CRE Industry Faces Dramatic Changes in Multifamily Supply, Financing Environments

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

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

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

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

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

"In other markets with typically higher development barriers like New York, Los Angeles and San Francisco, supply pipelines are quickly filling. In New York alone, permits for more than 23,000 units were issued year-to
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Bid Online July 22-24
Submission Deadline May 26

August Nationwide (1st)
Bid Online August 6-8
Submission Deadline June 9

August Nationwide (2nd)
Bid Online August 19-21
Submission Deadline June 23

UPCOMING COMMERCIAL ASSET AUCTIONS: BID ONLINE FEB. 10-12

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HAWAII

83,906 SF • Honolulu, HI
Starting Bid: $3,000,000
Search Code: B121-200

Contact: Jamie Brown
License: HI RB-17931
Phone: 908-441-9757
Email: jamie@hawaiicre.com

CAFE

CALIFORNIA

26,277 SF • Sacramento, CA
Starting Bid: $1,500,000
Search Code: B121-202

Contact: Darren Foster
License: CA 1930815
Phone: 949-208-8506
Email: dfoster@auction.com

MULTI-FAMILY

GEORGIA

135 Units • Douglasville, GA
Starting Bid: $1,000,000
Search Code: B121-125

Contact: John Weber
License: GA 155467
Phone: 404-495-702
Email: weber@arausa.com

RETAIL NOTE

FLORIDA

13,600 SF • Palm Coast, FL
Starting Bid: $900,000
Loan Status: Non-Performing
Search Code: N121-503

Contact: Brock Harris
Phone: 212-600-2567
Email: bharris@auction.com

MULTI-FAMILY

MICHIGAN

101 Units • Westland, MI
Starting Bid: $700,000
Search Code: B121-127

Contact: Barry Swatsenbarg
License: MI 6019294779
Phone: 248-848-4178
Email: barry.swatsenbarg@fr eg.com

RETAIL

GEORGIA

76,554 SF • Douglasville, GA
Starting Bid: $700,000
Search Code: B121-129

Contact: Joe Montgomery
License: GA 127484
Phone: 404-574-1029
Email: jmontgomery@olliers.com

RETAIL NOTE

NEVADA

8,006 SF • Henderson, NV
Starting Bid: $225,000
Loan Status: Non-Performing
Search Code: N121-506

Contact: Jason Kim
Phone: 949-236-5504
Email: jkim@auction.com

MULTI-FAMILY

GEORGIA

24 Units • Riverdale, GA
Starting Bid: $200,000
Search Code: B121-133

Contact: Jake Reid
License: GA 247412
Phone: 404-832-1250
Email: jake.reid@fr anklinst.com

Contact: John Weber
License: GA 155467
Phone: 404-495-702
Email: weber@arausa.com

Contact: Darren Foster
License: CA 1930815
Phone: 949-208-8506
Email: dfoster@auction.com

Contact: John Weber
License: GA 155467
Phone: 404-495-702
Email: weber@arausa.com

Contact: Brock Harris
Phone: 212-600-2567
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Contact: Barry Swatsenbarg
License: MI 6019294779
Phone: 248-848-4178
Email: barry.swatsenbarg@fr eg.com

Contact: Joe Montgomery
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date as of November 2013, a more than 45% increase over the permits issued in the same period in 2012," said CoStar's Mejia.

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

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

**WILL STRENGTHENING ECONOMY MATCH SWELLING NEW SUPPLY?**

At the same time too, strengthening economic momentum in 2014 could bolster apartment performance in the coming year. It's possible that rising employment growth could offset much of the supply risk from the dramatic rise in apartment construction, according to The Barron, Burkons & Wintermute Group of Marcus & Millichap.

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

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

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

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

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

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

**MONEY STILL FLOWING AS MORE LENDERS SURFACE**

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

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

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

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

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

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

Owner/User Buyers Making a Comeback

Banks Increasingly More Willing To Finance Sale/Leaseback, Build-to-Suits and Corporate Investments

Even well into a recovery, companies that own facilities have remained net sellers, raising cash by selling their property to investors and leasing back the space.

Lately however, with increased financing options and a dwindling supply of large blocks of available space, more companies are warming up to the idea of owning their buildings once again.

"Owner/users are still net sellers, but there has been a pick-up in the amount volume of properties bought for occupancy," said Mark Gallagher, senior strategist in CBRE’s Investment Strategy Services Group. "There are a number of owner buyers that have sufficient cash to either acquire or seek a developer of property in order to build-to-suit now that fewer large vacant floor spaces are available in strongest markets," Gallagher said.

According to data from CoStar COMPs, while more corporate owner/users bought property last year valued at more than $500,000 than sold (5,577 buyers vs. 5,125 sellers.) However, the dollar volume of deals clearly weighed in favor of the sellers: $20.6 billion in properties sold vs. $16.8 billion bought.

