

THE WATCH LIST

MARK HESCHMEYER, EDITOR

SEPTEMBER 13, 2012

WWW.COSTAR.COM



A WEEKLY NEWSLETTER FOCUSING ON CHANGING MARKET CONDITIONS, COMMERCIAL REAL ESTATE, MORTGAGES AND CORPORATIONS PUBLISHED BY COSTAR NEWS

IN THIS WEEK'S ISSUE:

Will Property Prices Need a Crutch as the Population Ages?	1
Ripple Effect from Slowly Healing CRE Market Felt in CMBS Market	5
CRE Pricing Bounces Back as Lower-End Property Sales Pick Up Steam	7
Starwood Nears \$3 Bil. Capital Raised for Ninth Opportunity Fund	7
GGP Continues Raising Money Thru Refis	9
Latin American Investors Flock to New U.S. Fund	10
Unions Bankroll New DC Development Fund.....	10
Watch List: Low Dollar Distressed Opportunities.....	11
Closures & Layoffs	12
Wind-Down Sale Starts at 568 Fashion Bug Locations	13
SuperValu To Close 60 Underperforming Stores	13
H-P To Cut Another 2,000 Jobs	14
Kodak Cutting 1,000 More Workers	14
Pacifica Buys 700 REO Houses	14
Eagle Hospitality Seeks To Sell Its 13 Hotels.....	15
This Summer's Popular Moving Destinations	16
C&A Marketing Acquires Retailer Ritz Camera at Bankruptcy Auction	16
Regency Centers Uses Crowdsourcing To Lease Baltimore SC.....	17
Kentucky's Republic Bank Expands into Minneapolis	17

Will Property Prices Need a Crutch as the Population Ages?

Or Do the Echo Boomers Offer the Elixir of Youth?

There has been much speculation that single-family housing prices could take a hit as increasing numbers of baby boomers downsize and leave larger homes behind as they move into retirement age. That assumption is too general to be entirely accurate, according a pair of major economic papers on the topic of aging and property prices.

What is clear is that this ongoing population shift holds important ramifications for the multifamily property sector, including senior and assisted living facilities. And it is also becoming an issue of increasing importance for commercial real estate investment researchers.

"As Baby Boomers enter retirement age, many 'empty nesters' may downsize, leaving their current homes in favor of smaller condos or age-restricted communities. Therefore, prices for large single-family homes located in high property tax areas could be under pressure over the next decade," Tim Wang, senior vice president and head of investment research for Clarion Partners in New York, told CoStar News. "However, seniors today are often healthier and live longer; because of this we believe it is still premature to invest in assisted living or nursing homes."

"In terms of locations, we do not expect all seniors to relocate to Sun Belt cities. In fact, many seniors prefer to live near their children and grandchildren and to remain close to their lifelong friends," Wang said.

John Rosenfeld, general counsel for Oxford Investment Partners in Phoenix, said that shifting single-family dynamic of baby boomers has been disrupted by the Great Recession and that has already helped boost the multifamily sector.

"Despite the popularity of various retirement investment vehicles, the largest part of most baby boomers' nest egg is still their homes. Converting those real estate nest eggs into retirement cash could pose the prospect of a "correction" as the baby boomers become a sellers' demographic," according to Rosenfeld.

"The timing and severity of the Great Recession has interrupted this dynamic," Rosenfeld said. "First, home devaluations of 30% or more over the past five years have depleted home equity, making it undesirable-even infeasible-to sell in the current market. We've seen this cause some retirees to describe themselves as "stuck" in their homes."

"What this has done is temporarily push back the onset of the disposition trend for baby boomers and made that trend more dependent upon the dynamics of the residential market than the age of the boomers," Rosenfeld said.

RETHINKING RETIREMENT

"A second effect is more lingering," Rosenfeld continued. "The Great Recession has caused many baby boomers to rethink their retirement plans. Boomers not only lost significant home equity, but also had to dip into more liquid retirement savings. Many baby boomers suffered layoffs and significant reductions in household income during what should have been their prime earning years. The downturn has flattened and skewed the earnings curve for many boomers, causing them to push back their retirement date or ratchet down their expectations."

"So boomers may be inclined to stay in their family homes for longer since they will be working longer. This could elongate the residential disposition timeline for the boomer generation overall, but result in a better fit with absorption," he said.

"Third, the Great Recession has caused an uptick in the residential rental market. This may have a mixed effect on housing values as baby boomers enter retirement. Today many people are not only renters of necessity, but by choice. That's a reversal of a mindset that dates back to the early 20th Century, if not before," Rosenfeld said. "The improved rental market may also provide opportunities for boomers to down-size without being forced to sell their family homes."

Sandra Ware, director and a member of the land practice group of Newmark Grubb Knight Frank in Wilmington, DE, sees the same phenomenon at work.

"What we are facing is a Lost Generation of homeowners, who would normally be buying the larger homes that the baby boomers are selling (or try to sell)," Ware told CoStar. "Now we have a gentrified group of new baby boomers who worked hard for what they have and are suddenly facing the untenable situation of staying put in their 'empty nest' homes, without being able to tap the hard earned equity that would have contributed to an easier lifestyle."

"The underwater homeowners must stay put, must continue to work to keep what they have, and worse, cannot afford any health issues, as the cash reserve cushions are no longer available," Ware said. "It is a truly scary situation for those experiencing it. Estimates are over 19 million people are in the same situation, with no solution in sight."

"As far as senior living home prices, and retirement communities, these prices have been frozen in time as there are less and less qualified buyers, less people in the market without homes to sell, and all the while the safety cushion of retirement is 'plugged up,'" Ware said.

WHAT ABOUT THE ECHO BOOMERS?

Between 1945 and 1964 a total of 76 million to 79 million people were born. Now the children of the baby boomers qualify as an even larger demographic group. From roughly 1980 to 2000, 80 million or so echo boomers -- Generation Y, Generation X, Generation Next, or whatever you want to call it - were born.

