THE WATCH LIST

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IN THIS WEEK'S ISSUE:

CRE Values Characterized by Wide Regional, Property Type Variations

National-Level Pricing Data Masks Regional Differences

CoStar Group is seeing significant variations in pricing performance between different regions and property types. The pricing variations are being driven both by investor preferences and significant differences in levels of distressed sales volume.

While national-level pricing data masks these critical underlying differences in pricing performance, they are readily apparent in CoStar's Commercial Repeat Sales Indices (CCRSI), which provide some of the most comprehensive benchmarks for tracking and analyzing price movements within commercial real estate.

CoStar Group's newly released Commercial Repeat-Sale Indices (CCRSI) April 2011 report is based on data through the end of February 2011.

Examples of significant variations in pricing performance include the following:

- Multifamily pricing in the Northeast at the end of 2010 stood within 4.8% of its peak level according to CoStar's Northeast Multifamily pricing index.
- At the other end of the spectrum, CoStar's West Office pricing index remains 43% below its peak-pricing level.
- On a composite level, the Northeast Composite pricing index also outperformed the rest of the country, standing 14.2% below its peak level, while the West Composite pricing index remained down 36.9% from its peak-pricing level.
- During the last 12 months, distressed sales comprised 14% of total commercial property sales in the major Northeast markets, while the level of distressed sales was a much higher 25% for major markets in the West region.

"The latest results indicate that the markets are still volatile from month-to-month which is to be expected at this point in the cycle," said Chris Macke, CoStar senior real estate strategist. "It is easy to forget where we recently were in terms of pricing performance and that this volatility is much more desirable than the clear downward trend of prices previously experienced."

"Additionally, much as the average temperature of the U.S. as a whole masks the significant differences in temperatures across the country, the national pricing index figures mask the significant underlying differences in pricing by region and property type," Macke added.

At the national level, CoStar's Investment Grade Commercial Repeat-Sale Index is up 6.8% compared with the same period last year, even after four consecutive months of declines, including a very slight 0.3% decline in February.

The Investment Grade pair count (total number of repeat sales) is up 18.3% year over year, although the February pair count decreased 19% from January's pair count total.

CoStar's General Grade Index is down 10.9% compared with the same period last year, although this pricing index has trended upward recently, posting two consecutive months of increases, including a strong 0.8% increase from January to February.

The General Grade pair count for February 2011 is 10.7% higher than the pair count total in January and up 19.9% year over year.

The composite Index, which is an equal-weighted analysis repeat sale pricing index incorporating both the Investment Grade and General Grade indices and a reflection of the broad overall market, posted a slight increase in property value for the month of February of 0.6%, reflecting the strong monthly increase in the General Grade repeat sale index. The composite Index is down 7.5% year over year.

Takeover Bid Down Under Puts $1.39B U.S. Retail Portfolio Up for Grabs

A joint venture partnership involving Tel Aviv, Israel-based conglomerate Elbit Imaging Ltd. along with Plaza Centers NV and Eastgate Property LLC, is seeking full control of Sydney, Australia-based EDT Retail Trust. The group in the joint venture called EPN EDT Holdings II LLC already controls about 48% of EDT, a REIT that owns 48 U.S. shopping centers.

EPN is offering to acquire any or all outstanding EDT units for what would amount to 190 million U.S. dollars. The move has prompted independent shareholders to call for an auction of the REIT's portfolio, which was valued on Dec. 31, 2010, at $1.39 billion.

EDT Retail has appointed an independent committee to address EPN's bid and the call for an auction.

The committee "will address concerns such as the future strategy for EDT, the potential for a decrease in liquidity for unitholders, the current value gap between the unit price and [net asset value]," EDT said.

The committee has recommended that EDT unitholders not take further action with respect to the bid.

EDT's U.S. portfolio covers 10.9 million square feet of gross leasable area with a leased rate of 88.87% involving 701 leases with more than 420 tenants. The portfolio is diversified across 20 states. Cleveland, OH-based Developers Diversified Realty provides asset management services to EDT and leases and manages the properties.

For the six months ended Dec. 31, 2010, net property income for the portfolio was $49.7 million.

Other major unitholders in EDT Retail include Citicorp, which controls about 10.41% of outstanding shares; JPMorgan, 9.17%; HSBC 9.93%; and National Nominees Ltd. 8.07%.