“We're seeing a few things at play that are influencing corporate occupier decisions,” said Christian Beaudoin, director, Americas corporate research at Jones Lang LaSalle. "Among the majority of our clients, flexibility and agility seem to be key priorities, coming directly from the C-level. This is driving some very successful sale leasebacks, which give the occupier more flexibility and a huge gain on the value of their assets, while giving the buyer a stable credit tenant."

Corporations are getting smarter about their real estate too, said Jones Lang LaSalle’s Rod “Lo” Loschiavo, a senior vice president in Fort Lauderdale.

“The most significant value creation in commercial real estate is in the lease as opposed to the bricks and mortar. A company with good credit could purchase a vacant building, execute a long-term lease and resell the property at a substantial profit,” Loschiavo said. “Often times, companies do not have the foresight to sell the property until it is no longer needed, resulting in a lower sale price down the road. But it appears as though more companies are selling these assets in the form of sale/leasebacks to maximize their return and take advantage of the premium investors are willing to pay today for the assets secured by the leases.”

Banks have re-entered the lending markets in a strong way last year after having sharply reduced the foreclosed properties and distressed loans in their portfolios as property values and the economy picked up. And owner-occupied loans are making up a big part of that lending increase.

“Certainly for 2013, commercial real estate term loans was an area of solid growth,” Andrew L. McDonald - chief credit officer and executive vice president of Columbia Bank in Tacoma, WA, told analysts last month. “Growth in commercial real estate term loans was centered primarily in owner-occupied properties, which accounts for
approximately $25 million of the $31 million increase in this classification. Growth was centered in agricultural land, manufacturing facilities and warehouses.”

For the 12-months ended Sept. 30, 2013 (the last full quarter for which bank statistics are available), the nation’s banks increased the amount of owner-occupied CRE loans in their portfolios by $8.11 billion - a 1.7% increase to a total of $475.14 billion.

At the same time, borrowers are opting for shorter-term loans of from 3- to 5-years, which are right in banks’ wheelhouse.

“Banks have been pro owner-occupied lending for the past several years,” said Patrick Mahoney, principal, president and COO for NAI Realvest in Orlando. “The challenge until recently has been the financials of the underlying business. As the economy has improved businesses balance sheets are stronger and banks are more likely to look favorably on lending to them.”

Mahoney sees several factors tipping the buy vs. lease scale towards buyers.

“Property values were reset lower during the recession and if you couple that with the ability to get 90% leverage utilizing a combination of traditional and SBA loans, then owner-occupied real estate becomes a pretty good investment.”

Chris Crabtree, senior vice president, principal of Cassidy Turley in Pleasanton, CA, agrees that the owner/user buyer is making a comeback.

“As the economy strengthens, I’m finding that businesses are growing and they are beginning to feel more confident in taking risk so they are willing to consider an expansion,” Mahoney said. For many small business owners, it makes sense to own as it is another tool, which is used to build wealth and spread risk.”

**Federal Government Getting Out of the Warehouse Business**

**Could Exit Millions of Square Feet over the Next Five Years**

The federal government’s main acquisitions and supply services group is revamping the way it does business, a move that could see it exit millions of square feet of warehouse distribution space.

The move comes as the U.S. General Services Administration’s Federal Acquisition Service (FAS) has been coping with reduced budgets.

“In this new environment, GSA must find new ways to provide better, faster and more efficient services to our military and civilian customers,” said Tom Sharpe, Commissioner, FAS. “To that end, we are preparing to make important changes to our business model which will transform the way we provide supplies and services to the government.”

“We are shifting to a model that uses the capabilities of our vendors to directly support GSA’s customers, simplify federal acquisition, and over the next five years save taxpayers a half billion dollars,” Sharpe said.

“In recent years, we have operated a wholesale supply business that relied on warehouse distribution centers serving U.S. customers as well as customers in Europe, Africa, the Middle East and around the Pacific Rim,” he said. “Along with the distribution centers, GSA also manages several retail stores around the world that stocked inventory from those warehouses. This model is costly, cumbersome and no longer the most efficient or effective approach to supporting our federal partners.”

Changing this system will mean an overhaul of FSA’s wholesale and retail supply chain business models. Instead of routing federal agency orders to its distribution centers for fulfillment, the FSA will have its commercial suppliers ship directly to customers and retail stores.

“We will transition out of the warehouse business and GSA will no longer buy, store and ship those retail items,” Sharpe said.
While it is not clear just how much of the federal government's warehouse inventory is used by the FAS, the GSA controls a total inventory of 25.56 million rentable square feet. It leases 16.1 million square feet and owns the remainder.

Its largest leased facility is a 1 million-square-foot facility at 1900 River Road in Burlington, NJ, which is used for the federal supply service. Its lease expires in December 2020.

The largest facility it owns and classifies as a warehouse is a 1 million-square-foot building at 9700 Page Blvd. in Overland, MO, the Charles F. Prevedel Bldg. 100. At present, the building has considerable vacancy. The federal government considers about 863,000 square feet of the building available, which would make its vacancy rate about 86%.

