

COMMERCIAL REAL ESTATE RECAP

JUNE 30th - JULY 9, 2010

Inova Expands on Expansion Plans

6/28/2010 Washington Business Journal, Ben Fischer

Inova Fairfax Hospital's plans for dramatically expanding and upgrading its entire campus are even more extensive than previously announced.

At a groundbreaking event Monday, Inova Health System CEO Knox Singleton described a five-year plan of more than \$800 million — substantially bigger than the \$621 million project outlined last week by H. Patrick Walters, the system's senior vice president for strategic planning, in an interview.

Those renovations will occur near the end of the 5-year capital program, which starts within a couple of weeks with construction on the first new tower.

GGP Asks Court to Extend Reorganization

7/6 2010, GlobeStreet, Robert Car

CHICAGO-General Growth Properties Inc., the locally-based bankrupt mall REIT, has asked the court for a couple of extensions on its \$8.5-billion reorganization plan with Toronto-based Brookfield Asset Management. The motions by GGP, which is chaired by John Bucksbaum, were filed last week with the US Bankruptcy Court for the Southern District of New York. While the trust said it expects to file its Chapter 11 Plan of Reorganization and accompanying disclosure statement on July 9, GGP also has filed motions with the court requesting an extension of its exclusive period in which to file the plan through Oct. 18, and its exclusive period to solicit acceptances of such a plan through Dec. 16. The current exclusivity periods are scheduled to expire on July 15 and Sept. 15, respectively.

Though the trust expects to file its plan within the current exclusivity period, the requested extension is integral to GGP's strategy to maximize value upon emergence, according to a statement by the REIT. "The extension would allow GGP to continue to explore all financing emergence options available to it and to complement or replace existing financing commitments on an exclusive basis," the trust said in its statement.

After Simon Property Group dropped its bid to acquire the company, GGP has been tying up loose ends to emerge from bankruptcy.

Fortress Is Buying While Real Estate Is Down

7/2/2010, Wall Street Journal, Peter Lattman, Lingling Wei and Alison Tudor

Fortress Investment Group LLP is raising its commercial real-estate bets while that market remains down. The New York private-equity firm on Thursday said its funds have acquired CW Financial Services, one of the largest servicers of souring commercial mortgages packaged into bonds.

Investors are keen on special servicers because of the rising default rate of commercial mortgages that were packaged into securities to feed Wall Street's deal-making machine and investor appetites. According to Fitch, more than 11% of \$536 billion of loans packaged into commercial-mortgage-backed securities are expected to be at least 60 days past due by year's end.

Special servicers also have the option to buy the troubled assets they manage for bondholders, an attractive proposition for distressed investors like Fortress.

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Pasha Group Expands Into 63,000 SF in Dundalk

7/8/2010, Baltimore Business Journal, Scott Dance

The Pasha Group, a Corte Madera, Calif.-based company is in the shipping and logistics industry, and handles contracts such as work for the U.S. military moving service members' household goods, has signed a seven-year lease for 68,300 square feet of warehouse space in Dundalk. The company is renting at 6200 Beckley St. from Beckley Business Trust.

Pasha is moving from a 40,000-square-foot space at 1671 S. Highland Ave. The company also had an additional 40,000 square feet of flexible space it could stretch into when needed, but the new facility offers more efficiency and is more cost-effective, Kaufman said.

To Fix Sour Property Deals, Lenders "Extend and Pretend"

7/8/2010, Wall Street Journal, Carrick Mollenkamp and Lingling Wei

Some banks have a special technique for dealing with business borrowers who can't repay loans coming due: Give them more time, hoping things improve and they can repay later. Banks call it a wise strategy. Skeptics call it "extend and pretend."

Banks are applying it, in particular, to commercial real-estate lending, where, during the boom, optimistic borrowers got in over their heads to the tune of tens of billions of dollars.

Federal bank regulators tackled the issues in October with a 33-page set of guidelines. Bank regulators have said they were concerned about commercial-property losses and debts coming due on commercial property.

Double-Dip Fears Are Overdone

7/8/2010 Wall Street Journal, Richard Barley and Simon Nixon

Things can look unnecessarily gloomy the morning after the party's over. Markets needed to sober up from last year's stimulus-induced highs, but investors are succumbing to exaggerated fears of a double-dip recession. Growth may be slowing from its first-quarter peak as stimulus measures are withdrawn, but most indicators point to continued global growth. The biggest threat to recovery is the markets themselves.

The bears tend to focus on the Economic Cycle Research Institute's Weekly Leading Index, the only leading indicator currently suggesting a double dip. True, this has a strong track record, but the index is highly sensitive to financial indicators that comprise five of its seven inputs, notes Ian Harwood of Evolution Securities, leaving it vulnerable to feedback loops from the markets. The ECRI itself doesn't expect a double dip.

Office Leasing Climbs Out of a Two Year Slump

7/9/2010, GlobeStreet, Paul Bubny

At midyear, Manhattan's office leasing market for 2010 is on pace to look more like 2007 or even 2005, CB Richard Ellis and Cushman & Wakefield said earlier this week at media briefings. That comes after the two worst consecutive years of the past decade. Separately, C&W on Thursday reported that the average vacancy rate in 31 CBDs across the US has declined for the first time since '07.

Accordingly, year-to-date office leasing volume is up sharply over the first half of 2009. C&W puts the YTD tally at 12.6 million square feet; CBRE says its 11.7 million square feet. By either measure, though, volume is up nearly 100% over the first six months of '09 and has a strong shot at climbing well over 20 million square feet for the year.

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