓的建造潮，開發商為彌補建造成本主推高檔公寓

Orange County is undergoing an apartment-building boom. The sudden increase is likely to help tenants by keeping rents in check. But to offset high construction costs, developers are building luxury units, offering the finest pampering that rent dollars can buy.

- **CRE Industry Faces Dramatic Changes in Multifamily Supply, Financing Environment**

  公寓樓市場迎來劇變，供應量增加、利率上升、以及可能發生的房利美和房地美結構調整

  While Over-Optimistic Developers Could Cause Apartment Glut; Rising Employment Could Offset Much of the Supply Risk

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

Millionaires See Real Estate as Top Investment for 2014

百萬富翁們將房地產看做 2014 年最佳投資標的

By Margaret Collins and David M. Levitt (Bloomberg)

U.S. millionaires see real estate as the top alternative-asset class to own this year, according to Morgan Stanley. (MS)

About 77 percent of investors with at least $1 million in assets own real estate, according to a survey released today by the New York-based investment bank's wealth-management unit. Direct ownership of residential and commercial properties was the No. 1 alternative-investment pick for 2014, with a third of millionaires surveyed saying they plan to buy this year. Twenty-three percent said they expect to invest in real estate investment trusts, the second-most popular choice.

Wealthy investors are turning to a rebounding real estate market as fixed-income yields remain historically low and equities surge. U.S. commercial-property values rose 8 percent in the 12 months ended Jan. 31, and have jumped 71 percent since hitting their post-recession bottom in 2009, research firm Green Street Advisors Inc. reported today. The S&P/Case-Shiller index of home prices in 20 cities is up 24 percent from its 2012 low.

"After a year where the Standard & Poor's Index rose 30 percent, some millionaires are moving money out of traditional, long-only strategies to find outperformance, and turning toward alternatives such as real estate and private equity," said Gary Kaminsky, a vice chairman at Morgan Stanley Wealth Management in New York. "Sophisticated, high-net-worth investors are much more concerned about losses."

Collectibles ranked as the third-most-popular alternative-investment choice this year, with 20 percent of millionaires saying they planned to buy, followed by private equity at 19 percent and precious metals at 16 percent.

INTEREST RATES

Wealthy investors see stocks getting expensive and interest rates staying stable or even declining over the next couple of years, Kaminsky said in an interview at a conference for Tiger 21 investors last week in Scottsdale, Arizona. That's why they are looking more closely at alternatives including real estate for returns and income, he said.

Tiger 21 members, who have at least $10 million in investable assets, increased their average allocation to real estate last year to 21 percent as of the fourth quarter from 19 percent in the first three months of 2013, according to a separate study released by the New York-based group last month.

Will Ade, a Tiger 21 member, said real estate is a particularly attractive investment as stocks show vulnerability in 2014. The S&P 500 has fallen more than 4 percent this year, while developing-country stocks have tumbled on concern that the outlook for economies is worsening.

'LAME' BULL

"We had a great bull run last year," Ade, a 60-year-old geologist, said in an interview today. "I don't know if the bull is dead, but it certainly is lame right now."

This year may be the tail-end of attractive investments in property before interest rates rise, said Ade, who has made his money finding oil companies and private investors to fund the drilling of wells. He said he is trying to purchase residential real estate in Miami right now.

"The really good real estate deals are getting harder and harder to find," Ade said. "Once interest rates start to go up, whether it's farmland or single-family dwellings there's going to be huge downward pressure on real estate."

FOREIGN BUYERS

The Manhattan high-rise condominium buildings One57 and 432 Park Ave., where units have gone under contract for more than $90 million, are evidence of the faith that the very wealthy have in real estate, said Mitchell Roschelle, real estate advisory leader at PricewaterhouseCoopers LLP. Such properties have also attracted international buyers.

Wealthy foreigners have bought high-end U.S. properties for their safety and because they're denominated in dollars, the world's reserve currency, he said. This helps domestic millionaires maintain the value of their property investments.

"It creates competition, which drives the price up for everybody," he said. "The sellers have multiple channels to sell into. That gives you more liquidity."

Self-storage properties are among commercial real estate investments wealthy individuals are buying, Kaminsky of Morgan Stanley said. Retail shopping centers are seen as less attractive as more consumers shop online through companies such as Amazon.com Inc., he said.

CHILEAN FUND

Morgan Stanley Wealth Management surveyed 1,004 U.S. investors ages 25 to 75, with least $100,000 in assets, during the fourth quarter of last year. A third of them had more than $1 million.

BigSur Partners, a Miami-based wealth-management firm, has been helping some of its wealthy clients, who usually have at least $50 million, work with institutional investors such as a Chilean pension fund to invest in

commercial real estate, said Chief Executive Officer Ignacio Pakciarz. Deals include an office building in Princeton, New Jersey, he said.

“We don’t feel there’s a lot of value in emerging-market bonds, high-yield bonds and highly rated fixed income,” Pakciarz said.

Owning the real estate is attractive because of the expected appreciation of property value and stream of rental income, as well as better control and supervision over the investments, he said. The firm has also bought office properties in Pittsburgh and Boston, multifamily residences in Texas and some industrial buildings for clients, and is looking for more opportunities this year in real estate purchases or lending, he said.

Major Investors Clamor To Purchase Distressed Commercial Properties

房地產投資者顯現出對不良物業的喜好

By Hui-yong Yu and Nadja Brandt (Bloomberg)

The largest auction of troubled assets in the commercial mortgage-backed securities market is showing the strength of investors' appetites for real estate as more distressed properties from the crash come up for sale.

Four months after CWCapital Asset Management LLC put properties with $2.57 billion of unpaid loan balances on the block, Blackstone Group LP (BX), Starwood Capital Group LLC and CIM Group are completing deals for offices and malls in Southern California, a Dallas resort and a Los Angeles skyscraper. About 700 bidders registered interest in the auction, which includes foreclosed loans, according to Morgan Stanley.

Rebounding property values are prompting special servicers -- firms that negotiate with delinquent borrowers on behalf of bondholders -- to unwind holdings from the real-estate collapse at higher than estimated levels. Commercial property prices have rallied 71 percent from their 2009 low, surpassing 2007 highs in some areas, according to an index from Newport Beach, California-based research firm Green Street Advisors Inc.

"The depth of investor interest demonstrates continued demand for various types of real estate across the country," Richard Hill, head of U.S. CMBS and commercial real estate debt research at New York-based Morgan Stanley, said in a telephone interview. "We expect there will be other special servicers that will take similar action to take advantage of investor demand, coupled with rising property valuations."

BLACKSTONE PURCHASES

Blackstone yesterday completed two purchases totaling about $315 million of the third-and fourth-largest assets from the sale. The New York-based firm bought the Four Seasons Resort and Club Dallas at Las Colinas and a senior mortgage on 119 West 40th St., a 22-story office building in midtown Manhattan, according to a person with knowledge of the transactions.