Scott Ostlund, principal and president of Ostlund Equities, which owns and rents single-family homes in throughout Nevada, Arizona and California, foresees demand for properties being shed by downsizing baby boomers being fueled by the echo boomer home buyers. As a result he claims the impact on single-family

housing prices will be minimal or could even continue to drive property prices. Ostlund is also principal and senior vice president of Lee & Associates in Ontario, CA.

"Yes there is a big population of people shifting out of housing but the population of people buying houses is also growing," Ostlund said. "There won't be an oversupply. There are more people to buy properties and there hasn't been any measurable new homes built in the last five years."

"So how much of a degree does the shifting population demographics affect property pricing," Ostlund asked. "It's way way down the list," he answered.

Pete Chinnock, senior associate with Penn-Florida Cos. in Boca Raton, FL, said he too thinks the echo boom will mitigate the impact of aging baby boomers.

"In my opinion it's a very simple answer. It's as easy as Accounting 101, "Supply and Demand," Chinnock said. "We go through one of these economic cycles every seven to 10 years and real estate prices are always affected negatively and then positively. They always seem to come out the other side and peak higher than the previous peak."

"The demand for single-family home ownership will always be a goal regardless of age and as long as the combination of internal birth rate and immigration continue to create increases in the population the demand for housing will continue to increase," Chinnock said. "The only variable I see is the type of housing required, based on age, health care needs and economic ability, will shift between single-family, multifamily, senior housing and assisted living due to population demographics, and prices will follow the supply/demand curve for each."

MORE ABOUT CREDIT MARKETS THAN AGE DEMOGRAPHICS

And there is economic theory to support Ostlund's and Chinnock's views that shifting population is not the most significant factor that will drive future property prices.

What made housing vulnerable to a bubble? And why has the housing market been so impervious to attempts at resuscitation?

Housing is unusually susceptible to booms and busts because simply because of credit conditions, according to Adam J. Levitin, professor of law at Georgetown University, and Susan M. Wachter, professor of real estate and finance at Wharton Business School at the University of Pennsylvania, in a current working economics paper entitled Why Housing?

"Housing market distress transmits to the macroeconomy through a balance sheet channel, a construction channel, and a collateral channel," the two argue. "Because housing is credit-backed and such a large asset class, failure will impact the financial system itself and pull down the economy as a whole. The dual-use of housing, its ubiquity on consumer balance sheets, its highly correlated pricing, and its linkage to the macroeconomy make it a particularly painful type of asset bubble to deflate."

However, according to Kiyohiko Nishimura and Előd Takáts, economists in the Monetary and Economic Department of the Bank for International Settlements, property prices are affected by both aging and money demand.

In their working paper released this month, the two argue that when the baby boomers joined the workforce and started saving, money supply and property prices entered a rising trajectory.

"We conclude that demography was the long-run driver of this process, basing our argument on data from 22 advanced economies for the 1950-2010 period," the two concluded. "According to our lifecycle model, large working-age populations saved for their old age by investing in property and broad money instruments, such as deposits. In the past, savings activity by baby boomers drove up property prices and also increased demand for money. As baby boomers retire, these dynamics will go into reverse."

AH! YOUTH

Yet another wrinkle to factor into this complex equation was put forth by Mark Russell, is the City Assessor for the City of Yonkers, NY. Just because there is an echo boom coming into its prime earning years, doesn't



**PAYMENT RELIEF
DEBT DEFERRAL
DEBT FORGIVENESS
LOAN EXTENSION
ASSUMPTION**

need relief?

NATION'S LEADING CMBS BORROWER ADVOCATE

Do you have a property that isn't generating enough cash flow to pay your CMBS loan? You have options!

1st Service Solutions was the 1st borrower advocate for CMBS loans. We have completed more restructures and assumptions than anyone else. Our team has unparalleled experience in servicing and a singular focus on helping borrowers. Contact us today. We are here to help.

Watch our FREE WEBINARS to learn about CMBS and your options!



www.1stsss.com

(817) 756-7227

necessarily mean they are as interested or in financial position to strive for their parents' dream of homeownership.

"We have seniors that need to down size their homes or acquire a (single-level) apartment... and they will be unloading their homes in record numbers. But who will buy these homes?" Russell asks. "With oversupply, there has to be a reduction in price especially with gun shy young people that do not even know if their jobs are secure. Also a young person may want to maintain the flexibility of being able to relocate without the burden of unloading a home."

"So you have an upcoming glut... due to downsizing, young people with less income and desire to be locked into anything for 15 to 30 years, and increasing requirements for down payments," Russell said.

All signs point to long-term reductions in housing prices and ownership, and a more rapid increase in rental costs, Russell said.

Not so fast, adds Diane J. Macunovich, professor of economics at the University of Redlands in California. She suggests all the fuss over an aging population may be focused on the wrong age group. According Macunovich, what we should be worried about are the gaps in the youth populations that may trigger future recessions.

In her paper, *The Role of Demographics in Precipitating Crises in Financial Institutions*, more than 70% of major declines in the proportion of 15-to-24-year-olds in the population have been associated with declines in GDP growth, according to her study of worldwide data from 1960 through 2005.

"A boom in the population of young people seems to boost producers' expectations," Macunovich argues. Unfortunately, those producers fail to cut-back when the boom abates, "and the passing of the bubble causes

defaults and bankruptcies, which prompt foreign investors to withdraw funds and speculators to unload the local currency."

"This appears to have been the pattern in four financial crises since 1980, as well as Japan's "lost decade," Macunovich argues.

Meanwhile, Clarion Partners' Tim Wang sees several economic factors affecting this key age group that is and will continue to drive demand in the multifamily market.