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10A
SAFEWAY ANCHORED SHOPPING CENTER
116,849 SF Retail in Zephyr Cove, NV
Unpaid Balance: $25,643,392
STARTING BID: $8,000,000
34
MULTI-TENANT PROPERTY
228,183 SF Industrial in Henderson, NV
Unpaid Balance: $20,000,000
STARTING BID: $4,000,000
14
SHOPS AT THE VILLAGE*
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STARTING BID: $1,200,000
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30,000 SF Retail Property
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Cantor Fitzgerald Places First CMBS Offering

The latest player in the re-emerging CMBS market is Cantor Commercial Real Estate, an affiliate of New York investment banking firm Cantor Fitzgerald, which placed its first commercial mortgaged-backed securities offering.

Cantor Fitzgerald and CIM Group formed Cantor Commercial last August to finance and securitize mortgages and mezzanine loans on properties predominantly in urban communities in major U.S. markets. Cantor Fitzgerald reported raising $432 million to launch the firm.

CCRE is led by Anthony Orso, who previously served as managing director at Credit Suisse and co-head of the Credit Suisse Real Estate Direct Group where he was responsible for over $100 billion in North American real estate loan origination and over $30 billion of high yield real estate debt and equity distribution.

The bond offering called CFCRE Commercial Mortgage Trust 2011-C1 (CFCRE 2011-C1) represents $634.5 million in loans backed by the beneficial interests in a pool of 38 commercial mortgages secured by 67 properties.

Fitch Ratings review says the bond is made up of a favorable property type mix. The pool has no hotel properties, less exposure to retail properties (27.2% of the pool) than recent conduit transactions, and the presence of multifamily properties represents 22% of the pool.

Five loans have indirect or direct exposure to the U.S. government. NGP portfolios I, II, and III, Heights at McArthur Park, and Columns at Independence have government tenants or rely heavily on the U.S. military. A Santa Fe Retail Portfolio has several borrower-related tenants that account for 46.2% of the rent. Tribeca West has a high dependency on the entertainment industry and management's ability to procure post-production business.

Office properties represent the highest concentration of the pool, at 44.9%. Additionally, retail properties represent 27.2% and multifamily properties represent 22% of the pool. Office has a lower likelihood of default in the Fitch U.S. CMBS multi-borrower rating model, while retail properties have a higher likelihood of default.

Properties in Texas and New York account for about 32% of the pool.

The two largest loans in the pool ($66.54 million and $63. million) are the NGP Portfolio I & II, secured by cross-collateralized, cross-defaulted properties leased to the U.S. Government on behalf of the General Services Administration (GSA). The pool of loans includes a $52.4 million mortgage on the Hudson Valley Mall in Kingston, New York, and $41.4 million in debt on Tribeca West in Los Angeles.

Data Storage Firm Iron Mountain Considers Converting to a REIT

Iron Mountain Inc. is planning a comprehensive strategic review to enhance stockholder value -- a move that could end up seeing the Boston-based information management company becoming a REIT.

The strategic review follows an agreement the company reached with Elliott Management Corp. to support one of Elliott's nominees at the 2011 annual meeting of stockholders and to add another independent director following the meeting.

By executing a comprehensive strategic plan, Iron Mountain hopes to drive higher returns on invested capital and increase the return of capital to stockholders through:

- Sustaining its leadership in its North America business;
- Significantly improving its international portfolio;
- Exploring strategic alternatives for its digital business;
- Committing to total stockholder payouts of approximately $2.2 billion through 2013; and
- Iron Mountain has formed a special committee to evaluate financing, capital, and tax strategies including conversion into a REIT.

"Over the years we have built a great global business with strong operating performance, record cash flows and a strong balance sheet," said Richard Reese, Iron Mountain's chairman and CEO. "By concentrating on our core strengths, optimizing our International portfolio and increasing our commitment to stockholder payouts, we believe we can further enhance stockholder value."

A decision on whether to convert to a REIT is expected to be made by the summer of 2012.

As of Dec. 31, 2010, Iron Mountain conducted operations through 804 leased facilities and 238 owned facilities. The facilities contain 66 million square feet of space. Facility rent expense last year was $227.8 million.

Iron Mountain also is exploring strategic alternatives for its digital business, including a potential sale of the company's digital archiving, eDiscovery and online backup and recovery solutions.

"We first entered the digital business 10 years ago as a natural extension of our core services," Reese said. "Recently however, our digital business has faced a number of challenges resulting from a rapidly changing environment. In light of these factors, our board and management undertook a strategic review of the digital business beginning last fall and concluded that the company could not continue investing in technology development and meet its return requirements."