Blackstone paid about 86 cents on the dollar for the Dallas hotel. It bought the New York loan for about 75 percent of the investment by the previous owner, a venture including L.H. Charney Associates Inc., George Comfort & Sons Inc. and Fortis Property Group LLC, according to the person with knowledge of the deal, who asked not to be named because the details were private. The property had been appraised at $200 million at underwriting and $135 million in September, signaling Blackstone paid a premium to the last appraisal, according to Barclays Plc analysts in a note today.

CIM is poised to buy 2 California Plaza, an office tower in downtown Los Angeles that's the largest asset in the auction. The Los Angeles-based investor is set to take ownership later this year, according to a person briefed on

the purchase, who asked not to be named because the transaction hasn't been completed. The property had an unpaid mortgage balance of $468 million, according to Morgan Stanley.

MONTCLAIR PLAZA

CIM also is buying Montclair Plaza, a shopping center in the Southern California city of the same name, GlobeSt.com reported two days ago. CIM is under contract to pay about $170 million for the property, GlobeSt.com said. That price is "substantially higher" than the appraisal of $150 million a year ago, Barclays Plc said in a note.

"Appraisals have improved, so it's a good time to sell some of this off," said Christopher Bushart, senior director at New York-based Fitch Ratings. Auctions are "an efficient way to get rid of a lot assets in one fell swoop."

Other buyers from the CWCapital auction include Starwood, which said last month that it paid $191 million for seven office properties and four retail centers. The Greenwich, Connecticut-based private-equity firm, led by investor Barry Sternlicht, plans to sell some of the assets.

STUYVESANT TOWN

CWCapital, a unit of Fortress Investment Group LLC based in Bethesda, Maryland, is the largest special servicer of soured mortgages, overseeing about $17 billion of delinquent loans, according to data compiled by Bloomberg. They include the $3 billion loan on Stuyvesant Town-Peter Cooper Village, Manhattan's largest apartment complex, which CWCapital took over in 2010 after the second-biggest CMBS default in history.

"CWCapital feels that the market is in prime position to leverage the fluid capital markets and the recovering real estate market," President Dave Iannarone said in an Oct. 10 statement announcing the sale, which concluded bidding in December.

Spokesmen for CIM, Blackstone and CWCapital declined to comment.

The auctioned properties came from 13 CMBS pools created from 2004 to 2008, according to Morgan Stanley. More than 90 percent of the assets were tied to deals made in the boom years of 2006 and 2007 when real-estate values were peaking. The $160 million senior mortgage on 119 West 40th St, bought by Blackstone, was packaged into securities in 2007.

STARWOOD PURCHASES

Investors paid about 30 cents to 90 cents on the dollar for the assets, according to Morgan Stanley, which estimates Starwood Capital paid about 60 cents per dollar of unpaid loan balances.

Comparing prices of real estate auctioned since the financial crisis is difficult because properties vary in types and degree of distress. JPMorgan Chase & Co., Wells Fargo & Co. and Lone Star Funds paid about 80 cents on

the dollar in August 2011 for Anglo Irish Bank Corp.'s $9.65 billion portfolio of U.S. real estate loans, two people who were told of the auction results said at the time.

There were about $66.6 billion of distressed CMBS loans as of the end of 2013, or almost half of all the outstanding distressed commercial real estate loans by all lender types, according to Morgan Stanley.

SPREADING RECOVERY

Individually, the purchases from the CWCapital auction provide glimpses of the recoveries in cities beyond primary markets such as New York and San Francisco, where the rebound in real estate values has been the strongest.

Downtown Los Angeles has attracted increasing interest from investors and developers from the U.S. and abroad. New York developer Joseph Moinian sold a 4.6-acre site in the area designated for a retail, hotel and residential complex to Chinese developer Oceanwide Real Estate Group Co. for $180 million last month, and Shanghai-based real estate company Greenland Holding Group Co. bought 6.3 acres in downtown for $144.8 million on Jan. 29, according to Jones Lang LaSalle Inc. (JLL)

In nearby Orange County, the region southwest of Los Angeles with 3 million residents that once was a hub for the subprime-mortgage industry, office vacancies have fallen to their lowest since early 2008, according to Jones Lang LaSalle. Starwood's purchases in the auction include two office properties and one adjoining retail site in Orange, California. Blackstone also has been an active buyer of office buildings in Orange County during the past year.

MARKET BET

With the Dallas Four Seasons, Blackstone is betting on further improvement in the area's office market, where rising occupancies translate into more group business for the hotel, according to the person with knowledge of the auction.

In Manhattan, which has led the commercial real estate recovery and has seen prices approach peak levels, CWCapital's eventual sale of Stuyvesant Town will be the biggest special servicer deal to come to market. The property's value has rebounded as New York's apartment market tightened and CWCapital pushed through rent increases.

An April 2013 legal settlement on rents at the complex will take about 18 months to implement before sale, according to a servicing note last month, suggesting Stuyvesant Town wouldn't come on the market until later this year at the earliest. The property was valued at $3.4 billion as of Sept. 1, up from about $2.8 billion when CWCapital took it over, according to Bloomberg data.

'RIGHT CALL'

“CW’s decision to hold the StuyTown assets and improve their operations as servicer has been the right call and benefited bondholders as the implied value of the assets has increased significantly,” said Edward Shugrue, chief executive officer of Talmage LLC, a New York-based investor in commercial property debt. “Given the economic tailwinds and strong demand for New York real estate, 2014 could be a very opportune time to explore a disposition.”

Of the 700 potential bidders, 153 submitted offers, according to Morgan Stanley.

“That’s a very impressive amount,” said Hill. Larger trophy assets don’t come up for bid often and smaller properties in secondary or tertiary markets “are still gaining a significant amount of interest from investors because they offer higher yields.”

A New Trading Platform for Owning Office Property?

個人投資者將有望很快通過新型交易平臺像持有公司股票一樣交易某棟商業地產的股份

By Mark Heschmeyer (CoStar)

Very soon, if everything goes according to plan, individual investors will be able to buy and trade ownership stock in a single commercial real estate property, just like they would shares of common stock in a single company. The first property set as a test case for such trading is a noteworthy downtown Washington, DC, office building.

ETRE Financial LLC, a New York-based real estate financial services and technology company, is launching what it calls a first-of-its-kind, exchange-traded real estate platform for investing in shares of individual commercial real estate assets and portfolio REITs listed on national exchanges.

The company this week filed paperwork with the U.S. Securities and Exchange Commission for an initial public offering of ETRE REIT, which will actually be a limited liability corporation formed to permit public investment in individual commercial real estate properties.

The twist is that each of the properties is to be held by the LLC will be held as a separate real estate investment trust, with shares traded on the NASDAQ exchange.