"Multifamily properties primarily serve renters age 20-34. This demographic cohort is expected to increase substantially as Echo Boomers graduate from college. Most of them will not and cannot afford to buy homes. Tightened lending requirements, the flexibility of renting, large student loan debt, and the trend for young people to postpone marriage and start a family all affect decision making to the clear benefit of the rental property market," Wang said. "Therefore, we believe that the demand for multifamily rentals is likely to remain strong over the next several years."

Ripple Effect from Slowly Healing CRE Market Felt in CMBS Market

Despite a slowly healing property market, two key property sectors of commercial mortgage-backed securities continue to struggle, according to a pair of new reports.

The value of office properties packaged as collateral in CMBS loans, which accounts for 30% of the total outstanding principal balance of rated CMBS, has struggled in comparison with other major property types. Office CMBS delinquencies accelerated in the first half of 2012, even as several large office loans underwent modifications, according to S&P Structured Finance Research.

Although there are signs of recovery in the office sector, office loan delinquencies for those packaged as a part of a CMBS remain at record highs, and more than 50% of office collateral by principal balance experienced net operating income (NOI) declines in 2011, according to S&P.

Meanwhile, several seasoned U.S. CMBS retail malls have recently experienced losses well in excess of the outstanding loan balance, according to Fitch Ratings, which is closely analyzing the negative trends that occurred in these specific cases and using them in its analysis of retail loans for new and existing CMBS transactions.

OFFICE CMBS PAYOFFS LOW, LOSSES INCREASING

The payoff rate for maturing office loans hit a multi-quarter low of 40% in the second quarter, and the loss severity rate increased to 39% from 30% in the prior quarter, according to Kay.

Office was the only major property type to experience a year-over-year increase in the amount delinquent among CMBS loans, and it's also the only property type for which the delinquency rate continues to reach new highs, Kay wrote.

Kurt Pollem, a senior director in S&P's commercial mortgage group, this past month said that in regards to "the composition of conduit/fusion pools [this year], we've seen office and retail concentrations come down a bit-but retail still dominates at about 40%. And we've seen multifamily and hotel assets increase modestly."

If not for the strength in several major markets, recent CMBS office credit metrics would have been much worse, Kay said. The largest CMBS office market, Manhattan, accounts for 20% of total office principal outstanding, or \$25 billion.

Secondary and tertiary markets, which account for two-thirds of CMBS office collateral, are experiencing the largest percentages of loans with NOI declines, according to S&P. This follows rental patterns, as rents in primary markets have generally been exhibiting stronger growth than those in the secondary and tertiary markets.

"It is our view that we may not start to see any meaningful NOI growth until 2015, when leases signed at the market's trough in 2010 start to benefit from rollover to higher rents," Kay reported. "In addition, corporate "restacking" by making offices smaller and more efficient, along with reductions in square footage per office worker, could curb demand for space."

Not surprisingly, Pollem attributed the under-performing office CMBS loans to the slow but steady pace of recent job growth, saying the amount of new jobs being added, while welcome, is not at a rate necessary to reduce vacancy rates or boost rents significantly in many markets.

"Rents are still 15% below their peak 2008 levels. We expect rent growth to be very gradual, and any gains resulting from the historically low completion levels will probably come first from increased occupancy," said Pollem. "As occupancies edge higher, steadier rent growth should follow."

DESPITE CHALLENGES, ISSUANCE UP

Overall "issuance has been pretty robust in the first half of the year, but getting to the more than \$200 billion we saw in 2007 seems very unlikely any time soon," Pollem said." Still, it's better than 2011, when there was a slowdown because of the European debt crisis."

S&P is forecasting \$35 billion in issuance this year (excluding Freddie Mac transactions)

"Though it seems that with the recent activity, it could actually exceed that," Pollem said. "There's still a wall of CMBS and commercial real estate in general that has to be refinanced in the next three years."

MALLS PRESENT UNIQUE SET OF CHALLENGES FOR RATING RETAIL CMBS

There are approximately 1,150 retail loans of more than \$20 million in Fitch-rated transactions, many of them secured by malls. Of those, 126 have already been sent to a special servicer, 44 assets are real estate owned (REO). In many cases, these loans are the largest contributors to Fitch Ratings' overall expected deal losses and have already contributed to negative rating actions.

Fitch Ratings maintains a stable outlook for the CMBS retail sector but said that it is very cautious of mall performance.

According to Fitch, distressed malls have suffered from a variety of issues including changing demographics, increased competition, tenant downsizing, and the consolidation of anchor stores. As a result, some markets may no longer be able to support multiple malls. Mall operators are off-loading poorer-performing assets in favor of their top performers, sometimes in the same markets, a trend Fitch Ratings said it expects will continue.

Fitch Ratings has identified some malls in recent transactions that are the "only game in town" at the moment. But over a 10-year loan term, they may be more susceptible to downside risk from new construction because of significant available land and low barriers to entry.

Also, malls that have seemingly competitive sales performance today will have greater long-term cash flow volatility if anchor tenants have leases that roll during the loan term. Similarly, Fitch Ratings is wary of anchors that have more than one location in the market.

Although it is very difficult to predict the deterioration of a mall that is performing at or above market averages today, there are a number of specific market factors Fitch Ratings said it takes into consideration, with sales and occupancy costs continuing to serve as the primary factors in the agency's stress to current cash flow.

Counter-intuitively, a mall that enjoys above-average sales today and located in a robust demographic market may find itself struggling in future years as new competition enters the market. As a case in point, Fitch cited the Highland Mall in Austin, TX, which recently liquidated at over 100% loss severity.

As a result of these variables, Fitch Ratings said it has been unable to rate some newly issued single borrower or single asset CMBS transactions recently.

CRE Pricing Bounces Back as Lower-End Property Sales Pick Up Steam

By: [Randy Drummer](#)

Commercial real estate prices showed big gains across the board in July following a moribund showing a month earlier, reflecting the steady improvement in market fundamentals for most property types.