FAS provides federal agencies more than 12 million different products and services, and more than $55 billion in information technology solutions and telecommunications services, assisted acquisition services, travel and transportation management solutions, and motor vehicles and fleet services annually.

FAS manages more than 210 thousand leased vehicles, more than 3 million charge cards, and provides personal property disposal services facilitating the reuse of $1.1 billion in excess/surplus property.

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The Hottest Market on the Planet

By: John Affleck, Research Strategist with CoStar

To paraphrase Samuel Johnson's famous quote, when investors grow tired of London real estate, they've grown tired of real estate.

In 2013, the UK real estate market was on its umpteenth cup of coffee: Per CoStar's newly released 2013 UK Investment Review, an astounding £52.7 billion in commercial property traded last year, up nearly £20 billion from the 2012 total of £33.7 billion. The fourth quarter alone accounted for £19.5 billion.

As Mark Stansfield, CoStar's London analyst, notes, "The combined factors of a low-interest-rate environment, easing Eurozone instability, the UK's economic turnaround and the wall of money coming from overseas created a tsunami effect, leading to an annual figure just shy of 2007’s debt-fuelled £56 billion -- which few observers would have predicted at the start of the year."

London commanded half of the total real estate investment in the UK, but accounted for the lion's share (80%) of the total office investment at £19.5 billion, please see Exhibit 1 below). Put in perspective, office deal volume in New York City in 2013 totaled about £12.6 billion at current exchange rates.

London’s preeminence as a real estate market has much to do with its status as the global crossroads for capital, especially from Asia and the Middle East: These buyers poured a net £5.1 billion into Central London, most of it in headline deals such as: Singapore’s GIC Real Estate’s acquisition of Blackstone’s 50% stake in the Broadgate portfolio for £1.7 billion; Middle East-funded AGC’s purchase of Citi Tower in Canada Square for £1 billion; and Abu Dhabi Investment Council’s purchase (with UK firm Finchatton) of 20 Grosvenor Square for £260 million.

In all, 15 of the 20 largest deals in Central London involved foreign buyers. Sellers, on the other hand, tended to be UK institutions, which divested a net £4 billion.

So far, however, foreign capital has yet to extend its reach into regional UK markets, despite extremely attractive pricing that CoStar first noted a year ago. Cap rates in regional markets have never been higher, either in absolute terms or relative to London’s rich pricing. Given those conditions, we anticipate more capital will flow into the likes of Edinburgh, Manchester, and Birmingham in 2014, especially from UK institutions redeploying proceeds from sales of assets in the capital. Large institutions, however, may find they simply cannot deploy enough capital outside of London, as even the largest office deals in regional markets rarely exceed £100 million.
The furious pace of investment in London highlights three truths about global real estate markets today. First, pricing in London (and other top-tier Western markets) still makes sense, particularly to Asian buyers: Yields offer a meaningful spread over local risk-free rates, a feature no longer on offer in many Asian markets.

Second, the persistent demand for deeply liquid Central London offices and the relative snubbing of high-yielding UK regional markets show that fear is alive and well among investors, however much greed may be driving capital toward Andalucía and Arizona.

Finally, investors are showing no signs of fatigue: 2014 kicked off with Kuwaiti-funded St. Martin’s £1.7 billion acquisition of the More London portfolio, and a rumored £25 billion in capital is vying for just £1 billion of available product in London.

More Investors Expected to Check Into U.S. Hotel Properties In 2014

By: Randyl Drummer

Robust demand, improving room rental performance and a massive supply of capital from REITs and private equity sources are expected to provide the basis for another year of strong investment in hotel properties in 2014.

An abundance of equity and debt capital should drive a 5% to 10% increase in global hotel transaction volumes in 2014, according to Jones Lang LaSalle’s newly released Hotel Investment Outlook.

Not that 2013 was a slouch by any means. U.S. hotel sales rose to $28 billion last year -- a whopping 42% increase from 2012 and the strongest hospitality investment sales volume since 2007’s $42.9 billion, according to preliminary CoStar year-end sales data.

Arthur Adler, Americas CEO and managing director of Jones Lang LaSalle’s Hotels and Hospitality Group, said the CRE services firm’s bullish forecast is based on several key drivers of transaction volume, such as the availability and cost of equity and debt capital, hotel operating fundamentals, and hotel REIT share pricing. Adler said those factors are expected to skew hotel investment activity toward a market environment for more hotel trading rather than long-term holding of assets.

“This is a good time to be a hotel investor and owner as we expect several more years of strong and growing fundamentals,” Adler said. “Hotel fundamentals will continue to be driven by growing business and leisure travel in major gateway markets, as well as in secondary markets and resort destinations throughout the Americas. We are optimistic about the near- and long-term prospects for the industry.”

