THE WATCH LIST

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4 U.S. Markets Ranked Among Top 5 Global Picks for CRE Investment

Overseas Investors Showing Increasing Interest in Cities Beyond the Usual Suspects

Foreign commercial real estate investors ranked four U.S. markets among their top five global picks for acquiring commercial property, according to the results of the 22nd Annual Survey taken among the members of the Association of Foreign Investors in Real Estate (AFIRE).

The group's members rated New York, San Francisco, Houston and Los Angeles as the top two through five most attractive markets for real estate investment. The number one pick was London, which displaced New York for the top spot for first time in three years.

Washington, DC, a perennial darling among foreign investors, did not rank among the top five global cities this year. It fell into ninth place after Tokyo, Madrid, and Munich.

AFIRE member firms have an estimated $2 trillion or more in real estate assets under management globally.

“Our members’ increasing interest in cities beyond the powerhouses of New York, Washington and San Francisco points to the recognition of additional investment opportunities for foreign investors,” said James A. Fetgatter, chief executive of AFIRE.

The U.S. remains the most stable and secure country for investment by a wide margin of more than 50 percentage points over the second country, Germany. This is the widest margin since 2006.

The U.S. also remains as the country providing the best opportunity for capital appreciation according to AFIRE members, with a 26% margin over second-ranked Spain.

The U.S. leads the rankings for planned real estate acquisitions in 2014 with 48% of respondents projecting a modest increase in their U.S. portfolio size and 20% projecting a major increase. No respondents projected a major net decrease.

Investors said they are extremely positive about the direction of the U.S. real estate market. When asked how their perspective on the U.S. real estate market had changed since the beginning of 2013, 65% said it had remained the same; 30% said it was more optimistic.

“Foreign investors’ continued and growing interest in the U.S. real estate markets reflects fully functioning capital markets for both debt and equity that provide access to a broad range of investment opportunities,” said Steven Hason, managing director and co-head of Americas real estate for APG Asset Management US Inc. and the newly elected chairman of AFIRE. “Within the U.S, investors can participate in investments ranging from predictable core investments in gateway markets to potentially higher-yielding investments in secondary markets. And, in today’s markets, the survey reinforces AFIRE members’ beliefs that the U.S. provides an advantage for both safety and stability.”

The survey was conducted in the fourth quarter of 2013 by the James A. Graaskamp Center for Real Estate, Wisconsin School of Business.

Hess To Spin Off or Sell 1,250 Convenience Stores

Hess Corp. believes its retail subsidiary is being overshadowed by the oil conglomerate's shadow and has decided to pursue a dual path to separate out is convenience store business; one through a potential spin off into a separate company, or two through the outright sale of the business.

Hess Retail Corp. is the biggest operator of convenience stores along the East Coast and the fifth largest in the United States by number of company-operated gas station/convenience stores. As of Sept. 30, it had 1,258 company-operated locations, of which 1,177 were convenience stores and 81 were travel plazas. Another 96 locations are operated by franchisees that either own the site or lease the site from Hess.

This week, Hess Retail filed a Form 10 registration statement with the U.S. Securities and Exchange Commission (SEC) related to its plans for a possible public spin-off.

At the same time, Hess said it will solicit offers from outside firms interested in buying its entire retail business.

According to the spin-off filing, Hess Retail's growth has been limited by Hess's ownership due to competition for capital and corporate resources with other Hess businesses.

If spun out as a separate business, Hess retail plans target its most attractive markets for additional growth, including Long Island, Massachusetts, north and central New Jersey and New York. It also would like to expand into new financially attractive markets that were legally off-limits due to its affiliation with the oil giant's refining activities.

Hess Retail said the travel plaza market in particular represents an important area for future growth, given the integrated portfolio of services such as gas, food and convenience retail, that travel plazas provide.

Canadian Private Equity Fund Setting Up New U.S. Office REIT

Vancouver, British Columbia-based private equity firm Second City Capital Partners is seeking to form a new publicly held office REIT in the United States.

If its initial public stock offering to raise $150 million is approved, the new City Office REIT would initially own six office complexes comprised of 16 office buildings in the Boise, ID, Denver, CO, Portland, OR, Tampa, FL, Allentown, PA, and Orlando, FL, metro areas with a total of 1.85 million square feet of net rentable area.

In addition to targeting markets with favorable economic growth trends, growing populations with above average employment growth forecasts, SCCP said the new REIT’s target markets would also include a large number of government offices, large international, national and regional employers across a diversified set of industries, low-cost centers for business operations, proximity to large universities and increasing office occupancy rates.

City Office REIT also believes there is a lower participation of large institutional investors in its target markets because they generally have concentrated on gateway markets, which are commonly defined as New York, Los Angeles, Washington, D.C., Boston and San Francisco.

About 62% of the proposed REIT's base rental revenue from its initial properties is derived from federal or state government tenants.

Nonprofits Striking It Rich by Selling Real Estate in Multifamily Boom Markets

By: Randyl Drummer

From San Francisco to New York City, charitable organizations and other nonprofits are increasingly looking to unlock the residual value in their real estate by selling older properties, and in some cases moving to more modern leased space, while using the sale proceeds to fund programs in their communities.

The trend is especially prevalent in New York, where condominium and other residential property prices remain at elevated levels. However, nonprofits such as Goodwill Industries and United Way have sold or begun to market their owned real estate in a growing number of urban markets where residential housing is in short supply -- including the Bay Area, Washington, D.C., and Denver -- and lease or build expanded facilities in less expensive locales.