The two broadest measures of property pricing within this month's CoStar Commercial Repeat Sale Indices (CCRSI) report showed substantial gains in July for both the highest-priced properties at the top end of the investment market and accelerating improvement in smaller, less expensive general CRE properties.

The report appears to represent a return to form of sorts for the commercial property recovery following weaker index numbers in June and for the second quarter. Last month's CCRSI report, based on data through June 30, showed diminished investor demand across most property types. Pricing for investment-grade property held serve in June but eroded for general holdings as investors returned to the safety of the top assets in core markets. In the second quarter as a whole, space demand also weakened across most property types, in line with slowing global economic growth.

CoStar's Value-Weighted Composite Index for July found that U.S. commercial real estate prices surged by a strong 11.3% in the month ending July 31 over the same month a year ago as growth in pricing of higher-priced investment-grade properties continued to lead the real estate recovery. The index has now increased 33% from its market bottom in January 2010, though it remains 18.4% below its September 2007 peak.

That said, pricing gains in the less expensive general commercial real estate sector are catching up a bit with the trophy stuff. The Equal-Weighted Composite Index, which measures pricing in the broader market dominated by smaller and lower-end properties, increased by 5.9% in July compared to a year earlier, with index pricing now up 6.3% from its low ebb in March 2011.

Pricing in the broader general commercial real estate market has made significant strides in recent months, with the Equal-Weighted General Commercial Index increasing by 1.6% in July and accumulated a 3.9% gain since the beginning of 2012. At the same time, pricing in the Equal-Weighted Investment Grade Index held its own, rising 2.1% in July and increasing 5.2% from a year earlier, despite the soft economy and price volatility observed in the investment-grade segment earlier in the year.

This month's CCRSI, which provides the CRE market's first look at July property pricing, is based on 741 repeat sales in July. The more than 100,000 repeat sales tracked by CoStar Group since 1996 constitute the broadest measure of CRE repeat sale activity in the market.

In another noteworthy trend coinciding with the upward price movement evident in the CCRSI, commercial property sellers appear to be finding a more accommodating market in 2012, with for-sale properties spending less time on the sales block. The average time on market for sold properties fell by almost 2% since the end of first-quarter 2012, while the gap between initial asking price and final sales price has now narrowed by more than 2.5% since the beginning of the year.

Meanwhile, the number of properties withdrawn from the sales market by prospective sellers declined 11.4% in July from a year ago, another indication of improving investor sentiment. Only 16% of property transactions observed by CoStar in July were distressed, 20.6% lower than the peak level observed in March 2011.

Starwood Nears \$3 Bil. Capital Raised for Ninth Opportunity Fund

By: [James Wallace](#)

Starwood Capital is expected to close almost \$3 billion in equity for its ninth global private equity real estate fund by the end of the year, hitting the top end of its \$2 billion to \$3 billion capital ambitions at a time when opportunistic capital raising has become fiercely competitive.

Fundraising for Starwood's Distressed Opportunity Fund IX Global began last July, according to SEC filings.

Closing a full \$3 billion of equity by the end of the year, would give Starwood a total spending power of \$4.8 billion, based on an average deal by deal 60% leverage applied to investments.

Investors comprise U.S. pension funds, endowments and foundations, sovereign wealth funds as well as insurance companies and high net worth individuals.

The New York State Teachers' Retirement System invested \$50 million to the fund in July, while the Teachers' Retirement System of the State of Illinois invested \$150 million in February, according to Private Equity Real Estate.

Starwood's first closing was last December, at which point \$1.2 billion of equity was raised.

The fund is already 25% invested, with investment to date focusing on distressed U.S. opportunities although the remit extends to Europe.

Starwood declined to comment.

Starwood has offered management fee breaks for the first time in its history to institutional investors committing more than \$150 million of equity.

The predecessor fund, the Starwood Global Opportunity Fund VIII (SOF VIII), completed its final \$1.83 billion equity closing in March 2010, and targeted global distressed real estate and debt, with JPMorgan Chase supporting the search for investors.

Prior to the ninth fund, Starwood had raised \$7.32 billion for its series of global real estate funds – across opportunity, hospitality, debt and distressed strategies, according to Preqin, the alternative asset industry data provider.

A closure of Starwood's Distressed Opportunity Fund IX Global at \$3 billion, would take that decade total to more than \$10 billion.

Except for the very largest private equity players, capital raising for opportunity real estate funds has become more difficult given that managers are all tapping the same institutional investor base, with broadly similar investment strategies.

There are currently 467 global real estate funds capital which have at some stage been capital raising this year, seeking a combined \$163 billion in equity capital.

But the actual capital raised in this calendar year is thought to be much lower. So far this year 79 private equity real estate funds have raised a combined \$24.8 billion, according to Preqin data.

"The situation is challenging for real estate funds currently trying to raise capital," said Alex Jones, senior analyst at Preqin. "The fundraising market it is very crowded across all private equity strategies, and this is especially the case for real estate funds."

"Private real estate vehicles account for the largest proportion of all PE funds currently seeking capital from investors and as a result it is a very competitive space, Jones said.

"While investors on the whole have a positive outlook regarding real estate, fundraising has declined across each quarter of 2012 year-to-date and the key issue for real estate GPs at the moment is how to stand out from the pack and attract what little capital commitments are coming in. However, the reality is that there is simply not enough capital going around for all the managers to be successful and hit their targets," he added.

As well as Starwood, the one significant exception to this rule has been Blackstone, who in January closed the largest ever global real estate fund, with \$13.3 billion.