Better fundamentals include increased occupancy and stronger pricing power. In the U.S., revenue per available room (RevPAR) is expected to improve by a strong clip in 2014, creating opportunities for both buyers and sellers, Adler added.

Also bullish on hotels is PKF Hospitality Research, LLC, which is forecasting very strong gains in revenues and profits for the lodging industry in 2014 and 2015, including a 6.6% increase in U.S. revenue per available room (RevPAR) in 2014 followed by an even stronger 7.5% in 2015.

Ernst & Young also gives the sector a favorable reading, seeing robust lodging demand along with several years of low supply due to curtailed development activity resulting in healthy gains in average daily rates (ADR). That, in turn, will prompt higher per-key prices for hotel acquisitions, according to EY’s Global Hospitality Insight for 2014.

Moreover, hotel companies are finding greater access to a variety of debt and equity capital from both public and private sources to fund their expansion, according to the report by EY Global Real Estate Leader Howard Roth and Hospitality and Leisure Leader Michael Fishbin. Investors have focused most recently on select-service hotels, which tend to have lower purchase prices and higher operating margins than other market segments.

The strong projected performance is attracting interest from all types of investors, led by private equity funds and REITs, which are expected to comprise two-thirds of total hotel acquisitions this year, according to JLL.
Funds with purchase power of up to $10 billion (including leverage) are scouring markets for high-quality, branded assets and small portfolios in core markets, including acquisitions of single assets, large select-service portfolios, and mergers and acquisitions.

A variety of other capital sources are also re-entering the hotel space, including opportunistic lenders providing financing for developers to re-launch stalled projects and provide capital infusions for distressed resorts, adds Mathew Comfort, managing director of JLL’s Hotel Investment Banking platform.

"Hotels will remain a targeted asset class for lenders as they can offer high yields relative to other real estate," Comfort said.

Offshore investment in the U.S. is expected to increase 50% to $3 billion, led by a growing number of Middle East and Asian conglomerates, family businesses and state-owned enterprises competing to buy hotel properties in top U.S. markets such as Los Angeles, New York and San Francisco.

In addition, other foreign investors seeking to diversify their portfolios and invest in prime assets in stable economies are combing the same gateway markets for hotels with strong fundamentals and secure cash flow, said John Strauss, managing director of JLL’s Hotels & Hospitality Group.

"Last year, we saw several large transactions on the West Coast from Chinese investors, and there will be more big moves from foreign capital sources this year," Strauss said.

As the economy strengthens and leisure travel picks up, foreign buyers are expected to widen their investment radar to include resort transactions in the U.S. as well as Mexican destinations such as Cancun and Los Cabos, according to JLL.

As they have in most other commercial property types, investors have widened their search beyond the best core hotel properties in the top markets, reports JLL. Secondary asset types, such as resorts, and hotel properties of all types in second-tier markets such as Atlanta, Houston and New Orleans, are leading the uptick in sales activity. Resort property sales doubled over the prior year.

For example, resort construction is returning to Las Vegas after years of post-recession decline in the tourism industry. A Malaysia-based gaming company purchased an 87-acre site for $350 million, with plans to build a 3,500-room resort with a 175,000-square-foot casino.

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**Downsizings: Planned Job Cuts Surge 50% Led by Retail**

After falling to a 13-year low in December, monthly job cuts increased nearly 50% to kick off 2014, as U.S.-based employers announced plans to reduce their payrolls by 45,107 in January, according to the latest report on monthly job cuts from Challenger, Gray & Christmas Inc.

Not surprisingly, the heaviest downsizing activity occurred in retail, which traditionally announces store closings following the year-end holiday period. Although this year the list of retailers reducing headcount include some that are trimming staff in traditional retail positions while adding in new areas, such as e-commerce.

Overall, retailers announced 11,394 job cuts in January; a 71% increase from the 6,676 retail cuts tracked in January 2013.

"Retail employment will, in fact, fall further than the announced job cuts indicate," said John A. Challenger, CEO of Challenger, Gray & Christmas. "Starting in January, retailers started shedding the tens of thousands of temporary seasonal workers hired to help handle the holiday rush. The announced job cuts, on the other hand, will impact full-time, permanent workers in the stores and at the corporate offices of these struggling chains."

Among that group, J.C. Penney Co. announced that it would be cutting 2,000 workers from its payrolls through the closure of 33 stores.
Not every sector announcing job cuts is struggling. Several significant job-cut announcements came from companies in the high-flying technology sector. The computer industry ranked second among January job cutters, announcing plans to shed 6,456 during the month. That was up 146% from the previous January when these firms announced 2,626 job cuts.

“Perhaps the most notable cuts in the tech sector came from Intel and EMC Corp. In both cases, the cuts were due to shifts in business strategies. In these situations, it is not uncommon for job cuts to occur in one area while hiring occurs in another. In fact, EMC indicated in its announcement that it expects to end 2014 with the same number of employees it had to begin the year,” said Challenger.