In San Francisco, Goodwill Industries of San Francisco, San Mateo and Marin Counties is prepping its property at South Van Ness Avenue and Mission streets near Market Street in the emerging Mid-Market area for sale as a potential redevelopment site for a reported $60 million.

In a statement, Goodwill President and CEO Maureen Sedonaen said the local chapter’s steady growth as a social enterprise and the innovation path being outlined in its strategic plan mandate that it seeks new space.

"A potential sale of our Mission Street property would open up tremendous possibilities for us to serve more local people in need, place more people in local jobs, and help preserve the economic diversity and family stability in our region," Sedonaen said.

Goodwill previously attempted to sell the property in early 2007, when the nonprofit retained Jones Lang LaSalle to offer the property, a deal which fell through during the recession after going under contract to local developer David Choo.

Also in San Francisco, the City of Refuge Community Church and nonprofit foundation last August sold its 21,000-square-foot building on Howard Street in the booming South of Market area to a private buyer, who purchased the property for $5 million with plans for a possible mixed-use project on the site. The church and nonprofit bought a less-expensive replacement building in East Oakland on Enterprise Way

Like their for-profit counterparts, nonprofits are learning to become increasingly sophisticated in efficiently managing their property holdings and the role real estate can play in supporting their financial health following the Great Recession.

The majority of respondents to CBRE Group’s annual Nonprofit Real Estate Benchmarking Survey said they, like nearly all other types of organizations and companies, are increasingly seeking more efficient workplaces. The average square feet per person for nonprofits with 20 or more employees has decreased sharply from 403 square feet per person in 2009 to 345 square feet in 2013.

Also as CoStar economists noted in a recent U.S. office market outlook, the office-to-residential conversion trend has been a major source of transaction activity in not only New York, but also Baltimore, Chicago, San Francisco, Philadelphia and Northern New Jersey. Nonprofits are among those queuing up to sell as developers look to reposition office properties to meet growing demand for urban residential space, particularly in transit-oriented markets.

"The strategy to monetize assets and add to endowments could play out anywhere that these economic factors exist, but you need a robust housing market where demand is outpacing supply," said Ben Tapper, senior director at Eastern Consolidated, which recently brokered the sale of a 9,995-square-foot building at 149-151 East 78th Street in the Upper East Side of New York City owned by the Ackerman Institute for the Family to a developer in an $18.25 million transaction. "In addition to monetizing the asset, nonprofits can play the arbitrage game and get the same, or more, space while simultaneously adding money to their endowment."

At the same time that strong demand for residential condominium-conversion projects in certain markets is prompting developers to pay top dollar for older properties ripe for redevelopment, the commercial leasing market has been sluggish. As a result, landlords with big vacancies to fill are more willing to consider leasing space to nonprofits.

Also, in some markets nonprofits may qualify to be exempt from real estate taxes. In New York City, for example, the New York Times recently reported that nonprofits can be exempted from paying taxes if they own their property or if they sign long-term leases known as leasehold condominiums and meet certain other conditions. If they qualify for the tax exemption, nonprofits can realize big savings on their rent, and afford higher quality commercial space.

But the demand for affordable land in close-in locations is the primary factor behind the trend. In Denver, for example, the Mile High United Way had outgrown the 45,888-square-foot headquarters building the organization had occupied for 40 years. Although located in a once less-desirable neighborhood, the area known as Lower Highland (LoHi) recently has emerged as one of Denver's hottest new residential and commercial districts, said Ryan Arnold, a Jones Lang LaSalle vice president who served as the listing broker in the $10 million sale of United Way's building to Southern Land Co.

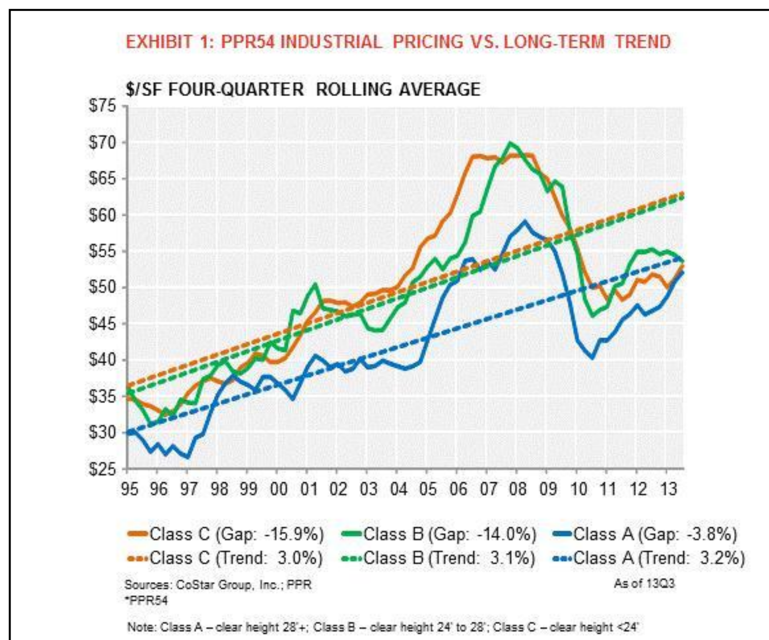
The Franklin, TN-based developer plans to build luxury apartments on the property, and United Way will use the proceeds to build a new facility in another neighborhood on the periphery of downtown.