FLAGLER™

Prime
Florida Land
Opportunities



Visit our website for more details:

www.FlaglerLandOpportunities.com

Contact Us:

Jay Ziv, CCIM dir: +1 305 447 7849 | jay.ziv@colliers.com
95 Merrick Way, Suite 380 | Miami, FL 33065
Colliers International South Florida | www.colliers.com

Marketed by:



GGP Continues Raising Money Thru Refis

General Growth Properties Inc. completed \$1.5 billion of property-level refinancings. The transactions generated \$137 million of net proceeds after repayment of existing mortgage notes.

The new loans have a weighted average interest rate and term of 3.88% and nine years, respectively, as compared to a rate of 5.58% and a remaining term-to-maturity of less than one year.

On a year-to-date basis, the company has completed \$5.9 billion of property-level financings generating net proceeds of approximately \$664 million. As a result of these transactions, the average interest rate decreased 130 basis points from 5.63% to 4.33%. The company has no further property-level debt maturing in 2012.

In addition, the company was to retire \$349.5 million of corporate unsecured debt on this week with cash on hand.

Latin American Investors Flock to New U.S. Fund

Finesa Real Estate Group closed a \$200 million equity fund, Diversified International Partners (DIP). DIP is a real estate private equity fund developed for Latin American institutional and qualified high net worth investors. Finesa successfully secured commitments from some of the most prominent pension fund and endowment managers in Latin America.

DIP is actively seeking investments in the best markets across the country, focusing on multifamily, retail, office, and industrial/flex properties. The fund will target cash flow generating assets in a combination of core, core-plus and value-add strategies, which in some cases will offer opportunities to marginally increase operating results through a hands-on operating efficiency.

The first closing was expected to have aggregated commitments of \$50 million. Finesa exceeded that goal by more than 40% and raised a total of \$71 million. The fund will continue raising capital through the second quarter of 2013 and is anticipated to be fully subscribed.

"We believe now is a great time for our investors to jump back in to the US market. Today our investments are achieving strong yields and our investors are buying dollars with strong foreign currencies. For them, it is a great combination. Finesa's strong base of international investors is very excited with the opportunities we can access for them today." states Andres Gonzalez, president and CEO of Finesa Real Estate Group.

Rockville, MD-based Finesa retained Transwestern Investment Management as the exclusive investment manager.

Unions Bankroll New DC Development Fund

Real Estate Investments in Washington-Baltimore Will Use Union Labor

A new real estate investment fund targeting development projects in the Washington-Baltimore region has initially raised \$35 million from institutional investors.

Sponsored by Regional Real Estate Investment Corp. (RREIC) of Plymouth Meeting, PA, and New York City-based Real Estate Capital Partners (RECP), Develop-DC LP will provide equity or mezzanine loans to leading local and national developers for new ground-up development or projects requiring major renovations. All construction will utilize 100% union labor.

The fund's investors include the International Brotherhood of Electrical Workers Local 26, the largest labor union in Washington, DC; the International Union of Bricklayers and Allied Craftworkers; and Independence Blue Cross of Pennsylvania, among others, along with investments from the sponsors, RREIC and RECP.

Develop-DC is targeting projects valued at \$30 million to \$150 million covering a wide range of sectors including multifamily residential, office, hospitality, and mixed-use. The initial focus will be multifamily projects, particularly those connected to transportation hubs.

Over the next three to four years, the fund expects to invest up to \$200 million in projects with a total valuation of \$500 million to \$700 million.

NOTICE

LOANS AND PROPERTIES UNDER SURVEILLANCE

Never miss a refinance, workout or distressed asset investment opportunity again. Trepp's surveillance products leverage a capital market quality database and provide flexible searching, powerful market research and custom reporting capabilities. Whether you are a large financial institution, an investment salesperson or mortgage broker, Trepp has the right solution to match your requirements and your budget.

Contact us today at (212) 754-1010 or sales@trepp.com

TreppLoan™, LoanADVISOR™, CREDataXpress™



Watch List: Low Dollar Distressed Opportunities

Information for these listings was provided by Trepp LLC, an industry leader in providing surveillance data on loan and commercial real estate performance underlying the CMBS market and CoStar Group.

Name	Address	Property Type; Cur. Bal.	CMBS; Special Servicer	Comment
413 68th St.	413 68th St., Brooklyn, NY	Multifamily; \$466,111	WashMut 2007-SL3; KeyBank	New referral.
1360-80 Bulldog Lane	1360-80 Bulldog Lane, Fresno, CA	Multifamily; \$667,016	WashMut 2007-SL2; KeyBank	The loan was to be transferred to special servicer upon 60-day delinquency.
Grovepark Apartments	3601-3613, 3610, & 3620 Richmond, 2222 Ferrol, & 3606 Pleasant Grove, Lansing, MI	Multifamily; \$935,166	CSFB 2002- CP5; Berkadia	The borrower has advised it will not be able to pay the loan off at maturity; requested an extension or approval of a short sale.
3920 I-55 S. Frontage Road	3920 I-55 S. Frontage Road, Jackson, MS	Mobile Home Park; \$1,053,614	Lasalle 2006- MF4; Midland	The borrower stated it has leased the property and sold the mobile homes and the lessor is interested in purchasing the property, but it appears the lessor has stopped making payments.