The financial sector, which finished 2013 as the top job-cutting sector of the year with 60,962 announced layoffs, started 2014 as the third largest job-cutting sector. Employers in financial services reported 4,817 planned layoffs in January. That is 44% fewer than the 8,578 financial job cuts these firms announced to begin 2013.

“This could be another year of significant downsizing in the banking industry. While the housing market is bouncing back, many banks had ballooned their staffing in mortgage lending area to deal with foreclosures and troubled assets. As the number of foreclosures, refinancings, and troubled mortgages continue to decline, so will the need for these extra workers. The remaining mortgage bankers should be busy with increased home lending, but right now the staffs are larger than demand warrants,” Challenger noted.

RadioShack Execs Lean To Shed Up to 500 Shacks
RadioShack Corp. is planning to close around 500 locations in the coming months, according to reports in the Wall Street Journal. It isn’t clear which of RadioShack’s roughly 4,300 stores will be closed and when exactly the closings will begin.

RadioShack secured $835 million in loans last October to refinance the roughly $635 million in debt the company has coming due. The cash also gives the electronics retailer room for a major overhaul, according to Garrick H. Brown, Research Director, Terranomics.

“It’s no secret that RadioShack has been only a few notches above Sears and JC Penney on many analysts watch lists over the past few years. And their problems will need a lot more than just some good ads,” Brown said. “And there is no way to tell if this strategy will be enough to turn around RadioShack. It all depends on whether the brand can be successfully reinvented.”

“But the closures are not really the surprise here, these were probably coming down the pike whether as part of a turnaround plan or not,” he added.

Sony Planning Another 5,000 Job Cuts
Sony Corp. forecast a surprise $1.1 billion loss as Kazuo Hira, its CEO, mulls plans to sell its personal-computer business and spin-off the television division into a separate unit.

Sony hasn’t ruled out selling its TV business in the future after receiving various offers, Hirai told reporters in Tokyo last week. The net loss will total 110 billion yen in the year ending March 31, the company said in a statement, scrapping its revised October forecast of a 30 billion-yen profit. The company’s German traded shares fell.

The job cuts would be in addition to at least 10,000 job cuts previously planned.

Due to the implementation of these measures across the TV and PC businesses, as well as Sony's sales, manufacturing and headquarters/indirect function, the company is anticipating a group-wide headcount reduction of 5,000 by the end of fiscal 2014. Of these, approximately 1,500 are expected to be in Japan and 3,500 overseas.

Already in the U.S., Sony plans to abandon its eBook platform and transition its reader to Kobo.
United Cuts To Slam Cleveland Airport

United Continental Holdings plans to cut back daily departures from its former Cleveland hub by 64% from 200 to 72 as well as reduce 66% of non-stop markets served from 59 to 20. The reduction will be done in stages beginning in April and being completed by June.

United is the dominant carrier at Cleveland and its decision could lead to the airport losing as much as a third of its current traffic.

Cleveland Airport currently has about 245 average daily departures, of which 165, or 67%, are United’s. The reductions will also mean a reduction of several hundred employees at Cleveland.

Closures & Downsizings

Buffet Partners, L.P., d/b/a as Furr’s Fresh Buffet, a leading regional value-oriented restaurant chain, filed a voluntary petition for relief under Chapter 11. The Dallas-based company operates 29 locations, as well as the Lubbock-based Dynamic Foods operation, which provides food and menu items to both Furr’s stores and third-party customers. Furr’s intends to work with all key constituents in its restructuring process to maximize its asset value and to exit Chapter 11 in the quickest and most efficient manner possible.

Digirad Corp. entered into a lease termination agreement with B. Young Properties LLC for office and warehouse space at 13950 Stowe Drive in Poway, CA, comprising of 47,000 square feet of rentable space. The original term of the lease was through February 2016. Digirad will pay a termination fee of $473,050.

Forest Oil Corp. is winding up its vertically integrated drilling operations, transitioning to the exclusive use of third-party drilling rigs. Forest expects to complete this process by Aug. 31. This course of action involves a workforce reduction, among other things, and Forest estimates that it will incur costs ranging from approximately $6.5 million to $7.5 million.

GenCorp Inc. is contemplating a restructuring plan that could see the layoff of 5% of its staff or 225 employees. It is expected to be completed by the end of March 2014. In connection with such implementation, the company expects to incur costs of approximately $15.7 million, consisting of costs for severance, employee-related benefits and other associated expenses. The estimates are subject to change.

HDOS Enterprises, the owner of the popular Hot Dog on a Stick restaurants, filed a Chapter 11 bankruptcy petition. The Carlsbad, CA-based company currently operates 93 locations. Significant reductions to its corporate workforce and expenses, initiatives to grow top-line sales, and numerous programs to achieve savings from supply chain to store level have been undertaken over the past year. In addition to these continuing efforts, HDOS will be working closely with its landlords to review and renegotiate leases, the vast majority of which were written at the height of the real estate bubble.