"We're in a bit of a perfect storm of low interest rates, rising demand and short supply in which nonprofits can step back and take a global look at their assets and figure out where they can generate revenue," Tapper said. "Moving from a high-rent district to a lower rent district may be an option."

Moving Up the Industrial Risk Spectrum

By: Rene Circ, Director of U.S. Research, Industrial for CoStar

Total industrial trading activity in the third quarter of 2013 was up 55% on the prior year, placing industrial first among the four major property types. The $15 billion of total property trades was also the second-best third quarter for industrial property sales, exceeded only in 2007 by about 8%.



Given the industrial sector's increasing desirability among investors, one would assume that capital is flowing freely and investors are willing to move up the risk spectrum. But one would be wrong.

As Exhibit 1 demonstrates, modern bulk distribution properties are trading at prices very close to their long-term trend (as indicated by the proximity of the blue solid line to the blue dotted line), just 3.8% lower.

This is not the case for lower quality properties, where the discount is still 14%-

16%.

Yet given where the market appears to be in its cycle, there is an arbitrage to consider:

- Construction activity is still running at a quarter of its normal rate.
- Demand remains positive and occupancies are expected to continue to rise across the board for at least another year.
- This is the part of the cycle when rent growth is at its strongest, and CoStar's forecast calls for rents to exceed their pre-recessionary levels in most markets by 2017.

All three of the above considerations point to rising pricing and an increased investor ability to lease up or reposition a property. And that translates to higher pricing and outsized equity multiples.

So when you are unable to find a reasonably priced core asset in 2014 -- and you won't -- consider moving up the risk spectrum.

Timing the market is never easy, but the stars are rarely this much in favor of the repositioning strategy for industrial real estate as they are today.

REITs Wrap Up Busy Year with $4.3B in Mergers and Property Acquisitions During 2013's Final Days

Cashing in while the getting is good, REITs capped off a busy year in the final couple of days of 2013 wrapping up mergers, portfolio acquisitions and big deals totaling more than $4.3 billion.

The biggest year-end deal to close was American Realty Capital Properties' $3.1 billion acquisition of sister REIT, American Realty Capital Trust IV Inc., as part of its strategy to build the largest publicly-traded net lease REIT.

According to Fitch Ratings, 2013 was an opportune time to bulk up through mergers and acquisitions. However, buying their way to the top may not come as easy for REITs in 2014, the ratings agency reported.

REITs have deleveraged and strengthened their respective credit profiles over the past three years, but positive ratings momentum may decline, Fitch noted this week. Deleveraging initiatives that REITs have taken in that time are largely complete and credit metrics may soon reach an inflection point.

Following the Great Recession, REIT management teams made a concerted effort to deleverage, improve the quality of their portfolios by pruning away unprofitable or non-core properties and markets, and reducing risk in their business models. These efforts have been buttressed by improving property fundamentals as evidenced by rising occupancies, rental rates, and net operating income.

However, rising interest rates, higher property values and growing development pipelines for REITs qualify the outlook for the REIT sector, the rating agency said.

Here is a quick summary of the major deals REITs completed as the Old Year wound down and the New Year began.

AMERICAN REALTY CAPITAL PROPERTIES

The aforementioned American Realty Capital Properties completed its acquisition of American Realty Capital Trust IV for $3.1 billion. The deal creates the largest publicly traded net lease REIT and 14th largest REIT overall.

As a result of this and other recent acquisitions, ARCP will own 2,579 single-tenant properties net leased to 470 tenants across 29 industries in 48 states. ARCP's projected pro forma enterprise value will be approximately $10 billion, with annualized rent of more than $527 million, of which 57% will be from investment grade tenants.

ARCP also completed its transition to self-management this week following the merger.

GRIFFIN-AMERICAN HEALTHCARE REIT II

American Healthcare Investors and Griffin Capital Corp. the co-sponsors of Griffin-American Healthcare REIT II Inc., completed multiple acquisitions totaling approximately $541.3 million during 2013. In total, the REIT completed approximately $1.5 billion in acquisitions during the year, and now owns a diverse portfolio of health care real estate valued at approximately $2.8 billion

Griffin-American Healthcare REIT II's most recent acquisitions include the following:

- Four medical office buildings in and around Indianapolis totaling 57,000 square feet;
- Two multi-tenant medical office buildings totaling 52,000 square feet located in Marietta, GA;
- A portfolio of 14 medical office buildings from Duke Realty Corp. totaling 700,000 square feet located in Indiana, Michigan, Ohio and Texas.
- A portfolio of four rental continuing care retirement communities in three major urban metropolitan areas in Colorado, Illinois and Ohio, totaling 785 independent living units, 242 assisted living units, 45 memory care units and 137 skilled nursing units; and
- A three-story, 72,000-square-foot medical office building in Middletown, NY.

BRANDYWINE REALTY TRUST

Brandywine Realty Trust bought out its remaining common ownership interest of One and Two Commerce Square in 'Center City' Philadelphia for $248.87 million, or about $175 per square foot. Parkway Properties sold its 75% interest in the asset in a deal that values the properties at $331.8 million, following its $1.2 billion merger with Thomas Properties completed in December.