Name	Address	Property Type; Cur. Bal.	CMBS; Special Servicer	Comment
5 Leila Drive	5 Leila Drive, Florence, MS	Mobile Home Park; \$1,543,427	Lasalle 2006-MF4; Midland	The borrower stated it has leased the property and sold the mobile homes and the lessor is interested in purchasing the property, but it appears the lessor has stopped making payments.
Parklane Centre	7499 Parklane Road, Columbia, SC	Office; \$1,917,582	MS 1999-CAM1; KeyBank	The loan has been transferred to special servicing due to imminent default.
Wyndfall Apartments	3513 Shipstone Place, Hope Mills, NC	Multifamily; \$2,323,180	GMAC 2002-C2; CWCapital	Loan transferred to special servicing effective 8/7/12.
Bighorn Apartments	1600 I St., Sparks, NV	Multifamily; \$3,910,039	CMLT 2008-LS1; LNR	New referral.
5610-50 District Blvd.	5610-50 District Blvd., Bakersfield, CA	Industrial; \$4,448,108	Lstar 2011-1; Hudson Advisors	New referral.
202 Tillary St.	202 Tillary St., Brooklyn, NY	Self Storage; \$4,869,636	SB 2002-KEY2; C-III	Special servicer anticipates providing the borrower with a short-term forbearance to allow it additional time to secure refinancing.
Woods on the Fairway Apartments	8311 FM 1960 East, Atascocita, TX	Multifamily; \$4,999,594	CSFB 2002-CP3; Torchlight	Loan transferred to special servicing 8/10/12.
Hilton Garden Inn	1973 Plaudit Place, Lexington, KY	Lodging; \$5,053,235	LB 2007-C3; LNR	Loan matured on 5/11/12.
Arapahoe Station III	6860, 6864, 6880, 6888 S. Clinton Court, Greenwood Village, CO	Mixed Use; \$5,067,708	GCC 2002-C1; LNR	Upcoming maturity date of 11/1/12.

Closures & Layoffs

Company	Address	City	State	Closure or Layoff	No. of Workers Impacted	Impact Date
Catalyst Paper	277 Spur North	Snowflake	AZ	Closure	266	9/30/2012
The Apache Railway Co.	W. Highway 277	Snowflake	AZ	Closure	26	9/30/2012
Jack In The Box	6800 Artesia Blvd., Bldg. 4	Buena Park	CA	Layoff	92	9/28/2012
Bel Air	8787 Elk Grove Blvd.	Elk Grove	CA	Closure	63	9/30/2012
Ralphs	3210 E Anaheim St.	Long Beach	CA	Layoff	63	9/17/2012
Labcorp	5300 Mcconnell Ave.	Los Angeles	CA	Closure	111	9/28/2012
The Cheesecake Factory	11647 San Vicente Blvd.	Los Angeles	CA	Closure	130	9/26/2012
MV Transportation	1001 9th St., Suite A	Modesto	CA	Closure	114	9/28/2012
Raley's	2401 E. Orangeburg Ave.	Modesto	CA	Closure	71	9/30/2012
Medimmune (Astrazeneca Plc)	319 N. Bernardo Ave.	Mountain View	CA	Closure	176	9/28/2012
Northridge Hospital Medical Center	18300 Roscoe Blvd.	Northridge	CA	Layoff	113	10/3/2012
Continental Commercial Products	15510 Blackburn Ave.	Norwalk	CA	Closure	47	9/22/2012
St. Joseph Health Revenue Cycle Services	1100 W. Stewart Drive	Orange	CA	Layoff	239	9/29/2012
JM Eagle	23711 Rider St.	Perris	CA	Closure	49	9/21/2012
USS-Posco Industries	900 Loveridge Road	Pittsburg	CA	Layoff	144	9/20/2012
Gen-Probe	10210 Genetic Center Drive	San Diego	CA	Layoff	75	10/1/2012

Company	Address	City	State	Closure or Layoff	No. of Workers Impacted	Impact Date
Intuit	7535 Torrey Santa Fe Road	San Diego	CA	Layoff	120	9/21/2012
Keolis Transit America (Mobility Plus Transport)	640 Cesar Chavez St.	San Francisco	CA	Closure	61	9/20/2012
Medimmune (Astrazeneca Plc)	3055 Patrick Henry Drive	Santa Clara	CA	Closure	88	9/28/2012
Crothall Healthcare	18321 Clark St.	Tarzana	CA	Layoff	76	9/21/2012
Brockway Mould Inc.	4189 Route 219, Wing M	Brockport	PA	Closure	54	10/13/2012
CemcoLift Inc.	2801 Township Line Road	Hatfield	PA	Closure	96	10/31/2012
Sykes Enterprises Inc.	830 Town Center Drive	Langhorne	PA	Closure	183	10/10/2012
Computershare	500 Ross St.	Pittsburgh	PA	Closure	156	9/30/2012
Federal Reserve Bank of Cleveland	717 Grant St.	Pittsburgh	PA	Layoff	20	10/15/2012
General Dynamics	156 Cedar Ave.	Scranton	PA	Layoff	60	10/15/2012
Aramark Healthcare @ Geisinger, Community Medical Center	1822 Mulberry St.	Scranton	PA	Closure	117	Immediately
The Haven Group Inc.	195 Airport Road	Selinsgrove	PA	Closure	107	9/25/2012
Regional Elite Airline Services, University Park Airport	2535 Fox Hill Road	State College	PA	Closure	46	10/23/2012
Dove Industries Inc.	767 Sans Souci Parkway	Wilkes-Barre	PA	Closure	106	Immediately

Wind-Down Sale Starts at 568 Fashion Bug Locations

SB Capital Group LLC, Tiger Capital Group LLC, and Great American Group LLC, formed a joint venture to conduct a sale of all inventory in the 568 stores of women's retailer Fashion Bug, a unit of Charming Shoppes Inc., a recently acquired subsidiary of Ascena Retail Group Inc.

The "Total Inventory Blowout Sale" will be conducted across 39 states, and is part of Ascena's planned divestiture of the brand and the orderly wind down of the Fashion Bug operation.

Fashion Bug, which offers women's apparel in plus, misses and juniors sizes, opened in the 1960s in Audubon, NJ. The company grew with rapid expansion in the late 1970s, and reached a peak of more than 1,400 stores in the 1990s.

SuperValu To Close 60 Underperforming Stores

SuperValu Inc. plans to close 60 underperforming or non-strategic stores including 38 in its retail food reporting segment and 22 Save-A-Lot locations. The majority of the stores are expected to close before Dec. 1.