LTX-Credence Corp. approved a strategic restructuring plan and expects to reduce its worldwide headcount by 240 full-time and contractor positions, close its development facility in Beaverton, OR. It will also consolidate certain other facilities and operations worldwide. The closure of its Beaverton facility will be completed by July 31.

<table>
<thead>
<tr>
<th>Company</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Closure or Layoff</th>
<th>No. of Layoffs</th>
<th>Impact Date</th>
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<td>2/14/2014</td>
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<td>Company</td>
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<td>Ascend One</td>
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<td>Sears Holdings Corporation Rebuild Center</td>
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<td>Pawtuxent River</td>
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<td>ConAgra Foods</td>
<td>4490 44th St. SE</td>
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<td>Sterling Heights</td>
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<td>6/30/2014</td>
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<td>Lockheed Martin Corp.</td>
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<td>Schenker Inc.</td>
<td>2300 Owens Road and 800 Dupont Road</td>
<td>Circleville</td>
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<tr>
<td>CP Redi</td>
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<td>Diversified Machine</td>
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<td>Catholic Charities Corp. (Parmadale Institute)</td>
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<td>Parma</td>
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<td>Verizon</td>
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<td>Glenn Walters Nursery</td>
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<td>Cornelius</td>
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<td>Group Data Services</td>
<td>536 Tennessee Ave. South</td>
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<td>Cameron International</td>
<td>1806 E. Front St., Business Hwy 287</td>
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<td>Baylor Medical Center</td>
<td>2300 Marie Curie Drive</td>
<td>Garland</td>
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<td>Quality Terminal Services</td>
<td>1111 Intermodal Pkwy</td>
<td>Haslet</td>
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<tr>
<td>Jacobs Field Services (Lanxess Facility)</td>
<td>4647 FM 106</td>
<td>Orange</td>
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<td>Hubbell &amp; Hudson Management</td>
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<td>Sheraton Crystal City Hotel</td>
<td>1800 Jefferson Davis Hwy</td>
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<td>Aditya Birla Minacs</td>
<td>9950 Mayland Drive</td>
<td>Henrico</td>
<td>VA</td>
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<td>Kroger Food Stores</td>
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<td>JC Penney</td>
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<td>Norfolk</td>
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<td>Company</td>
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<td>City</td>
<td>State</td>
<td>Closure or Layoff</td>
<td>No. of Layoffs</td>
<td>Impact Date</td>
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<td>Oldcastle Building Envelope</td>
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<tr>
<td>Super One Foods</td>
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<td>Hurley</td>
<td>WI</td>
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<td>Piggly Wiggly</td>
<td>2215-80th St.</td>
<td>Kenosha</td>
<td>WI</td>
<td>Closure</td>
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<td>3/15/2014</td>
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<tr>
<td>Assisted Living Concepts</td>
<td>W140 N8981 Lilly Road</td>
<td>Menomonie Falls</td>
<td>WI</td>
<td>Closure</td>
<td>35</td>
<td>2/28/2014</td>
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<td>Kindred Transitional Care and Rehabilitation</td>
<td>5700 W. Layton Ave.</td>
<td>Milwaukee</td>
<td>WI</td>
<td>Closure</td>
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<td>VyMac</td>
<td>W3130 State Road 59 East</td>
<td>Whitewater</td>
<td>WI</td>
<td>Closure</td>
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<td>2/28/2014</td>
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<tr>
<td>Ruan Transportation</td>
<td>2721 Industrial St.</td>
<td>Wisconsin Rapids</td>
<td>WI</td>
<td>Closure</td>
<td>37</td>
<td>3/21/2014</td>
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**Cortland Partners Set To Buy 29 Apartment Complexes Out of Receivership**

John A. Beckstead, a partner in the law firm of Holland & Hart LLP, acting as receiver for multifamily owner Management Solutions Inc. and more than 200 related companies executed a purchase and sale agreement to sell almost all of the multifamily properties remaining in the receivership.

The buyer is an affiliate of Cortland Partners in Atlanta, which owns and operates about 15,000 multifamily apartment units across the South. Cortland will pay $338.5 million for the portfolio of 29 apartment complexes, about 99.56% of the receiver’s median appraised value of the sale properties.