FOREST CITY

Forest City Enterprises Inc. closed a joint venture on its Charleston Town Center, an 892,000-square-foot regional mall in Charleston, WV, with QIC, one of the largest institutional investment managers in Australia. The deal was the final closing between the two companies for a portfolio of eight of Forest City's regional retail malls. Under the latest deal, Forest City contributed its current 50% ownership interest in in exchange for a 51% interest in the joint venture, and QIC acquired a 49% interest. The eight-mall transaction values the overall portfolio at $2 billion, and generated total liquidity for Forest City of approximately $350 million.

FEDERAL REALTY INVESTMENT TRUST

Federal Realty Investment Trust acquired controlling interest in two shopping centers totaling 285,600 square feet in affluent Monmouth County, NJ, for a total value of $161 million. The Grove at Shrewsbury and Brook 35 are located on busy Route 35, less than three miles from the Garden State Parkway, serving the NY Metro emerging bedroom and second home communities of Shrewsbury, Red Bank, Rumson, Fair Haven, Little Silver and Middletown.

GRAMERCY PROPERTY TRUST

Gramercy Property Trust Inc. closed on three new industrial property acquisitions in two separate sale-leaseback transactions totaling $51.6 million. Two of the buildings are located in Vernon, CA, in Los Angeles and the third building is in Allentown, PA.

If a Company Acts Like a REIT, Will It Qualify as a REIT?

A few months of hand-wringing by the IRS this past summer over what corporate assets constitute real estate did indeed stall the rush of firms seeking to qualify as REITs by Jan. 1 of this year. Several firms that initiated the process last year to convert have commenced operating as real estate investment trusts effective Jan. 1, but have yet to qualify as a REIT for U.S. federal income tax purposes for this year.

Missing their internally set deadlines for qualifying as REITs were: Crown Castle International Corp., Lamar Advertising Co. and Iron Mountain Inc. In addition, CBS Outdoor Advertising and Equinix Inc. are also in the process of REIT conversions and expected to do so later this year.

Crown Castle confirmed that it is now operating as a REIT, Iron Mountain and Lamar Advertising had planned to do so also. The conversion processes are still ongoing for all the firms.

What slowed down the efforts was an announcement early last summer that the IRS had formed a “working group” to in essence define what constitutes as "real property" for the sake of qualifying as a REIT, informing those that had filed to qualify as REITs that all such cases would not go forward until the IRS group concluded its work.

Then just as unexpectedly last November, the IRS basically said “never mind,” and notified firms that it would resume working on their conversion requests.

Crown Castle commenced operating as a REIT effective Jan. 1, based on opinions obtained from its law firms. While Crown Castle plans to operate in a manner consistent with REIT, the company said it cannot give assurance that it would qualify. Crown Castle owns, operates and manages over 40,000 wireless communication sites in the U.S.

Lamar Advertising is actively considering an election to convert to a REIT. On Jan. 2, the IRS published an updated list of those provisions for which it said it will not issue letter rulings or determination letters. The classification of outdoor advertising displays for REIT qualification purposes was included in this “no rule” list.

Lamar Advertising, which currently operates more than 150 outdoor advertising companies, said it believes a loophole exists under which if it makes an election to treat its outdoor advertising displays as real property, the IRS may rule on whether an asset that is not within the scope of the election, but is related to the outdoor advertising displays, constitutes real property for REIT purposes.

Based on discussions with counsel and its ongoing discussions with the IRS, Lamar Advertising said last month that it remained optimistic that it would be in a position to convert to a REIT effective Jan. 1. As part of that process, it completed an internal corporate restructuring to transfer certain of its assets and activities to newly formed, wholly owned taxable REIT subsidiaries late last month.

Iron Mountain elected to begin operating as REIT but has not yet received an official ruling from the IRS.

CBS Outdoor Americas Inc., currently an indirect wholly owned subsidiary of CBS Corp, intends to separate itself from its parent in 2014 and would be treated as REIT from that point thereon. The outdoor advertising firm is proceeding with that process.

Equinix also continues to implement its plan to convert to a REIT, but is not looking to elect REIT status until Jan. 1, 2015.

Macy’s Laying Off 2,500, Closing 5 Stores

In a surprise move given its relatively strong holiday shopping sales, Macy’s Inc. announced it will implement a series of focused cost reductions, including organizational changes, layoffs and store closures. The announcement came simultaneously with its announced sales results for the 2013 holiday season, which were better than expected.

The cost-trimming moves are estimated to generate savings of $100 million per year, beginning this year. The company said the planned changes are intended to support continued profitable sales growth at the retailer and are based on insights it has learned from the implementation of business strategies and new technologies at Macy’s in recent years focusing on localized shopping, omni-channel integration and customer engagement. The planned changes include:

- Combining its Midwest and North Regions and reducing its ongoing number of districts to 60 from the current 69;
- Realigning, combining and reducing some positions in Macy’s stores;
- Trimming certain central office, administrative and back-of-the-house expenses across the company.

Macy's said it expects to lay off approximately 2,500 employees as a part of the changes it is implementing. Other associates are being reassigned new duties or transferred to other locations.

Meanwhile, the company said it continues to add positions in other parts of the company, including online operations, direct-to-consumer fulfillment and in the new stores it plans to open. In total, Macy's said it expects the planned reductions and new hires to offset each other, with its workforce expected to remain at approximately 175,000 associates.