In its IPO, ETRE REIT is looking to raise $53 million that will be used to finance its first purchase. ETRE has cut a deal to buy 1201 Connecticut Ave. NW, also known as the Longfellow Building, from Mack-Cali Realty Corp. A final sales price has not been negotiated. Mack-Cali purchased the property for $32 million in 1999. The selling price is expected to be much higher.

ETRE has received a loan term sheet from Morgan Stanley Mortgage Capital Holdings LLC for a 10-year commercial mortgage, which will enable the borrowing of up to $44.6 million of the purchase price of the property. The proposed loan, providing for an interest-only payment feature for 10 years, is expected to bear interest at a fixed rate of 4.35% per annum.

Longfellow is a 12-story office building with 173,688 total rentable square feet located at the intersection of Connecticut and Rhode Island avenues, one block from the Farragut North metro station. The building contains both office and retail space and, as of year-end, was 86.7% leased to such tenants as Qorvis Communications, Brooks Brothers, Leo A. Daly, and Radio Free Europe/Radio Liberty. Qorvis, the largest tenant, occupies 17.9% of the building as its headquarters.

In its IPO, ETRE is selling only Series A-1 common shares, which has been established specifically for the purpose of allowing investors who acquire the A-1 common shares in this offering to own 1201 Connecticut Ave.

ETRE seeks to broaden the investment opportunity in commercial real estate through creation of what it calls the Electronic Traded Property (ETP), a new process for investing in individual commercial real estate assets and REIT equity shares that claims to support mark-to-market simultaneous pricing in price per share, price per square foot, price per unit, and price per key in real time, for both the single-asset entities and the larger portfolio REIT counterparts.

"ETRE is the next evolutionary step in real estate investing," claims Paul Frischer, ETRE's co-founder and CEO, who launched the company last year, saying he wanted to bring single-asset REITs to the market.

As envisioned, the ETRE program would also offer an alternative way to buy and sell real estate, allowing owners of single assets and smaller real estate portfolios to sell a portion or the entire stake in their properties to the public market.

Prior to establishing the company in August 2012 and setting up the platform this winter, Frischer was executive managing director of research and real estate strategies at the former Newmark Knight Frank (now Newmark Grubb Knight Frank) from January 2009 to February 2012.

Frischer was also the founder and managing member of Rexx Index LLC, formed in 2006, which described itself as a "benchmark provider in the emerging real estate derivatives market that utilizes algorithmic and econometric models to standardize commercial real estate in U.S. markets."

His partner in the ETRE venture is Jesse Stein, who serves as COO. Stein previously served as the executive vice president of acquisitions for United Realty Advisors, LP, an affiliate of United Realty Partners, a privately held real estate investment and advisory firm.

Stein said the idea behind the ETRE platform is to deliver unprecedented transparency into publicly-traded real estate in real-time metrics for both equity and real estate investors.

"The platform provides investors with the ability to create their own diversified real estate portfolios, and allocate investments based on geographic, asset type and yield criteria," said Stein.

Chinese Developer Buys Major Lot In Downtown L.A.

洛杉磯市中心連接金融街和 Staples 體育館的街區由中國地產開發商綠地地產買下，這也是一個月內中國開發商在洛杉磯市區進行的第二大購地交易

By Roger Vincent and Julie Makinen (LA Times)

A wave of Chinese investment continues to sweep through downtown Los Angeles as buyers from Shanghai have paid nearly $150 million for land near the 110 Freeway where a billion-dollar mixed-use complex is on the drawing board.

Chinese real estate developer Shanghai Greenland Group bought a sprawling parking lot next to the freeway north of 9th Street in a deal that closed Friday — Chinese New Year — real estate brokerage CBRE Group Inc. said.

The full city block known as Metropolis has been approved by the city for 1.65 million square feet of hotel, condominium, office and retail development on a block that links the financial district with L.A. Live and Staples Center.

It was the second major downtown land deal struck with Chinese money in barely a month, signaling L.A.'s appeal as a haven for investors looking to move money out of China. In late December, Oceanwide Real Estate Group bought land across Figueroa Street from Staples Center; it's planning a five-star hotel, apartments and stores.

Major Chinese developers have been looking for large-scale commercial projects in so-called gateway cities on the East and West coasts, said real estate broker John Eichler of Cushman & Wakefield, who helped put together the Oceanwide deal. Cities such as L.A., San Francisco and New York are well-known to Chinese investors and have large Asian populations.

"You don't see this in Chicago or Houston," Eichler said.

The deals comes as state officials pursue more Chinese investment in California. In April, Gov. Jerry Brown went on a weeklong trade mission to promote the Golden State and forge economic partnerships.

"We're going to facilitate billions of dollars of investments," he said. "Not overnight, but over time."

Local officials have also been courting Chinese money. R. Rex Parris, the mayor of Lancaster, has taken numerous trips to China. That paid off last year when Chinese automaker Build Your Dreams opened a factory to produce electric buses in his Mojave Desert town.

Between 2000 and 2013, Chinese investors pumped $2.6 billion into California, according to New York policy research firm Rhodium Group.

Real estate is a particularly popular investment. In addition to commercial projects, Chinese buyers have snapped up houses and condos throughout the San Gabriel Valley and other parts of the Southland.

The recent arrival of Chinese developers in downtown Los Angeles means that two stalled high-profile projects planned by previous owners will spring back to life fairly rapidly, industry observers said.

Chinese developers want to move quickly, said Omer Ozden, managing partner at private equity firm Beijing Capital, who advises Chinese real estate developers. "There is a preference for shovel-ready deals."

Representatives of Greenland Group could not be reached for comment on their plans, but the company has invited local dignitaries to a groundbreaking ceremony at Metropolis in two weeks. The event may be primarily ceremonial, however, because the developers still need the city to approve their architectural designs before construction can begin.

Greenland Group is expected to build a 350-room hotel and 38-story condominium tower in the first phase. There is growing demand for for-sale housing in downtown L.A., and the units could also be marketed to mainland Chinese investors even before they are completed.

"Someone can buy a condo for what is considered to be not very expensive by Beijing, Hong Kong or Shanghai standards," Ozden said.

Chinese investors have compelling reasons to bring some of their money to the U.S. Developers in China have a lot of cash on hand at a time when the country's government is trying to slow land development to prevent a real estate bubble burst. Many wealthy Chinese individuals also have money they want to invest abroad because there are not many investment options in China and because they want to diversify their assets outside the country.

The Metropolis parcel was assembled in the late 1980s by developers who promised a "city within a city." The office, hotel and retail project was designed by famed New York architect Michael Graves in his signature postmodern style that included covering the buildings in brightly colored terra cotta tiles.

In the mid-2000s the project was taken over by an affiliate of Los Angeles developer IDS Real Estate Group. Its plans for a 33-story condo tower were thwarted by a neighboring property owner's lawsuit and then the economic downturn, said Patrick Spillane of IDS.