**PROPERTIES INCLUDED IN SALE ARE AS follows**

<table>
<thead>
<tr>
<th>Apartment</th>
<th>Address</th>
<th>City</th>
<th>State</th>
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<tbody>
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<td>Smokey Trail of Limon</td>
<td>510 Smoky Trail</td>
<td>Limon</td>
<td>CO</td>
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<tr>
<td>Buffalo Run</td>
<td>400 13th Avenue NW</td>
<td>Oelwein</td>
<td>IA</td>
</tr>
<tr>
<td>City View</td>
<td>2200-N. 8th Street</td>
<td>Red Oak</td>
<td>IA</td>
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<tr>
<td>Valley View</td>
<td>303 S. Iowa Street</td>
<td>Shenandoah</td>
<td>IA</td>
</tr>
<tr>
<td>Seneca Place</td>
<td>1405 Seneca Street</td>
<td>Storm Lake</td>
<td>IA</td>
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<tr>
<td>Meadow Walk</td>
<td>925 W. Skyline Rd.</td>
<td>Arkansas City</td>
<td>KS</td>
</tr>
<tr>
<td>The Charlestone at Lake Charles</td>
<td>1531 Country Club</td>
<td>Lake Charles</td>
<td>LA</td>
</tr>
<tr>
<td>Jefferson Chase</td>
<td>860 Jefferson Chase Way</td>
<td>Blacklick</td>
<td>OH</td>
</tr>
<tr>
<td>Stonebridge</td>
<td>170 Heatherbridge Lane</td>
<td>Blacklick</td>
<td>OH</td>
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<tr>
<td>The Reserve at Abbie Lakes</td>
<td>3793 Lakeview Trail</td>
<td>Canal Winchester</td>
<td>OH</td>
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<td>Abbie Lakes</td>
<td>3833 Abbie Lakes Dr.</td>
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<td>OH</td>
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<td>Sunbury Ridge</td>
<td>3018 Sunbury Ridge</td>
<td>Columbus</td>
<td>OH</td>
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<td>Lake Ridge</td>
<td>2591 Goldenstrand Drive</td>
<td>Hilliard</td>
<td>OH</td>
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<td>Lake’s Edge</td>
<td>150 Lakepoint Court</td>
<td>Pickerington</td>
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<td>Brooksgede</td>
<td>2870 Kengary Way</td>
<td>Reynoldsburg</td>
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<td>Pryor Creek</td>
<td>1707 S. Elliott</td>
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<td>Bartlett</td>
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<td>Wyndson Court</td>
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<td>Allen</td>
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<td>Baytown</td>
<td>TX</td>
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<td>Stonebrook (TX) Phase 2</td>
<td>619 Rollingbrook Street</td>
<td>Baytown</td>
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</table>
RLJ To Pay $313 Million for 10 Hyatt Hotels

Hyatt Hotels Corp. agreed to sell a portfolio of 10 hotels totaling 1,560 rooms to Bethesda, MD-based RLJ Lodging Trust.

The Hyatt Portfolio, which is primarily on the West Coast, is expected to be acquired for a total purchase price of $313 million. RLJ intends to spend approximately $25 million in capital expenditures across the Hyatt Portfolio, the majority of which will be invested over the next 24 months.

A Hyatt affiliate will continue to manage the hotels under new management agreements.

"Once completed, we will have acquired almost $900 million of assets since our IPO [two years ago]," said Thomas J. Baltimore, Jr., president and CEO of RLJ Lodging.

The Hyatt Portfolio consists of young, high-performing, and well-situated hotels. The hotels, the majority of which were acquired by Hyatt in 2011, will immediately increase RLJ's West Coast presence, particularly in California where the company is currently seeking to grow its presence.

With the addition of this portfolio, RLJ will more than double its hotel earnings before interest taxes depreciation and amortization (EBITDA) on the West Coast.

The remaining hotels are located in dense premier markets with multiple demand generators.

RLJ estimates that the Hyatt Portfolio's 2013 aggregate RevPAR will be greater than $120, which is more than a 10% premium to RLJ's projected RevPAR for 2013. Also, more than half of the hotels are expected to be added to RLJ's top 50 EBITDA contributors.

The transaction is expected to be completed in March 2014 and is subject to customary closing conditions. RLJ made a $10 million non-refundable deposit upon execution of the purchase agreement.
RLJ expects to fund the acquisition of the Hyatt Portfolio through a combination of various financial resources available for use, including but not limited to cash on hand, its undrawn revolving credit facility, and debt financing.

With the addition of the Hyatt Portfolio, RLJ is expected to own 160 properties, consisting of 158 hotels with approximately 24,000 rooms and 2 planned hotel conversions, located in 24 states and the District of Columbia.

39 Loehmann’s Leases Go Up for Bid

Madison Capital has retained A&G Realty Partners, a commercial real estate, advisory and investment group in Melville, NY, to manage the sale of the 39 Loehmann’s retail store leases, following the company’s recent Chapter 11 bankruptcy filing in mid-December 2013. Madison acquired the Loehmann’s lease designation rights.

The leases represent all Loehmann’s all of its retail store locations.

A&G Realty is currently accepting bids to acquire the leases, which range from 15,000 to 60,000 square feet and average 25,000 square feet in key retail locations in California, New York, New Jersey, Florida, Connecticut, Washington DC, Georgia, Illinois, Maryland, Michigan, Texas, and Virginia.

The leases have expiration dates ranging from 2014 to 2033. Loehmann’s average traditional store size is approximately 37,600 square feet and the rental rate is typically a fixed amount rather than a percentage of a store’s sales. Loehmann’s retail store lease obligations are approximately $2.13 million per month.