As part of its cost-reduction plan, Macy's is closing five stores in early spring 2014:

- Fiesta Mall, Mesa, AZ (159,000 square feet; opened in 1979; 98 associates);
- Metcalf South Shopping Center, Overland Park, KS (216,000 square feet; opened in 1967; 88 associates);
- Jamestown Mall, Florissant, MO (200,000 square feet; opened in 1994; 88 associates);
- Medley Centre, Irondequoit, NY (129,000 square feet; opened in 1990; 96 associates); and
- Fashion Place Mall, Murray, UT (26,000 square feet; opened in 1988; 42 associates).

While the store closures were included in the same announcement as the cost reduction program, Macy's noted that the store activity was part of "normal course adjustments" to its portfolio, and the closures were accompanied by a list of eight previously announced store openings. New Macy's stores will be opening in:

- University Town Center, Sarasota, FL (160,000 square feet; to open in fall 2014; approximately 175 associates);
- Shops at Summerlin, Las Vegas, NV (180,000 square feet; to open in fall 2014; approximately 160 associates);
- Mall at Bay Plaza, The Bronx, NY (160,000 square feet; to open in fall 2014; approximately 225 associates);
- Plaza Del Caribe, Ponce, PR (150,000 square feet; to open in fall 2015; approximately 275 associates);
- Mall at Miami Worldcenter, Miami, FL (195,000 square feet; to open in fall 2016; approximately 150 associates).

The retailer will also be opening several new Bloomingdale's stores:

- Stanford Shopping Center in Palo Alto, CA (120,000 square feet; to open in fall 2014 to replace an older store in the same shopping center);
- Ala Moana, Honolulu, HI (167,000 square feet; to open in fall 2015; approximately 250 associates);
- Mall at Miami Worldcenter, Miami, FL (120,000 square feet; to open in fall 2016; approximately 225 associates).

Once all of these changes have been implemented, Macy's will operate 844 stores.

IMPACT ON PAIR OF CMBS LOANS

According to Nomura Global Research, given the mall quality, current occupancy, and the size of the stores, the closures will have varying impacts on the two malls secured with CMBS.

With a footprint of just under 26,000 square feet, the closure of the Macy's at GGP's Fashion Place is likely to have a muted impact on loan performance for several reasons. One being that the store accounts for just a little more than 6% of collateral square footage (2.5% total square footage) and at $569,400 it contributes less than 3% to annual rental revenue. Assuming no backfill, the loss of Macy's would reduce the mall's NOI debt service coverage to 3.13x, down from its current level of 3.22x. In addition, the mall generates sales of more than $550/square foot and is indicative of the collateral's high quality.

Nomura added though that it is worth noting that although the direct impact from the Macy's vacancy is minimal, the loss of the tenant likely reflects increased market competition.

In 2012, Taubman Centers opened an upscale open-air shopping center 11 miles from Fashion Place that appears to serve the same demographic.

The loss of the Macy's at The Macerich Co.'s Fiesta Mall has the potential to intensify an already troubled situation. As of June 2013 the collateral was 85% occupied, and the appraisal given at that time values the property at $39.5 million, a 72% decline from the $140.6 million value given at securitization, Nomura noted.

While the current appraisal implies a loss severity of 53%, as with all distressed retail recently, risks are geared significantly to the downside. Since the appraisal, the borrower has requested a deed in lieu of foreclosure, and the upcoming vacancy of Macy's has the potential to accelerate the decline in value.

BDO: More IPOs Expected in 2014, Including REITs

Capital markets executives at leading investment banks expect an increase in the number of initial public offerings (IPOs) on U.S. exchanges in 2014, according to a new study by BDO USA.

In fact, nearly two-thirds predicted an increase in U.S. IPOs in the coming year, while just over a quarter forecast activity as flat compared with 2013. Only 9% expect a decrease in offerings on domestic exchanges.

The average size of the new offerings is expected to be $273 million, which projects to $66 billion in total IPO proceeds on U.S. exchanges.

In the real estate industry 38% of the polled investment bankers predict an increase in IPO filings and 26% a decrease; the other 36% see little change.

According to SNL Financial, REITs raised a combined total of almost $4.9 billion through IPOs in 2013 from the 13 U.S. REITs that went public, double the number that were completed in 2012.

Only two of the 13 companies that completed IPOs during 2013 posted lower returns than the SNL US REIT Equity index as of Dec. 31, 2013.

Asked to identify the most prominent factor behind the increase in IPOs, bankers were fairly evenly divided among three factors: Continued low interest rates increasing investor demand for higher yielding assets (27%); Increased confidence in the U.S. economy (26%); and Positive IPO performance encouraging more businesses to make offerings (24%).

As for the greatest threat they see to a healthy U.S. IPO market in 2014, 43% of the I-bankers cited the Federal Reserve paring back monetary stimulus, while close to one quarter (24%) identified global political and financial instability.

A key strength of last year's IPO market was the wide breadth of industries represented among the offerings. In terms of how individual industries will fair in 2014, almost three quarters (73%) of those in the investment banking community are predicting an increase in offerings from the technology industry.

For the fifth consecutive year, private equity portfolios (43%) are the most often predicted source of IPOs in the coming year. Owner managed privately-held businesses (23%), venture capital portfolios (22%), and spinoffs and divestitures (12%) are the other sources identified by the bankers.

December Sees Fewest Layoffs Since 1997 But also Fewest New Jobs in 3 Years

Announced job cuts fell to the lowest level of the year in December as U.S.-based employers reported plans to reduce payrolls by 30,623 during the month. That was down 32% from a November total of 45,314.