In recent years, the company secured city approvals for a new Metropolis design that could include four hotels, residential towers and offices. It would also have a 20-foot-wide sidewalk on Francisco Street lined with restaurants and shops to serve pedestrians walking between the office district and L.A. Live.

"We spent a tremendous amount of time creating a project that covers all the major downtown food groups," Spillane said. "Now Greenland will move it forward."

Greenland Group was formed in 1992 to build green belts around Shanghai, he said, and has evolved into a Fortune Global 500 company with major developments in Sydney, Australia; London; and Seoul. In December, Greenland agreed to become the majority owner-developer of the $4-billion Atlantic Yards residential complex planned in Brooklyn, N.Y.

To buy Metropolis, Greenland Group beat out competitors from China, Singapore, Australia, Canada and the United States, said real estate broker Laurie Lustig-Bower of CBRE Group, who helped put together the deal.

Because the site is so visible from local freeways, development of Metropolis "will change the postcard picture of the downtown L.A. skyline," she said. "We are seeing downtown going at a tremendous pace through a huge transformation."

More Chinese investment is likely to come and speed the process, Lustig-Bower said. "China may devalue its currency, so it behooves Chinese to move out as much money as they can now at its current value," she said. "I think we're on the front end of this wave."

Five Retail Trends To Watch In 2014

2014 年需關注的五大零售地產走勢

By Abha Bhattarai (Capital Business)

More than 2,000 local retailers, developers and franchisees gathered at the Gaylord National last week to discuss the changing retail industry as part of the International Council of Shopping Centers' annual Mid-Atlantic Conference. Here are five trends to watch in the coming year.

1.Outlet malls

Outlet malls have expanded rapidly in recent years, making them the fastest-growing segment in retail, and that's not about to change, according to Jay Klug, principal of the JBG Cos., a Chevy Chase-based real estate developer.

"Outlets clearly are the darlings of retail right now," Klug said.

There are currently more than 225 outlet centers in the United States, with at least 40 new openings since 2006, according to ICSC.

Long built on the outskirts of town, outlet centers are moving closer to major cities.

Tanger Outlets opened in National Harbor — just four miles from downtown Alexandria — in November. Simon Property Group, the largest outlet mall developer, is in the process of building an outlet mall in upper Montgomery County. Clarksburg Premium Outlets at Cabin Branch is scheduled to open as early as 2015.

2.More fitness centers as retail anchors

Big-box retailers and grocery stores have long been among the most sought-after anchors for shopping centers. But that is quickly changing, as developers look to large gyms and fitness centers to help draw a stream of regular customers.

"It used to be that [fitness centers] were thought to be an ugly use of space," Klug said. But now "fitness is a huge category."

Gyms such as Equinox, which has locations in Tysons Corner and Bethesda, and L.A. Fitness have become coveted mainstays. As more and more consumers shop online for clothing and other household needs, fitness centers are one of the last remaining businesses that can draw regular crowds on a daily — or perhaps, weekly — basis, industry insiders said.

3.Mobile capabilities being used in new ways, not just by retailers, but also by entire shopping centers

A number of brands, from Aston Martin to Zara, have their own apps. Now shopping centers and malls are joining the fray.

"This is the year of the mobile phone," said Michael Kercheval, president and chief executive officer of the International Council of Shopping Centers. "It is the new gatekeeper."

A mobile app by Simon Property Group, for example, reminds customers where their cars are parked, provides a mall directory and alerts them to discounts at nearby stores. Westfield's app, meanwhile, directs shoppers to the closest bathroom or food court.

"Shopping center managers now have the opportunity to speak directly to shoppers as they walk in," Kercheval said, adding that smaller developments should create similar apps to help guide customers.

4.Same-day delivery services

Verizon this month announced that it would provide same-day delivery to Washington area residents. A number of other companies, from grocery stores to florists, have taken similar measures, and Kercheval said he expects delivery services to grow steadily this year, even among smaller retailers.

Mobile apps such as Deliv, which pairs nearby vetted drivers with stores, have made it possible for mom-and-pop shops to provide same-day deliveries without hiring new staffers.

"What this means is that stores now double as distribution centers," Kercheval said. "It is very likely that the shopping centers and retailers [will provide] the fastest distribution of goods to consumers in the future."

5.More attractions and service-oriented businesses

It increasingly takes "an experience" — not just run-of-the-mill retail — to draw customers, said Kent Digby, senior vice president of operations for National Harbor.

To that end, National Harbor is adding a 175-foot tall Ferris wheel to lure new visitors. When it opens in May, the Capital Wheel is expected to bring in approximately 600,000 people annually to the sprawling development.

"The time was right to add this component to our project," Digby said in an interview. "We wanted to create something unique and eclectic for the whole family."

The National Children's Museum and a carousel also serve to draw families who are looking to spend time together, he added.

On a smaller scale, many developers are looking to add hair salons, specialty restaurants and other businesses that cannot be easily replaced by the Internet. The popular Union Market in Northeast Washington, for example, has carved out a destination with its collection of gourmet food stands.

"In Washington, nothing is single-story anymore," said Robert Bach, director of research for Newmark Grubb Knight Frank, a commercial real estate firm based in New York. "We're always mixing retail in with something else."

Funeral Service Providers Head To Indoor Retail Centers

喪葬服務商進駐購物商場

Source: Local 12

LOS ANGELES (AP) -- We eat there, buy our clothes there and some people suspect teenagers may actually live there. So perhaps it was just a matter of time until funeral homes began moving into the local shopping mall.

Over the past two years, Forest Lawn has been quietly putting movable kiosks in several of the malls that dot Southern California's suburbs.

The move, by one of the funeral industry's best known operators, expands on a marketing innovation that appears to have begun at the dawn of the decade when a company called Til We Meet Again began opening casket stores around the country.

"We try to reach our audience where they are at and the mall is a great way to do that," said Ben Sussman, spokesman for Forest Lawn, whose cemeteries count among their permanent residents such notables as Walt Disney, Elizabeth Taylor and Michael Jackson.

"And it's also, perhaps, a way to reach people who might be a little leery about coming directly into one of our parks," Sussman said.

As to why folks would be leery about that, industry officials acknowledge the answer is obvious: Who really wants to enter a funeral home even one day before they have to?

"Funeral planning is something everybody knows they must do, but at the same time it's something nobody wants to do," said Robert Fells, executive director of the International Cemetery, Cremation and Funeral Association.

"Nobody gets up on a Saturday morning and says, 'Gee, it's a nice day. I wonder if I can go out and get myself a burial plot,'" Fells said.

But if they're strolling past a funeral outlet at the mall, where they're surrounded by happy, lively people and maybe clutching a bag of Mrs. Field's cookies, the thought is that they'll feel differently.

"When they're going to the mall, people are not going out of need," said Nathan Smith, co-founder and CEO of Til We Meet Again, which has outlets in malls in Arizona, Louisiana, Kansas, Indiana and Texas.

So if they do happen to see a place peddling coffins or urns while they're pricing T-shirts and hoodies, Smith said, it will look far less intimidating.