“The leases are the property of Madison Capital,” said Michael Jerbich, principal of A&G Realty Partners. “Retailers have the opportunity to take over the leases by either acquiring the rights from Madison outright or can offer to sublease the space from Madison. These leases are exceptional retail opportunities with interest from many national and local retailers.”

Loehmann’s also leases a 44,250-square-foot facility in Bronx, NY, which serves as its corporate headquarters under a lease that expires in 2017. It also operates a 404,000-square-foot centralized distribution center in Rutherford, NJ under a lease that expires in 2022.

LOEHMANN’S STORE LEASES FOR SALE

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<th>Address</th>
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<th>Address</th>
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<td>Costa Mesa</td>
<td>CA</td>
<td>7234 W. Dempster St.</td>
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<td>181 Skokie Blvd.</td>
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<td>160 W Ridgely Road</td>
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<td>233 Hwy 18</td>
<td>East Brunswick</td>
<td>NJ</td>
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<td>1646 Camino Del Rio N</td>
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<td>CA</td>
<td>200 State Route 10</td>
<td>East Hanover</td>
<td>NJ</td>
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<tr>
<td>222 Sutter St.</td>
<td>San Francisco</td>
<td>CA</td>
<td>1349 Nixon Drive</td>
<td>Moorestown</td>
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<td>3161 Crow Canyon Place</td>
<td>San Ramon</td>
<td>CA</td>
<td>180 W. RTE 4</td>
<td>Paramus</td>
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<td>1651 Hollenbeck Ave.</td>
<td>Sunnyvale</td>
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<td>5740 Broadway</td>
<td>Bronx</td>
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<tr>
<td>467 West Ave.</td>
<td>Norwalk</td>
<td>CT</td>
<td>2807 E. 21st St.</td>
<td>Brooklyn</td>
<td>NY</td>
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<tr>
<td>5333 Wisconsin Ave.</td>
<td>Washington</td>
<td>DC</td>
<td>1296 Broadway</td>
<td>Hewlett</td>
<td>NY</td>
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<tr>
<td>19915 Biscayne Blvd.</td>
<td>Aventura</td>
<td>FL</td>
<td>1550 Union Tpke</td>
<td>New Hyde Park</td>
<td>NY</td>
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<tr>
<td>8903-N. Glades Road</td>
<td>Boca Raton</td>
<td>FL</td>
<td>101 Seventh Ave. (Chelsea)</td>
<td>New York</td>
<td>NY</td>
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<tr>
<td>3201 N. Miami Ave.</td>
<td>Miami</td>
<td>FL</td>
<td>2101 Broadway (Upper West Side)</td>
<td>New York</td>
<td>NY</td>
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<td>FL</td>
<td>29 Tarrytown Road</td>
<td>White Plains</td>
<td>NY</td>
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<td>Palm Beach Gardens</td>
<td>FL</td>
<td>9347 Katy Freeway</td>
<td>Hedwig Village</td>
<td>TX</td>
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<td>Atlanta</td>
<td>GA</td>
<td>7271 Arlington Blvd.</td>
<td>Falls Church</td>
<td>VA</td>
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Whole Foods Acquires Seven Chicago Dominick’s Leases

Whole Foods Market Inc. acquired leases from Safeway Inc. for seven locations in the Chicago area formerly operated as Dominick’s stores. Terms of the agreement were not disclosed.

“We are incredibly excited about this opportunity to quickly and significantly expand our presence in the greater Chicago area,” said Michael Bashaw, Whole Foods Market Midwest regional president. “These locations fit well with our 19 existing stores as well as the three stores currently in development. We plan to remodel each store to reflect its community and look forward to offering fresh, natural and organic foods to a broader base of Chicago customers.”

The company expects the locations to remain closed for remodeling in 2014 and re-open as new Whole Foods Market stores in 2015. The transaction is expected to be slightly dilutive to earnings per share in fiscal year 2014, primarily due to the pre-opening rent associated with these new leases.

**THE LEASES ARE FOR THE FOLLOWING LOCATIONS:**

<table>
<thead>
<tr>
<th>Market</th>
<th>Address</th>
<th>Market</th>
<th>Address</th>
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<tr>
<td>Edgewater</td>
<td>6009 N. Broadway Ave.</td>
<td>Elmhurst</td>
<td>215 S. Route 83</td>
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<td>Lincoln Park</td>
<td>959 W. Fullerton Ave.</td>
<td>Evanston</td>
<td>2748 Green Bay Road</td>
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<tr>
<td>Streeterville</td>
<td>255 E. Grand Ave.</td>
<td>Willowbrook</td>
<td>6300 S. Kingery Highway</td>
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<td>West Loop</td>
<td>1 N. Halsted Ave.</td>
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</table>

The company three stores in development are in the Hyde Park and Englewood neighborhoods of Chicago and in Lake Forest with openings scheduled through calendar year 2017.