For the year, job cuts were down about 3% from 2012, according to the latest report on monthly job cuts by global outplacement consultancy Challenger, Gray & Christmas Inc.

Last month was not only the lowest job-cut month in 2013; it was, in fact, the lowest job-cut month in more than 13 years. The last time employers announced fewer job cuts was June 2000.

However, the bad news is that the U.S. created just 74,000 new jobs in December - the lowest monthly total since January 2011.

"Employers seem less and less inclined to make dramatic staffing decisions in the final month of the year. We have had several years, when it was among the largest job-cut months of the year, if not the largest," said John A. Challenger, chief executive officer of Challenger, Gray & Christmas. "Over the last five years, however, December job cuts have come in well below the annual average. It was the lowest job-cut total this year and the second lowest a year ago."

Challenger attributed to decline in monthly job cuts to increased business confidence heading into each new year. "The recovery has been slow, but every year since the recession has been better than the previous one," he said.

While overall job cuts were 3% lower than a year ago, four of the top five job-cutting industries continued to experience significant downsizing last year. The financial sector led all other industries with 60,962 job cuts. The second-ranked health care sector announced 52,638 job cuts in 2013. Job cuts announced within the industrial goods nearly doubled from 26,103 in 2012 to 51,864.

"The heavy job-cutting industries were impacted by several factors in 2013, most of which were unrelated to the health of the economic recovery. In fact, in the case of the financial sector, the ongoing recovery was, ironically, a contributing factor to increased layoffs, as these institutions shed the thousands of extra workers brought on to handle foreclosures as well as the refinancing of troubled mortgages. As the economy improved, the number of foreclosures and troubled mortgages decline. At the same time, mortgage rates and home prices increased, which lowered demand for mortgage bankers," noted Challenger.

"Likewise, job cuts in the health care sector were not driven by lower demand. Indeed, demand for health care is on the rise. However, cuts in Medicare reimbursements and Medicaid funding forced hospitals and other health care providers to adjust their staffing levels, as that source of income declines."

INDUSTRIES IN WHICH JOB GROWTH IS STRONGEST

According to the December Jobs Report from the U.S. Bureau of Labor Statistics, total nonfarm payroll employment edged up in December by just 74,000 jobs. In 2013, job growth averaged 182,000 per month, about the same as in 2012 (+183,000 per month).

In December, job gains occurred in retail trade and wholesale trade, while employment declined in information.

According to Challenger Gray, occupations in the health care sector that are expected to see strong hiring include physician's assistants; nurses, particularly those in specialty areas, such as oncology; physical therapists; and medical technicians. There will also be high demand for researchers, engineers, designers, chemists and other high-skill areas in bio-technology, medical equipment manufacturing and pharmaceuticals, according to Challenger.

Another area poised for strong growth in 2014 is technology. While the computer industry saw the fifth highest number of job cuts last year, the pace of downsizing in the sector was actually down 24% from 2012. The industry ranked third in terms of hiring announcements, with firms announcing plans to add more than 26,000 workers.

"Our hiring total represents a tiny fraction of the actual job creation, since most employers do not formally announce hiring plans. Computer science, information technology, electronics manufacturing and telecommunications will continue to be strong job generators in the 2014 economy. New companies are forming and existing companies are expanding products and services related to Big Data, cloud computing, and security, particularly in the wake of the massive security breach at Target," said Challenger.

"The coming year will hopefully see improved conditions for small and medium sized businesses that have struggled so far in this economy. Big businesses, on the other hand, have done rather well, regardless of the industry. Globalization has really driven the growth for multi-national conglomerates. The benefits are trickling down in several ways. These firms require large staffs to conduct market research, product R&D, sales and marketing. They need accountants and administrators and myriad of support staff. Their growth is also benefiting ancillary industries, such as management consulting, staffing, information technology, etc. These employers will continue to seek new workers in 2014 and beyond," he continued.

“One area that may be off many job seekers’ radar is anything related to skilled trades, such as electrical maintenance, plumbing, carpentry, masonry, automotive maintenance, etc. It may be difficult for many to enter these careers from less technical areas, but for students and other young people thinking about future job opportunities, these fields will be fruitful in the coming years, as the existing workforce continues to age and retire. These are jobs that will always be in demand and that cannot be outsourced overseas,” Challenger concluded.