Forest Lawn's effort began modestly, with just one kiosk (one of those movable things that usually sell stuff like calendars or ties) in a mall in the Los Angeles suburb of Eagle Rock.

When no one was creeped out, the program expanded to about a half-dozen malls. Now Forest Lawn periodically shuffles them from one mall to another to reach the largest audience.

Unlike the people at other such stations, who can seem like carnival barkers as they walk right up to you and hawk discount calling plans or free yogurt samples, Forest Lawn's operators are more discreet.

At the entrance to a Macy's department in the LA suburb of Arcadia last year, operators were quick to smile and hand out brochures when approached. But they kept their distance until people came to them.

It was the same at a mall in Glendale last week, where people stopped to examine cremation urns ranging from one with a subdued design of leaves to another that brightly featured the logo for the Los Angeles Dodgers baseball team.

Also on display was a recruiting poster for potential future Forest Lawn employees, complete with a picture of the great Dodgers pitcher Fernando Valenzuela, who urged them to consider "joining a winning team."

Still, not everyone is thrilled with the idea. "You're in a shopping mall and you're walking along and there's a funeral place?" retired high-school teacher Stan Slome said incredulously. "That sounds too deadly."

After thinking it over, however, he acknowledged it's something that could catch on.

At age 86, Slome said, he gets his share of mail from funeral operators inviting him to seminars at local restaurants, where he can have a meal on them while he hears a pitch on why he should use their services when he exits this mortal coil.

He doesn't care for that either, he said, but he figures somebody is attending those seminars.

If the mall effort catches on, said Jessica Koth of the National Funeral Directors Association, credit the aging Baby Boom generation at least in part. Historically, people have not wanted to talk, or even think, about their demise.

But Baby Boomers, the oldest of whom are pushing 70, are different. Many are beginning to press for so-called green funerals that don't require the use of coffins or burial vaults, Koth said. Others want custom-made coffins or urns that say something about who they were.

That often means something that represents a favorite car or sports team, said Smith of Til We Meet Again. He pointed out he even got a request once for a coffin built to resemble a portable toilet from a guy whose company made portable toilets.

With that mindset, could going to the mall and planning the whole deal just steps away from the Merry-Go-Round really be that unusual?

RadioShack to Close About 500 Stores Within Months

連鎖快餐品牌 Sonic 計劃進軍南加州城市區并因地制宜變更原有店面設計

By EMILY GLAZER (The Wall Street Journal)

On Sunday, RadioShack Corp. used comedy, in the form of a Super Bowl ad, to show its stores being dismantled and rebuilt. On Tuesday, the news broke that some of the stores will be dismantled, period.

According to people familiar with the matter, RadioShack is planning to close around 500 locations in the coming months. It isn't clear which of RadioShack's roughly 4,300 stores will be closed and when exactly the closings will begin. The people familiar with the matter noted that it isn't unusual for companies to close stores when going through a restructuring.

The news was a cold dose of reality after the upbeat feeling generated by the commercial, which was widely considered one of the best that aired during the big game Sunday night. In the commercial, RadioShack poked fun at its outdated image by bringing in a crowd of throwback characters from the 1980s, including Hulk Hogan, Erik Estrada and Alf, who purport to want their store back and proceed to tear out the shelves and haul away products.

On Tuesday, RadioShack shares slipped 4.8% to $2.36. Following the Super Bowl ad, the stock jumped more than 7% Monday morning.

The Fort Worth, Texas, retail chain has been working on transforming its image from an old-school electronics store into a destination for shoppers looking for entertainment gadgets, like headphones and smartphone cases. In October, RadioShack secured $835 million in loans to refinance about $625 million of debt. Those funds, from a group led by GE Capital, also freed up cash for RadioShack's overhaul.

The retailer has struggled to reverse a string of losses deepened by a sales strategy focused around smartphones, which failed to improve revenue over the past two years.

RadioShack executives last year suggested the company would resist shrinking its store footprint as they focused on reinventing the brand's image. Stores might close in one section of a neighborhood to set up shop in more highly trafficked locales, but the number of outlets would stay the same, the executives had previously said.

"I think we're a 4,000-plus network," RadioShack Chief Executive Joe Magnacca said in a November interview. "My job is to make sure that we've got the market covered."

That was before the entire retail sector suffered a fiercely competitive holiday shopping season that eroded stores' margins while doing little to attract new foot traffic.

In mid-January, RadioShack named Dollar General Corp. executive John W. Feray as chief financial official, with plans to start this week.

RadioShack's interim CFO Holly Etlin, brought in from turnaround firm AlixPartners, will continue advising the company, according to a January statement from the company.

High Turnover in Office Ownership Confirms Growing Strength of Secondary Markets

辦公樓易主頻繁，顯示二級市場增長強勁

By Mark Heschmeyer (CoStar)

Last year saw the return of a thriving office investment market, so much so in fact, that several local markets saw significant chunks of their overall stock of buildings change hands in 2013.

Analyzing such office inventory turnover can provide a good barometer of where office investment dollars are flowing, and also reveal markets that offer opportunities for further investment.

"While overall CRE investment volume rose 14% in 2013 from 2012 levels, office sector activity increased 17% to over $104 billion, the highest annual volume recorded for the four major property types," said Nancy Muscatello, senior real estate economist with CoStar Group.

"Although last year's haul was still shy of the peak office investment levels we saw in 2007, it does demonstrate the return of strong investor interest in office property, although that wasn't necessarily the case everywhere."

Looking at office inventory turnover trends across the top 54 U.S. office markets, five Southern and Western markets saw more 10% or more of their total office market inventory change hands last year: Austin, Dallas/Fort Worth, Atlanta, Houston and Denver. Austin was especially popular with office investors as 13% of its office space was acquired by new owners in 2013.

Six office markets saw just 3% or less of their stock change hands: Long Island, Sacramento, Baltimore, Pittsburgh, Honolulu and Richmond, which posted the lowest turnover of 2%.

The surge in transaction volume in many of these markets was predictable, Muscatello said.

"Houston is a shiny object that investors cannot seem to get enough of, offering a bulletproof demand story and fairly decent yields," as a result trading volume has soared in some key submarkets, she said.

"Austin has also been on the radar of investors for quite some time. The metro had a huge inventory turnover in 2013 (13.1% of inventory,) although a sizable portion of that (40%) was due to portfolio sales," Muscatello noted. The biggest portfolio to trade hands last year in Austin was the sale of the Thomas Properties Group portfolio of five trophy CBD towers as part of the firm's acquisition by Parkway Properties.

"With a large chunk of the CBD inventory having already traded in this market, I would expect sales to remain strong, but turnover rates to moderate in the near term," Muscatello added.

Chris Hightower, an investment broker with Marcus & Millichap in Austin, said the ownership changes demonstrate the evolution of the Austin market. Historically, big institutional buyers have eschewed the 'Live Music Capital of the World' due to its relatively small size compared to major markets.