Iron Mountain also reached a settlement agreement with Elliott Associates in connection with its 2011 annual meeting, which is scheduled for June 10, 2011. Iron Mountain has agreed to nominate Allan Z. Loren, one of Elliott's nominees, to the company's board, as well as appoint an additional, independent director to be mutually agreed upon by Iron Mountain, Elliott, and Davis Selected Advisers LP, Iron Mountain's largest stockholder.

Selloffs, Tax Credits Shift Makeup of Top Apartment Owners

The apartment industry staged a strong recovery in 2010 from the Great Recession and that recovery is reflected in the 2011 NMHC 50, the National Multi Housing Council's annual ranking of the 50 largest apartment owners and 50 largest managers.

The NMHC 50 documents the apartment industry's evolution over time and helps identify trends within the sector and up-and-coming new players.

"The recovery also spurred a rebound in apartment prices and transaction volume, which doubled to $31 billion," said Mark Obrinsky, NMHC's chief economist. "And apartment prices gained substantial ground in 2010 after having fallen by 30% or more."

Many of the changes documented by the 2011 NMHC 50 provide insights into the strategies adopted by apartment firms to survive the economic turmoil and to position themselves for the recovery.

One key change is that affordable housing providers, in the form of tax credit syndicators, have climbed to the top of the list as the largest owners of apartments. The top four slots on the owners list are now held by affordable housing firms:

- Boston Capital (No. 1),
- Centerline Capital Group (No. 2);
- Boston Financial Investment Management LP (No. 3); and
- SunAmerica Affordable Housing Partners Inc. (No. 4).

The number of REITs on the owners list is down to 10, from a high of 14 in 2005, and they own the smallest share (3.4%) of the overall apartment market since 1997. Just two of the top 10 owners, Equity Residential (No. 5) and AIMCO (No. 7), are public REITs.

On the whole, 2010 was a year of shrinking portfolios among the largest owners; six of the top 10 firms decreased the size of their ownership portfolios, led by AIMCO's net selloff of 22,254 units.

On the NMHC 50 management list, Greystar Real Estate Partners LLC recorded the largest growth, adding 33,541 apartments to take the No. 1 spot. It was the third year in a row Greystar posted the largest portfolio gain. CAPREIT Inc. was the second-biggest gainer on the NMHC 50 managers list, more than doubling its management portfolio last year to debut on the NMHC 50 Managers list at No. 42.

NMHC partners with Kingsley Associates, a leading real estate research and consulting firm, for the NMHC 50's research and analysis.

Other highlights of this year's owner survey include:

- Forty-two of the top 50 firms own market-rate apartments, 33 firms own tax credit or affordable apartments and 18 firms have senior housing apartments.
- Overall, 30 of the NMHC 50 owner firms (including newcomers) were net acquirers of apartments last year, while 20 were net sellers. The net sellers reduced their portfolios by 81,274, while net buyers added a total of 98,817 apartments.
- There were seven new firms added to the NMHC 50 owners list this year: Centerline Capital Group (No. 2); Boston Financial Investment Management, LP (No. 3); Hunt Companies Inc. (No. 14); J.P. Morgan Asset Management (No. 19); CB Richard Ellis Investors LLC (No. 47); MCA Housing Partners LLC (No. 48); and GID Investment Advisers LLC (No. 50). And
- As of Jan. 1, 2011 the top 50 apartment owners held 2.93 million apartments. A firm had to own 25,002 units to make the NMHC 50 owners list; the median owner has 43,846 units.

Restaurant Industry To Show Slow, Steady Improvement

As consumers become more confident and increase spending, the restaurant industry is well positioned to begin growing in 2011. And in spite of margin pressures caused by rising commodity prices, the industry should also see increasing capital expenditures as well as strong merger and acquisition (M&A) activity this year, according to the 21st edition of the Chain Restaurant Industry Review by GE Capital, Franchise Finance.

"The restaurant industry is seeing slow and steady improvement as consumers begin to spend a bit more and the economy continues to improve," says Agustin Carcoba, president and CEO of GE Capital, Franchise Finance. "With low interest rates, accessible real estate values and more liquidity in the financial markets, franchisees have an opportunity to develop an asset strategy, be it through remodeling, conversions, transitioning existing units to new locations or building new units."

The review found that respondents are concentrating on expanding within their current markets (44.4%) and reimaging units (31.1%).

These cap-ex opportunities coincide with a strategic shift at the franchisor level. Earlier in the decade, brands had focused on building co-owned units. More recently, they have shifted their asset strategy to franchising to capitalize on a targeted brand focus, achieve a steadier revenue stream and mitigate risk, thereby creating opportunities for well-established franchisees.

