

COMMERCIAL REAL ESTATE ReCAP

JANUARY 20TH - FEBRUARY 3RD, 2012

Ground Zero Building Struggles to Find Tenants

1/23/2012, Associated Press via Yahoo!, Chris Hawley

NEW YORK (AP) -- An 80-story skyscraper under construction at ground zero will have to stop at seven stories unless the developer can line up more tenants, planners said Monday, adding to problems that have plagued the \$11.7 billion World Trade Center project.

Many companies in New York are reluctant to invest in new offices because of the poor economy, and dozens are negotiating lower rents as five-year leases signed before the housing crash begin to expire. But both Silverstein and the Port Authority said they are confident the developer can get enough tenants lined up.

The Port Authority is also fighting a lawsuit filed by AAA, the motorists' club, over its decision to raise bridge and tunnel tolls in September. The Port Authority said it needed the extra revenue to improve its creditworthiness and allow it to borrow money more cheaply for projects like the World Trade Center. [Click here to learn more...](#)

Renew or Relocate? Incumbent Landlords Willing To Sweeten the Pot

1/25/2012, CoStar Group, Mark Heschmeyer

While perhaps not a nationally significant or unusual deal by itself, U.S. Cellular's renewal this past month of an office lease in Madison, WI, succinctly depicts the current state of leasing.

Several things about this deal make it typical of other firms making lease renewal decisions in the current market. Landlords have a vested interest in holding onto quality paying tenants, or risk loss of income, more scrutiny from current and potential lenders, and face higher marketing costs to re-fill the space.

Tenants, too, have a vested interest in staying put. While in this case, the tenant is part owner, in other cases, tenants face a disruption in their business and significant relocation and operational costs if they leave a good location. But the market reality is that there are good deals to be had out there as vacancies remain stubbornly high and money for refinancing commercial properties remains hard to come by. As a result, tenants are clearly making the decision to at least shop around. [Click here to learn more...](#)

Report: Maryland's Construction Spending Topped \$3.2B in '10

1/26/2012, Baltimore Business Journal, James Briggs

Maryland ranked eighth in the U.S. in office construction spending in 2010, according to a recent study released by the NAIOP Research Foundation.

More than \$3.2 billion was invested during that year, the most recent time period in which data is available, said Dianna Wilhelm, president of NAIOP Maryland.

The state finished in the top 10 for predictable reasons, she said, including projects sparked by Base Realignment and Closure and military projects. [Click here to learn more...](#)

The Coming Tech-led Boom

1/30/2012, The Wall Street Journal, Mark P. Mills and Julio M. Ottino

Information technology has entered a big-data era. Processing power and data storage are virtually free. From social media to medical revolutions anchored in metadata analyses, wherein astronomical feats of data crunching enable heretofore unimaginable services and businesses, we are on the cusp of unimaginable new markets.

The second transformation? Smart manufacturing. While we see evidence already in automation and information systems applied to supply-chain management, we are just entering an era where the very fabrication of physical things is revolutionized by emerging materials science.

Finally, there is the unfolding communications revolution where soon most humans on the planet will be connected wirelessly. Never before have a billion people—soon billions more—been able to communicate, socialize and trade in real time. [Click here to learn more...](#)

CBRE: At \$7.4B, Office Did Remarkably Well in 2011

1/30/2012, GlobeSt.com, Erika Morphy

WASHINGTON, DC—The Washington, DC area closed more than \$7.4 billion worth of office investment sales transactions in 2011, according to CBRE calculations. That is a remarkably strong number for any year in the DC area, EVP Bill Kaye tells GlobeSt.com—to say nothing of the lackluster economic environment that characterized 2011.

This is obviously an election year, which means complete paralysis on the part of the government. This translates into a slowdown in government leasing activity. However, many of the other deal drivers of last year are still in place, CBRE notes, and should fuel activity in 2012. [Click here to learn more...](#)

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Where's the Capital?

1/31/2012, *National Real Estate Investor*, David Bodamer

The experience of the last several years proves that definitively. Easy money fueled the boom years. As we know now, things definitely got out of control. Remember the days of 100 percent financing? And how about those underwriting assumptions that forecast rent bumps, sky-high occupancy rates and rising valuations as far as the eye could see, all to justify larger loans?

When the flow of capital rapidly stopped—especially in the CMBS sector—the commercial real estate party abruptly ended. Since then, investors have suffered through a prolonged hangover. And the throbbing headache, while easing, just won't go away entirely.

In other words, the “pretend and extend” tactic that lenders employed has worked. Today, both lenders and borrowers have more options when dealing with distressed assets than they did 24 months ago. [Click here to learn more...](#)

Warehouse Occupancy Rising, Market Remains Stable and Positive, Still Not at Point for Higher Rents, New Construction

2/1/2012, *CoStar Group*, Randy Drummer

With the gradual return of economic growth, including higher levels of manufacturing and consumer spending, the vacancy rate for U.S. warehouses continued to decline at the end of 2011 as the property sector was buoyed by its strongest quarter for net absorption since late 2008.

With six straight quarters of positive absorption now, warehouses racked up about 110 million square feet of net absorption in 2011, the strongest year since 2008.

As it has for some time, demand growth as reflected by gross absorption -- the total amount of industrial space leased, not counting space that has been vacated -- remained flat in the fourth quarter. Along with resumed demand, a sharp reduction in the number of company closures, downsizing and consolidations has helped keep the amount of vacated space in check. [Click here to learn more...](#)

U.S. Commercial-Property Prices to Climb 6%, Green Street Says

2/2/2012, *Bloomberg Businessweek*, Hui-yong Yu

Commercial-property values in the U.S. probably will climb about 6 percent in the next six months, based on recent trading in real estate investment trusts and fixed-income yields, Green Street Advisors Inc. said.

Property values were little changed during the past several months after a two-year rally that brought them to within 10 percent of record highs reached in 2007, Green Street said in a Jan. 6 report on its Commercial Property Price Index.

Apartment values have been the strongest, while office and lodging properties are still below their past highs, the firm said last month. Office buildings in Manhattan, the largest U.S. market for such properties, are 20 percent below their prior peak, according to Green Street. [Click here to learn more...](#)

Exelon Picks Harbor Point for Future Headquarters

2/2/2012, *The Baltimore Sun*, Hanah Cho and Steve Kilar

Harbor Point, a development project led by bakery magnate and developer John Paterakis Sr., will be the site of the headquarters for the combined Constellation-Exelon company if the proposed merger is completed, the energy giants announced Wednesday.

The prospect of adding a new office tower to Baltimore's skyline excited city officials and the development community. But some were disappointed that the companies chose a site between Harbor East and Fells Point, rather than in the central business district. Others questioned whether the burgeoning waterfront area can handle all of the recent development.

Advocates for the city's core business district, including the Downtown Partnership of Baltimore, had been pushing Exelon to select a location to reinforce the area around Pratt and Light streets. They also feared that a new structure could hurt the city's business center by creating an excess supply of office space. [Click here to learn more...](#)

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