"However Austin has become real estate darling due to the hard charging Austin economy," Hightower said.

Meanwhile, some of the nation's core coastal markets saw relatively lower inventory turnover, including Washington, DC, San Francisco and New York, where just 5% of inventory traded hands. As a way of comparison, the average across the top 54 U.S. office markets was 6.33% turnover.

"Of course, that's due in part to the size of those markets," Muscatello noted. "Not only were they at the forefront of investment activity early in the recovery, but markets like New York and Washington DC have office inventories that are much larger than the average market. Investment volume in New York for example, still accounted for 23% of all office sales in 2013, even though New York's share of the office inventory is only 10%. San Francisco also pulled in an outsized share of sales volume in 2013."

Andrea Cross, national office research manager for Colliers International, also noted the turnover trend in the gateway markets.

"New York, San Francisco and Boston experienced the strongest demand from investors coming out of the recession, so many office assets in those markets have already traded. Lower inventory turnover in 2013 is attributable to a shortage of available assets and strong price increases in recent years rather than a lack of interest in those markets," Cross said.

It's not so much that investor interest has waned in those markets, but rather it has expanded to include others.

"Office turnover in markets outside of the core gateway markets has picked up with broader economic growth and higher investor confidence in the office market's recovery," Cross said. "We are seeing higher turnover in many markets that were out of favor earlier in the recovery."

Markets such as Nashville, Jacksonville, New Orleans and Las Vegas all saw 8% turnover in office inventory last year, according to CoStar data.

"Office sales volume is certainly on the rise in secondary markets as the recovery spreads to more markets and investors move out on the risk spectrum in search of higher yields," Muscatello said.

Office Fundamentals Moving in Positive Direction

辦公樓板塊基本面呈現良好態勢，儘管進展緩慢

By Sarah Borchersen-Keto (REIT.com)

After an extended period of underperformance, fundamentals in the office sector appear to be moving in the right direction. However, the pace of improvement does not match past recoveries, according to industry observers.

The first month of 2014 has offered positive signs for the sector. So far this year, total returns for office sector REITs are up 2.4 percent, compared to 1.4 percent for the FTSE NAREIT All Equity REITs Index.

Greg Adams, director of BDO Valuation Advisors' national real estate practice, which values both domestic and foreign real estate, noted that in prime markets such as Boston, New York and San Francisco, investors are modeling rent spikes into their cash flows. "You'll see maybe a 5 or 10 percent rent spike in year two or three, instead of the typical 2 or 3 percent rate of inflation rent spike," he said. In those stronger markets, "there's more demand for the space, it's becoming more of a landlord's market where they are able to increase rents and offer lower tenant improvement dollars," Adams noted.

According to commercial real estate services provider Cassidy Turley, vacancy rates in the fourth quarter fell 20 basis points to 15.1 percent, compared with a recessionary peak of 17.3 percent. Kevin Thorpe, chief economist at Cassidy Turley, noted that "office vacancy is clearly tightening, but at a rate that is much slower than past recoveries."

"Steady job growth and lack of new development has vacancy falling in 70 percent of the country, but the office sector is still adjusting to the new era of tenant downsizing and space efficiency," he said.

Michael Knott, managing director at Green Street Advisors, believes many of the challenges facing the sector, such as the reduction in work space per employee and lackluster job growth, are no longer major hindrances.

The move to downsize work space has been a mainstream trend for several years now, according to Knott, "so we're at least in the middle of this headwind, if not even a little bit later." Meanwhile, Knott said office demand should now move more in line with overall employment growth, which Green Street expects to remain in the range of 150,000 to 200,000 jobs per month.

However, Knott added that demand growth is not going to outstrip new supply by all that much. While new supply has been a fraction of what it's been in the past, Knott observed that "confidence has grown just enough where new construction feels like it's becoming something that industry isn't shying away from as much as it was the past few years."

Fueled by growth in the tech and energy sectors, the San Francisco Bay Area, Austin and Houston are "the clear poster children for why new construction has been happening over the past couple of years," Knott said.

Thorpe noted that while rent growth is still being fueled by the energy and tech markets, it is being felt more broadly. "Supply-demand fundamentals suggest the majority of the country will be pushing office rents upward by this same time next year," he said.

Green Street's Knott said there will not be a meaningful reduction in overall U.S. office vacancy over the next few years, "but I think it will be good enough to continue moving fundamentals in the right direction and hopefully to start seeing some rent growth."

"It's a more challenging business than many real estate property types," Knott said. "But I think that looking forward from this point, there's more optimism than there was over the past couple of years… It's not a rosy outlook, but it's a more cautiously optimistic outlook," he observed.

Tight Supply Spurs Demand in Self-Storage

自助存儲設施供不應求，因房屋裝修增加、就業好轉、以及人口流動性上升推動需求

By Paul Bubny (GlobeSt.com)

CALABASAS, CA-The self-storage sector is poised for further growth, with a combination of household formation, job growth and increased population mobility lifting demand, Marcus & Millichap Real Estate Investment Services says in a new report. At the same time, new supply to meet the demand has yet to materialize, giving owners a free hand with rental rates.

Demand drivers vary from region to region, but it’s safe to say that the drivers are in place pretty much everywhere. “On the East Coast, migration is stimulated by above-average employment markets, including New York City and Charlotte,” says MMI’s Richard Bird, VP and general manager. “These traditional financial centers are diversifying with technology and housing-related segments adding thousands of positions, attracting job seekers from areas where job growth is slower.”

In Texas and other energy states, job formation is being spurred by oil and gas exploration, and workers are lured to these markets by high wages. “Many of the newly employed are housed in barracks or small apartments, creating demand for self-storage units for additional space,” according to Bird.

Another hub of job creation is the tech-heavy markets of the Bay Area and Seattle are drawing workers to fill open positions. Housing prices in those markets are some of the highest in the US, while apartments run to the smaller side, “leaving self-storage units as valuable extra space,” according to MMI’s report. In the Sun Belt, a recovering housing market is behind the demand: “As retirees sell their homes in the Northeast and Midwest, they are increasingly tapping storage units in destination cities to temporarily hold household items.”

New supply, meanwhile, hasn’t kept pace with usage growth, with just 11.4 million square feet coming on line since 2010, MMI says. However, 2013’s construction tally of three million square feet was nearly double that of the year prior. About one-quarter of that was built in Texas, followed by Colorado with about 400,000 square feet.

This year, self-storage developers will add 1.7 million square feet at 21 facilities to the national inventory. Four of the largest facilities will be located in Houston; Charleston, SC; the Long Island City section of Queens, NY; and Tacoma, WA.

On the investment sales front, MMI reports that the median price for self-storage assets increased 11% last year to $73 per square foot, led by the West at $80 per square foot, a 22%increase year over year. Cap rates have compressed slightly in the past year, averaging in the low 7% range.