The closures in the retail food segment include 27 Albertsons stores (19 in Southern California, including one previously announced location, and eight in the Intermountain West region), four Acme stores, and one previously announced Jewel-Osco location.

The company owns the real estate for approximately one-third of the retail food stores being closed.

Over the next three years, the company estimates that closing these locations will generate between \$80 million to \$90 million in cash from monetizing owned real estate, eliminating cash operating losses, and selling departmental assets.

Cash generated from these actions will be used to reduce outstanding debt and for other general corporate purposes.

"While we don't have square footages for all of the locations slated for closure, nearly all of them are in the traditional grocery format of between 50,000 and 70,000 square feet," said Garrick H. Brown, research director at Terranomics. "That being said, by Dec. 31st of this year, there will be another 3 to 4.2 million square feet of vacant mid-box space back on the market throughout the United States."

"This will come as extremely good news for the real estate opportunist chains out there like Tractor Supply, Hobby Lobby and others," Brown said. "But ultimately, what this really means is that there is a whole lot of space coming to market that the best immediate option for most landlords will be to chop it up."

H-P To Cut Another 2,000 Jobs

Hewlett-Packard said this week it would cut an additional 2,000 jobs as part of its massive layoff announcement last May involving 27,000 job cuts.

A portion of the additional employee exits is coming from the company's voluntary enhanced early retirement program for U.S. employees.

The cuts will be carried out through 2014, the company said.

H-P expects to record aggregate charges of \$3.7 billion through the end of HP's 2014 fiscal year. Of that amount, HP expects \$3.3 billion to relate to the workforce reductions and \$400 million to relate to other items, including data center and real estate consolidation.

H-P recorded an initial charge of \$1.7 billion in the third fiscal quarter of 2012 relating to the 2012 plan.

Kodak Cutting 1,000 More Workers

Eastman Kodak Co. plans to dispose of its document imaging and personalized imaging businesses.

With the decision, Kodak expects to reduce its workforce by an additional 1,000 employees by the end of 2012.

The company has reduced its workforce by approximately 2,700 employees worldwide since the beginning of 2012.

The annualized savings generated by these headcount reductions, including compensation and benefits, is approximately \$330 million.

Kodak said it is analyzing further operational and workforce reductions.

Pacifica Buys 700 REO Houses

Pacifica Companies LLC has purchased 699 Fannie Mae properties in Florida as part of the Federal Housing Finance Agency's real estate owned (REO) pilot initiative.

All properties were sold near or above market value.

Fannie Mae sold an interest in the equity cash flows of a newly created limited liability company that holds the properties throughout Florida. Fannie Mae has retained an interest in the equity cash flows of the LLC. Pacifica is the managing member of the LLC, responsible for managing the operations of the LLC.

Fannie Mae will receive 90% of the distributions to LLC equity until it has received \$49.3 million, after which it is entitled to receive 50% of the distributions.

The equity interest purchased by Pacifica entitles it to receive 10% of the distributions to LLC equity until the 50 / 50 shift. Pacifica will also receive an asset management fee of 20% of gross rental income actually collected.

The purchase price paid by Pacifica was \$12.33 million for its interest, which resulted in an estimated transaction valuation to Fannie Mae of \$78.1 million or 95.8% of a third-party valuation. That would place the individual average price of the homes in the portfolio at \$111,731.

During the initial 3-year period of the venture, the number of properties that may be sold is limited, and the sale price for any property sold by the LLC during such time must meet or exceed a related minimum price threshold.

Separately, the FHFA said it would announce the winning investors for properties in other areas upon closing of the transactions in the coming weeks.

However, 541 properties in Atlanta will not be awarded yet. Those properties will be evaluated for disposition through Fannie Mae's retail sales operation or through future structured transactions.

Eagle Hospitality Seeks To Sell Its 13 Hotels

Eagle Hospitality Properties Trust reached an agreement with its secured lender (an affiliate of Blackstone Group) that allows it to sell its 13 premium-branded hotels with 3,538 rooms and repay its secured debt at a discount.

Eagle Hospitality will be considering offers from investors interested in some or all of the hotels in the portfolio.

"The Embassy Suites, Hilton, Marriott and Hyatt-branded properties are experiencing excellent growth and are well-positioned in their markets," said Marc Beilinson, managing director of Beilinson Advisory Group and Eagle Hospitality's chief restructuring officer. "Purchasers will have the flexibility to appoint their own management at 11 of the 13 properties without termination expense."

Located in desirable Midwestern markets including Chicago, Cincinnati, Columbus and Cleveland, and in attractive growth markets such as Boston and Denver, the properties have been well-maintained with \$77 million in capital expenditures since 2008.

For the trailing 12 months ended July 2012, the hotels as a portfolio achieved:

An average daily rate of \$126;

An average occupancy rate of 75.4%;

Growth of revenue per available room (RevPAR) of 7.1%; and

EBITDA growth of 15.9%.

EAGLE HOSPITALITY'S PROPERTIES

- Cincinnati Landmark Marriott (321 rooms)
- Chicago Marriott Southwest at Burr Ridge (184 rooms)
- Hyatt Regency Rochester (336 rooms)
- Embassy Suites Hotel Columbus/Dublin, OH, (284 rooms)
- Embassy Suites Hotel Cleveland/Rockside (271 rooms)
- Embassy Suites Hotel Boston at Logan International Airport (273 rooms)
- Embassy Suites Hotel Denver-International Airport (174 rooms)
- Embassy Suites Hotel Phoenix-Scottsdale (270 rooms)
- Embassy Suites Hotel Tampa-Airport/Westshore (243 rooms)
- Embassy Suites Hotel & Casino San Juan, PR, (299 rooms)
- Embassy Suites Hotel Cincinnati-RiverCenter (226 rooms)
- Hilton Glendale, CA, (351 rooms)
- Hilton Cincinnati Airport (306 rooms)

This Summer's Popular Moving Destinations

Washington, DC, was named the most popular move-to destination of the summer – and simultaneously the most popular place to move away from, according to United Van Lines, the largest mover in the country.