Facility Closures & Downsizings

Company	Address	City	State	Closure or Layoff	No. of Layoffs	Impact Date
Gilly Hicks	400 S. Baldwin Ave.	Arcadia	CA	Closure	102	1/19/2014
Radiological Associates of Sacramento (RAS)	3123 Professional Drive, Suite 100	Auburn	CA	Closure	15	1/31/2014
RAS-Radiation Oncology Center	3320 Bell Road	Auburn	CA	Closure	4	1/31/2014
Alta Resources	975 W. Imperial Hwy	Brea	CA	Layoff	52	1/15/2014
Bank of America	275 Valencia Ave.	Brea	CA	Layoff	24	1/19/2014
NBCuniversal Media LLC	3000 W. Alameda Ave.	Burbank	CA	Layoff	164	2/14/2014
Allied Beverages Inc.	2505 Pleasant Valley Road	Camarillo	CA	Closure	139	1/17/2014
Solarworld Industries America Inc.	4650 Adohr Lane	Camarillo	CA	Closure	59	2/7/2014
RAS-Radiation Oncology Center	3581 Palmer Drive, Suite 303	Cameron Park	CA	Closure	4	1/31/2014
RAS-Carmichael Imaging	6620 Coyle Ave., Suite 110	Carmichael	CA	Closure	22	1/31/2014
RAS-Radiation Oncology Center	6511 Coyle Ave.	Carmichael	CA	Closure	14	1/31/2014
Target	40 N. Fourth Ave.	Chula Vista	CA	Closure	117	2/1/2014
Pacific Mercantile Bank	949 S. Coast Drive, Suite 105	Costa Mesa	CA	Layoff	95	2/14/2014
Time Warner Cable	6021 Katella Ave,, Suite 100	Cypress	CA	Layoff	72	2/3/2014
Joe's Westlake Restaurant Inc.	11 Glenwood Ave.	Daly City	CA	Closure	105	1/26/2014
RAS-Folsom Imaging I & Ii	1655 Creekside Drive	Folsom	CA	Closure	31	1/31/2014
GAF	3441 S. Willow Ave.	Fresno	CA	Closure	31	1/20/2014
Baxter Healthcare Corp.	17511 Armstrong Ave.	Irvine	CA	Layoff	74	1/24/2014
Nordstroms Rack at Long Beach Cityplace	300 Promenade, Suite A105	Long Beach	CA	Closure	43	1/20/2014
Ammex Entertainment Inc.	950 S. Broadway	Los Angeles	CA	Closure	169	2/6/2014
Lifescan Inc.	1000 Gibraltar Drive	Milpitas	CA	Layoff	49	1/17/2014

Company	Address	City	State	Closure or Layoff	No. of Layoffs	Impact Date
Mindspeed Technologies Inc.	4000 Macarthur Blvd., East Tower	Newport Beach	CA	Layoff	51	1/17/2014
Ricon	7900 Nelson Road	Panorama City	CA	Layoff	42	2/1/2014
Ralphs Grocery Co.	18318 Vanowen St.	Reseda	CA	Layoff	55	1/17/2014
Gilly Hicks	1151 Galleria Blvd., Suite 2237	Roseville	CA	Closure	83	1/19/2014
RAS-Medical Records/Scheduling	1880 Sierra Gardens Drive, Suite 200	Roseville	CA	Closure	72	1/31/2014
RAS-Roseville Imaging	1460 E. Roseville Pkwy, Suite 100	Roseville	CA	Closure	61	1/31/2014
RAS-Vascular and Varicose Vein Center	1680 E. Roseville Parkway, Siute 100	Roseville	CA	Closure	18	1/31/2014
RAS-ROSEVILLE PET & NUCLEAR MEDICINE IMAGING	2241 Douglas Blvd., Suite 110	Roseville	CA	Closure	11	1/31/2014
RAS-Radiation Oncology Center	2 Medical Plaza, Suite 180	Roseville	CA	Closure	10	1/31/2014
RAS-TELERAS	1880 Sierra Gardens Drive, Suite 200	Roseville	CA	Closure	9	1/31/2014
RAS-RAS MRI AT SRMC	One Medical Plaza	Roseville	CA	Closure	2	1/31/2014
RAS-Radiation Oncology Center	2800 L St., Suite 260	Sacramento	CA	Closure	91	1/31/2014
Radiological Associates of Sacramento (RAS)	3161 L St.	Sacramento	CA	Closure	25	1/31/2014
RAS-South Imaging	8118 Timberlake Way, Suite 110	Sacramento	CA	Closure	23	1/31/2014
Radiological Associates of Sacramento (RAS)	2 Scripps Drive Suite 110	Sacramento	CA	Closure	10	1/31/2014
Radiological Associates of Sacramento (RAS)	2801 K St., Suite 110	Sacramento	CA	Closure	4	1/31/2014
Radiological Associates of Sacramento (RAS)	1020 29th St., Suite 120	Sacramento	CA	Closure	2	1/31/2014
Portfoli Hotels & Resorts Harvest Inn	1 Main St.	Saint Helena	CA	Closure	53	1/23/2014
Southern CA Edison-Songs	5000 Pacific Coast Hwy	San Clemente	CA	Closure	13	1/17/2014
Hog Island Oyster Bar	One Ferry Bldg	San Francisco	CA	Layoff	32	1/15/2014
P.F.Changs China Bistro	98 S. Second St.	San Jose	CA	Closure	66	1/26/2014
Dendreon Corp.	1700 Saturn Way	Seal Beach	CA	Layoff	62	1/16/2014
Bank of America-Legacy Asset Servicing Unit	400 National Way & 450 American St.	Simi Valley	CA	Layoff	117	1/19/2014