In a recent interview with REIT.com, Spencer Kirk, CEO of Cottonwood Heights, UT-based Extra Space Storage, one of four public US REITs specializing in self-storage, spoke to investor demand for these assets. “There’s a lot of competition for these assets,” he told REIT.com. “People like self-storage."

With the top 10 self-storage operators "owning, controlling or operating less than 10% of the market, we’ve got a very fragmented environment, and I think that although there’s some pricing competition that’s a little stiffer than we would like, the landscape for a number of transactions for financial consolidation appears to be wide open," Kirk continued. "I actually think we’ll see an acceleration in the acquisitions market.” EXR’s largest competitor among REITs, Glendale, CA-based Public Storage, operates more than 142 million square feet at 2,200 facilities across the US and Europe.

Helping spur the acceleration Kirk cited, MMI predicts, will be a decrease in prices as interest rates rise and buyers require lower values to meet their yield requirements. “New listings will be met with plenty of buyer demand as capital awaits quality properties,” according to MMI.

Apartment Developers Declare 'Amenity Wars'

橙縣正迎來公寓樓的建造潮，開發商為彌補建造成本主推高檔公寓

BY JEFF COLLINS (OCRegister.com)

Residents of The Marke apartments soon will be able to choose between cocktails at the rooftop pool while watching a movie or exercising with a personal trainer at the nearby fitness center.

Without leaving the newly built complex, they can get their pets groomed at the “pet spaw,” buy snacks at an in-house store or go bowling in the upstairs gaming arcade. Or they can just stay home and summon one of the complex's on-call massage therapists.

Orange County is undergoing an apartment-building boom. At least 18 big complexes, with a total of 8,800 units, are planned for Orange County over the next three or four years.

Developers are rebounding from years of slow apartment growth, spurred by a growing number of renters and high occupancy rates.

The sudden increase is likely to help tenants by keeping rents in check. But there's nothing cheap about most of the complexes. To offset high construction costs, developers are building luxury units, offering the finest pampering that rent dollars can buy.

“The amenity wars are in full swing,” said Bill Montgomery, president of multifamily acquisitions for developer Sares-Regis Group of Irvine.

Common areas have more private spaces. Complexes offer more entertainment and meeting areas. There are large, commercial-level fitness facilities, Internet cafés and resort-level pool-spa spaces.

Developers expect to complete at least 3,200 new units in Orange County this year. Apartment tracker MFP Research in Dallas has data showing that as many as 5,035 units could be completed in 2014 – the most in at least two decades.

Building permits issued last year for multifamily developments – which includes apartments – hit a high not seen since 1990.

“In raw numbers, it's a lot,” said Frank Suryan Jr., chairman and CEO of Newport Beach-based Lyon Communities, which is building The Marke and another luxury apartment project in Santa Ana.

But, Suryan added, “there hasn't been a lot of apartments built in the last 10 years, so it's satisfying demand.”

Apartment construction stretches from San Juan Capistrano to Anaheim's Platinum Triangle.

Among the most notable developments:

The Irvine Co. recently completed the Los Olivos project at the old Wild Rivers site in Irvine. The complex comprises 1,750 units on nearly 100 acres that include a 3-acre park, a walking trail, a resort-style complex with two Junior Olympic pools and clubhouse. Apartments range from 525 to 1,207 square feet, with rents from $1,605 to $2,975 a month.

The Marke on MacArthur Boulevard just west of the 55 will start renting its first 70 units in one week. All 300 units should be available by the end of May. Rents range from $2,050 a month for one-bedroom units to $3,500 a month for a three-bedroom, top-of-the-line M5 Collection unit.

The Irvine Co., Orange County's largest landlord, also is the biggest player in the apartment boom, accounting for 2,200 of the units completed this year. In all, the Irvine Co. expects to build nearly 5,500 units in seven complexes by 2017.

But at least eight other developers – including national apartment builders like Sam Zell's Equity Residential and Mill Creek Residential in Dallas – have also jumped in.

Keeping rent in check

All this growth – adding about 4 percent to the local apartment inventory – is keeping Orange County rent increases to a minimum, observers say.

Once one of the hottest markets in the nation for “rent growth,” Orange County is now seeing rents rising in the modest 3½ to 4 percent range year over year, figures from MPF and RealFacts show.

By comparison, rent hikes averaged 5.3 percent a year from 2004 through 2007, said MPF analyst Jay Parsons.

Some U.S. markets are seeing 6 and 7 percent rent hikes.

The average apartment rent in the fourth quarter fell to $1,700 a month from $1,708 the quarter before – the first quarter-to-quarter drop in nearly three years, apartment tracker RealFacts reported.

“I think the clear impact is on rent,” Parsons said. “You're competing for the same pool of renters.”

Most executives agree that construction is just catching up after years of low activity.

During the housing boom, construction dollars were diverted to for-sale homes. Then the recession hit, and apartment deliveries fell to 407 units in 2011, MPF figures show.

At the same time, the pool of renters is growing.

The homeownership rate fell from 63 percent of Orange County households in 2005 to 57 percent in 2012, U.S. Census figures show. During that time, the renter population jumped 22 percent, or 246,000 people, from 2005 to 2012, the census shows.

Also, increasing jobs have created opportunities for Gen Y residents and others to move out of their parents' homes or to split from roommates and get their own homes.

And rising home prices – climbing at a 20 percent clip for the past six months – are trapping more people in rentals.

RealtyTrac, the online foreclosure site, reported last month that it's now cheaper to rent than to buy a home in 29 U.S. counties, including Orange, Los Angeles and Ventura counties.

Online real estate site Trulia estimated that Orange County house payments this winter are 21 percent lower than fair market rents, versus 32 percent lower in the winter of 2013.

"You look at all those factors, Orange County is a great place to be a builder," said Samuel Simone, senior manager and director of Mill Creek Residential's Costa Mesa office. "Orange County's demographic is young. They have discretionary income. You're seeing some of the nicest apartments built in the country being built here."

Very few of the new apartments are designed as "affordable" or "workforce" housing.

"All new market-rate development is 'high-end,'" Sares-Regis' Montgomery said. "The costs of building are virtually the same, and high-end will achieve the most rent to support the development costs and meet investor return targets."

Although units are getting smaller, developers say, renters at new complexes can expect quartz countertops, high backsplashes in kitchens, high-quality cabinets and stainless steel appliances.

Connectivity is upgraded. Jacks for Ethernet cables and cable TV are more plentiful, while phone jacks are scarcer as renters forego land lines. Tech plugs with USB inputs for charging smart phones are deployed in kitchens.

At The Marke, every unit has walk-in closets, 9- and 12-foot high ceilings and full-size stackable clothes washers and dryers.

The 6,000-square-foot gaming arcade on the rooftop will have a liquor license. A fountain beside the pool converts into a movie screen.