To capture the city-to-city migration patterns in the U.S., United analyzed domestic moves during the peak moving season – between May 1 and Aug. 31 – when more than 30% of all domestic household goods moves take place. This included more than 44,900 interstate household moves managed by United.

Although Washington, DC, Chicago and Atlanta top the list for highest inbound moves, these cities are also at the top of the outbound list.

"Big cities always have more people moving in and out because of their sheer size, but the recent moving trends indicate people and jobs are moving from Frost Belt to Sun Belt regions," said Michael Stoll, economist, professor and chair of the Department of Public Policy at the University of California, Los Angeles.

The cities experiencing the most growth – more people moving into the metropolitan region than out – were San Jose, Charlotte, Houston, Seattle, Dallas and Phoenix.

The cities experiencing the biggest moving deficit (more people moving out than in) were St. Louis, Chicago, New York and Boston.

"The trends illustrated in the United Van Lines' data indicate popular metropolitan destinations are those with lower housing costs, a highly educated labor force or that have growing or mature technology, manufacturing, business services and healthcare industries, sectors where job growth has been more robust than that of the rest of the economy," Stoll said.

The release of the peak moving season data comes in advance of United's 36th annual migration study, which tracks the most popular destinations during the entire year. The findings for the full year 2012 will be released in January 2013.

C&A Marketing Acquires Retailer Ritz Camera at Bankruptcy Auction

C&A Marketing Inc., a global distributor of digital cameras, camcorders and related accessories, has acquired portions of Ritz Camera and Image LLC at bankruptcy auction.

Ritz Camera and Image filed for bankruptcy in June 2012 and went up for auction last week. At that time, the Beltsville, MD-based firm operated 265 photo stores in more than 30 states throughout the country.

Assets of Ritz Camera acquired by C&A include some of the company's stores, all of its websites, technology and the RitzPix business. The purchase price was \$1 million.

C&A Marketing only plans to assume five to seven of the camera retailer's flagship stores.

- 1001 North Federal Hwy. Fort Lauderdale, FL
- 1681 Alamo Quarry Market, San Antonio, TX
- 2711 18th St. South Homewood, AL
- 400 SW 6th Ave. Portland, OR
- 9590 Magnolia Ave., Riverside, CA
- 662 Co Inkleys, Salt Lake City, UT
- Hapeville Photo Laboratory, Atlanta, GA

C&A Marketing is an industry veteran in the imaging space, having more than 20 years of experience in wholesale distribution, sourcing and retail operations. As the Polaroid Licensee for instant digital imaging products, IP, Sports Action cameras and accessories, C&A already plays a significant role in the resurgence of one iconic American imaging brand.

"Ritz Camera has been a respected name in the camera industry for almost a century," commented Harry Klein, co-owner and CFO of C&A Marketing. "In today's marketplace, it is essential for retailers to strike the right balance with their brick and mortar and online retail presence. This is particularly true in the imaging channel, as consultative sales and interaction are essential to the customer experience. The Ritz brand has long been synonymous with the type of service and customer-centric approach that is too often missing from the retail landscape. We plan to uphold that proud tradition, while updating the retail mix to reflect current market dynamics."

Along with the Ritz Camera name, C&A will also maintain additional retailers Camera World, Wolf Camera, Photo Alley, Kits Cameras and The Camera Shop, all of which have been acquired by Ritz in recent years. The C&A acquisition will be a majority of the Ritz Camera business.

Regency Centers Uses Crowdsourcing To Lease Baltimore SC

In the midst of an election year, Regency Centers Corp. is democratizing retail leasing by asking local residents to suggest stores and restaurants they want to open at Parkville Shopping Center in Baltimore, MD, through an online crowdsourcing platform called Popularise.

Center signage and store flyers encourage shoppers to visit <https://www.popularise.com/parkville> to suggest preferred retail uses and business names as well as comment and vote on submissions made by others.

The leasing recommendations generated through the website will be considered as part of the grocery-anchored center's renovation, which has begun construction.

Parkville Shopping Center is a 161,734-square-foot neighborhood center anchored by Giant, which replaced and renovated a former Super Fresh. The center's retail space is currently 93% leased.

Popularise was created last year by Washington DC commercial real estate investors, and brothers, Ben and Dan Miller. The site aims to encourage local communities to bring their market knowledge, ideas and support to actively shape their neighborhoods. Currently, the site features 11 commercial real estate projects, primarily urban, in four U.S. cities.

"Crowdsourcing is a new term, but asking customers about their shopping preferences has always been integral to strong tenant merchandising. Social media and new technology, like Popularise, allows us to reach more people in a nontraditional way," said Jack deVilliers, leasing agent for center owner Regency Centers based in Jacksonville, FL. "The success depends upon the number of people who engage with the site and the quality of leads. We hope to uncover local or regional favorites that will add further charm to a neighborhood center that has been part of the area for more than 50 years."

Kentucky's Republic Bank Expands into Minneapolis

Republic Bank & Trust Co. ("RB&T"), in Louisville, KY, expanded into the Minneapolis market by acquiring substantially all of the assets and liabilities of First Commercial Bank in Bloomington, MN, from the Federal Deposit Insurance Corporation (FDIC).

In addition to assuming approximately \$207 million in deposits of FCB (both insured and uninsured), RB&T acquired loans and other real estate owned with a book value of approximately \$194 million, at a discount of \$79 million

As of June 30, First Commercial Bank reported holding \$29 million in delinquent and distressed commercial real estate with more than half of that being real estate owned.

The acquisition is being completed through a purchase and assumption agreement with the FDIC, without loss sharing agreements.

The FDIC estimates that the cost to its Deposit Insurance Fund will be \$63.9 million.