Company	Address	City	State	Closure or Layoff	No. of Layoffs	Impact Date
Bank of America	1757 & 1800 Tapo Canyon Road	Simi Valley	CA	Layoff	44	1/19/2014
Bayer Health Care	510 Oakmead Parkway	Sunnyvale	CA	Layoff	34	2/4/2014
Allied Beverages Inc.	13287 Ralston Ave.	Sylmar	CA	Closure	144	1/17/2014
Allied Beverages Inc.	13235 Golden State Road	Sylmar	CA	Closure	139	1/17/2014
Classic Cartage Trucking Corp.	13235 Golden State Road	Sylmar	CA	Closure	13	1/17/2014
Emanual Medical Center	825 Delbon Ave.	Turlock	CA	Closure	1,166	1/27/2014
Emanual Med Ctr-Brandel Manor & Cypress of Emanual	1801 N. Olive Blvd.	Turlock	CA	Closure	178	1/27/2014
RAS-Radiation Oncology Center	200 Bella Vista Road	Vacaville	CA	Closure	3	1/31/2014
Arvato Bertelsmann	29011 Commerce Center Drive	Valencia	CA	Layoff	174	1/24/2014
Gilly Hicks	24251 Town Center Drive	Valencia	CA	Closure	66	1/19/2014
Bank of America	8501 & 8521 Fallbrook Ave.	West Hills	CA	Layoff	49	1/19/2014
Blue Chip Tpm LLC	2928 Ramco St., Suite 140	West Sacramento	CA	Layoff	27	1/31/2014
Bank of America	31303 & 31111 Agoura Road	Westlake Village	CA	Layoff	13	1/19/2014

Trigild Takes Over Five California Hotels

Trigild, a San Diego-based real estate firm that specializes in providing fiduciary services to lenders and special servicers as receiver, trustee, REO manager and disposition agent for real estate, has taken over a portfolio of five franchised hotels in Valencia, Thousand Oaks and San Luis Obispo, CA.

As court appointed receiver, Trigild was given control of the five hotels while a legal action is pending. The court also provided for Trigild to serve as the management company handling all day-to-day operations at the properties.

The hotels all primarily serve the corporate and extended stay markets and include:

- The 139-room Courtyard Marriott, 1605 Calle Joaquin, San Luis Obispo;
- The 93-room TownePlace Suites/Thousand Oaks, 1712 Newbury Rd., Thousand Oaks;
- The 120-room Courtyard Marriott, 1710 Newbury Rd., Thousand Oaks;
- The 120-room Best Western Valencia, 27413 Wayne Mills Place, Valencia; and
- The 118-room Holiday Inn Express Valencia, 27513 Championship Way, Valencia.

In late 2012, Trigild announced a strategic alliance with Blu Hotels to jointly develop, acquire and operate hotel properties backed by institutional or individual investors.

U.S. Bancorp Acquires 54 Chicago Branches from RBS

RBS Citizens Financial Group Inc. agreed to sell all of its Chicago-area retail bank branches, along with certain business operations, to U.S. Bank, the lead bank of U.S. Bancorp.

The sale includes 94 Charter One branches in the Chicago area, $5.3 billion in local deposits and $1.1 billion in locally originated loans.

"This transaction will double our market share in Chicago," said John Elmore, vice chairman of community banking and branch delivery for U.S. Bank.

RBS will continue to operate several businesses in the Chicago market, including the bank's commercial real estate lending division.

"This transaction will allow us to focus on our primary Citizens Bank and Charter One markets where we have stronger market positions and better long-term growth prospects," said Bruce Van Saun, RBS chairman and CEO.

The transaction is subject to regulatory approval and is anticipated to close in mid-2014.

More Signs of Recovery as Million Dollar Home Sales Seeing Double-Digit Growth

In another sign of an expanding economic recovery, luxury home sales are once again one of the fastest growing segments within housing markets across the country.

The 2014 Texas Luxury Home Sales Report from the Texas Association of Realtors shows double-digit growth in luxury home sales in Austin, the Dallas-Fort Worth area, Houston and San Antonio. The four markets experienced an average 35% jump in luxury home sales between January and October 2013. Individually, Austin luxury home sales jumped 55%, followed by Houston at 46%, Dallas-Fort Worth at 19% and San Antonio at 18%.

The First Republic Prestige Home Index by First Republic Bank showed San Francisco Bay Area values climbed 10.4% from the third quarter of 2012 and 1.9% from the second quarter of 2013. The average luxury home in San Francisco is $3 million.

Los Angeles area values rose 14% from the third quarter a year ago and 6.7% from the second quarter of 2013. The average luxury home in Los Angeles is $2.3 million.

San Diego area values gained 13.5% year-over-year and 6% from the second quarter of 2013. The average luxury home in San Diego is almost $1.9 million.

Town Residential's Manhattan real estate sales report for the fourth quarter of 2013 showed quarterly upward pricing trends were driven by luxury sales and high-end condos.

A 5% increase in average luxury sales price taken in conjunction with a more than 16% year-over-year increase, suggest significant price movement for this category. The luxury market saw increases in average price per square foot, median price, and median price per square foot.

Dan Hatfield, chairman of the Texas Association of Realtors, said: "Data from the Texas Luxury Home Sales Report shows that million-dollar homes are playing an increasingly important role in the Texas housing market. The housing slump is behind us and as Texas' economy and population continue to accelerate, we're going to see increasing development and demand in larger, higher-priced homes with luxury amenities."

"Luxury home prices were strong both year-over-year and for the third quarter in San Francisco, Los Angeles and San Diego," said Katherine August-deWilde, president and CEO of First Republic Bank. "Luxury

communities in California's urban coastal areas continue to experience limited inventory and strong demand from U.S. and foreign buyers."

"The [Manhattan] luxury sales market, which represents the top 10%, continues to grab headlines with double digit year-over-year increases while the rest of the market has remained status quo," Andrew Heiberger, Town's founder. "I expect this trend to continue through 2014 as the 'shadow inventory of contracts signed' comes to market and closes at record-setting prices in many new buildings."