The top-of-the-line M5 Collection units also come equipped with $200 Moxie Bluetooth shower heads that connect to your iPhone or other devises to play music or audio programs while you bathe.

"We're doing something you don't see in rental living," Suryan said. "It's something (you see) in a condo development or in a resort hotel."

CRE Industry Faces Dramatic Changes in Multifamily Supply, Financing Environment

公寓樓市場迎來劇變，供應量增加、利率上升、以及可能發生的房利美和房地美結構調整

By Mark Heschmeyer (CoStar)

The U.S. apartment market continued to see robust growth in 2013, but investors are keeping a wary eye on looming changes going into 2014, including the impact from rising supply, rising interest rates and the prospects of restructuring the nation's two biggest government-sponsored enterprises (GSE's) Fannie Mae and Freddie Mac.

For the top 54 U.S. metros, CoStar Group forecasts more than 240,000 new multifamily units will be added in 2014, and a combined nearly 350,000 units in 2015 and 2016. Those projections are on top of the more than 200,000 new apartment units developers added between 2012 and 2013.

The supply wave already is affecting some market indicators, including gradual reductions in rental growth and increases in vacancy, according Luis Mejia, CoStar's director of U.S. research, multifamily. The aggregate fourth quarter 2013 CoStar data for 50-unit-plus properties shows a year-over-year effective rent growth pattern that is consistent with increasing competition. As landlords adjusted concessions to lure renters, annual effective rent growth declined from 4.9% in the first quarter to 2.7% in last quarter of 2013, after peaking above 7% in 2012.

Several major U.S. markets will see a significant infusion of new apartment units. The building permit data from the U.S. Census Bureau show that Dallas, Houston, Austin, Raleigh, Charlotte and Seattle together account for more than 50,000 units authorized year-to-date as of November 2013.

"In other markets with typically higher development barriers like New York, Los Angeles and San Francisco, supply pipelines are quickly filling. In New York alone, permits for more than 23,000 units were issued year-to date as of November 2013, a more than 45% increase over the permits issued in the same period in 2012," said CoStar's Mejia.

The same is happening with Los Angeles and San Francisco, which together approved nearly 20,000 units during a comparable period, 25% more than a year earlier.

"Some of these units will hit the market in 2014, putting additional downward pressure on effective rents," Mejia said.

Will Strengthening Economy Match Swelling New Supply?

At the same time too, strengthening economic momentum in 2014 could bolster apartment performance in the coming year. It's possible that rising employment growth could offset much of the supply risk from the dramatic

rise in apartment construction, according to The Barron, Burkons & Wintermute Group, an investment brokerage team based in Independece, OH affiliated with Marcus & Millichap.

Of course, economic growth is raising pressure on interest rates, a pressing factor for investors. However, rising interest rates could encourage more investors to look beyond core markets and asset classes, according to Barron, Burkons & Wintermute

"The return to a normal credit environment does suggest incremental increases in financing rates going forward, but the good news for investors is that NOI growth, real estate cap rate spreads and lender spreads provide a healthy buffer against future bond yield increases," noted John J. Kerin, president and CEO of Marcus & Millichap in the company's 2014 forecast released last week.

"More importantly, further increases in interest rates will likely reflect strengthened job creation and economic momentum rather than Fed policy speculation," Kerin continued. "In addition, a low-inflation environment with greater political certainty and less fiscal tightening will prevail in 2014: Domestic and cross-border investors will fuel capital allocations to U.S. real estate assets compelled by the need for safety, a strong income return, and yield compared with alternative investments, and this competition will exert downward pressure on cap rates."

National housing vacancy rates in the fourth quarter 2013 were 8.2% for rental housing and 2.1% for homeowner housing, according to the Department of Commerce's Census Bureau. The rental vacancy rate of 8.2% was 0.5 percentage points lower than the rate in the fourth quarter 2012 and 0.1 percentage point lower than the rate last quarter.

However, the new construction cycle and nascent rise in renter household formations may herald a new phase of expansion for apartments. The big story in 2013 focused on investors expanding interest beyond five-star properties and the threat of new supply and price fatigue in Class A assets, but the brisk lease-up of newly delivered Class A units has eased investor concerns somewhat, according to Barron, Burkons & Wintermute.

"The conversation for 2014 may well focus on positive demographics, immigration, pent-up demand, and the role Echo Boomers will play in establishing new households," Kerin noted. "The single-family sector has staged a durable and beneficial recovery and will compete with apartments, but housing demand appears more than sufficient for both."

Money Still Flowing as More Lenders Surface

The potential tapering of government-sponsored enterprises (GSE's) Fannie Mae and Freddie Mac remains the subject to much speculation, but it did not hinder their multifamily lending activity in 2013. Preliminary reports indicate that the agencies continued to dominate the multifamily sector with more than $55 billion in financings last year.

However, according to a recent report by Jones Lang LaSalle, national banks, financial institutions, CMBS and life companies continued to increase their share of the multifamily lending market in 2014, filling in the gaps where the GSE's can't or choose not to compete.

"Fannie Mae and Freddie Mac offer extremely competitive pricing and accessibility to plenty of capital which is why they remained highly active in the market 2013,"said Faron Thompson, who heads up JLL's Capital Markets Group in Atlanta. "We could see the GSE's reduce their volumes another three to five percent this year, but more importantly, we expect them to have a tighter definition of affordability. Therefore, a certain number of properties at the higher end will no longer be eligible for GSE financing, allowing life companies and others to further enter that space."

The Mortgage Bankers Association (MBA) projects originations of multifamily mortgages to grow $116 billion in 2014.

Among the top commercial and multifamily mortgage origination firms surveyed by the MBA, 85% of respondents anticipated growth of five percent or more of CMBS loans and 60% expect a decreased number of financings from Fannie and Freddie.

"As the apartment supply cycle continues to unfold, timing will be critical," said CoStar's Luis Mejia. "If supply peaks in 2014 and demand continues to hold strong, rent growth and vacancy may not suffer significantly. Conversely, if lenders continue to dole out money and developers remain excessively optimistic, supply could suddenly get out of hand and market deceleration would be more noticeable."

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	0.24	0.23	0.28	0.23	-0.05	-0.07
Money market, annual yield	0.41	0.41	0.50	0.41	-0.07	-0.22
Five-year CD, annual yield	1.34	1.32	1.39	1.15	-0.07	-0.67
30-year mortgage, fixed	4.42	4.46	4.80	3.56	0.72	-0.52
15-year mortgage, fixed	3.45	3.50	3.84	2.80	0.46	-0.80
Jumbo mortgages, $417,000-plus	4.42	4.49	5.11	3.97	0.25	-1.13
Five-year adj mortgage (ARM)	3.59	3.67	4.16	2.80	0.69	-0.13
New-car loan, 48-month	2.94	2.83	3.00	2.42	0.29	-2.18
Home-equity loan, $30,000	5.19	5.17	5.29	4.85	0.32	0.04