Another important trend noted in the review was an increased in merger and acquisition activity. U.S. restaurant M&A activity is expected to continue to be strong in 2011 due to the improved credit environment and increased liquidity. Sponsor-backed M&A deals jumped 578.2% in 2010 while non-sponsor deals rose 44.3%. Private equity firms are looking to put capital into the restaurant industry due to its unit growth potential, strong cash flow generation and strong cash-on-cash returns.

The industry review reported that the total number of restaurants in the U.S. was 579,102 in 2010, of which 46.2% were chains. Chain restaurants gained share at the expense of independent operators; chains' compound annual growth rate (CAGR) 2000-2010 was 2.3%, compared to -0.4% for independents. System-wide sales for the country's top 100 chains totaled almost $192 billion in 2010.

Companies Shifting From Recovery to Growth

Chief financial officers are markedly shifting their focus from cost cutting to revenue growth, but they remain wary of increased hiring at home, according to the results of the Deloitte CFO Signals quarterly survey for the first quarter of 2011.

Specifically, the CFOs surveyed said nearly half of their companies' strategic focus is on revenue growth—substantially ahead of their 30% focus on cost reduction.

Despite the focus on growth, the survey, which tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies, also indicates that growth may not translate into jobs in the near term.

Year-over-year domestic hiring growth projections for the first quarter of 2011 remained low at 1.8%, similar to projections from the previous three quarters. Only after a 20% revenue gain did a majority of CFOs say they would increase domestic hiring substantially. Also, a 5% increase in revenue would have little or no impact for 70% of the surveyed companies, and a10% revenue increase would substantially increase hiring for only 11% of companies.

"With cash on their balance sheets and cost efficiency gains largely accounted for, many companies are now heavily focused on top-line growth," said Sanford Cockrell III, national managing partner, CFO Program, Deloitte LLP. "Having ridden a wave of recovery-related improvements for the past few quarters, companies are seeking growth on their own terms."

Overall, optimism among CFOs rebounded during the quarter with 62% of respondents indicating a more positive outlook regarding their companies' projects, up from 53% in the fourth quarter of 2010.

Furthermore, CFOs are upbeat about performance, projecting average year-over-year gains of 8.2% for sales (compared to 6.5% last quarter), 12.6% for earnings (compared to 12% in the fourth quarter 2010), and 11.8% for capital spending (compared to 8.7% last quarter).

The projections for both revenues and earnings, however, are substantially lower than estimates from the second and third quarters of 2010 — possibly indicating that many of the strongest recovery gains have already been achieved.

The obstacles to growth that CFOs cite are mainly external. Survey results revealed that 52% of respondents view regulation as their industry's top concern.

"As CFOs and their companies turn their focus toward growth investments, they indicate heightened concerns about the specific provisions of regulation they see coming, and also about unanticipated future regulation not accounted for in their current plans," explained Greg Dickinson, who leads the Deloitte CFO Signals survey. "This uncertainty is making many potential investments appear risky and unattractive."

Regulators Close 6 Banks with $635M in Distressed CRE on Their Books

Six more banks were declared insolvent this past week and sold off primarily to private equity-backed banks. This represents a sharp uptick from the pace of the previous several weeks. Until these closures, the year-to-date failure pace was an average of two failures per week, according to Trepp LLC.

The six banks had total assets at year-end of $4.54 billion with more than $1.84 billion in nonresidential loans on their books -- more than 40% of their assets on average. The banks also had another $137 million in foreclosed CRE properties on their books. Delinquent CRE loans and foreclosed properties accounted for more than 14% of the banks total assets.

Five of the six closures occurred in the Southeast two each in Georgia and Alabama and one in Mississippi. The sixth closure was in the Midwest, in Minnesota. With the closures, Georgia has now experienced 60 bank failures, leading the state count since the failure cycle began in September 2007. Minnesota ranks fifth among states with 16 failed banks in the current cycle.

SUPERIOR BANK

In the largest of the deals, Superior Bank NA, a new wholly owned subsidiary of Community Bancorp LLC in Houston, agreed to assume all of the deposits and acquire substantially all the assets of the unrelated Superior Bank in Birmingham, AL, which had a little more than $3 billion in assets.

Superior Bank NA simultaneously entered into an 80% loss share agreement with the FDIC with respect to certain assets.

Included in the transaction are 73 retail branches and banking centers across Alabama and Florida; six mortgage offices in Alabama, Florida and Tennessee, and 24 consumer finance offices, 16 of which operate under the name First Commercial Credit and eight as Superior Financial Services.

Current Superior Bank employees expected to become employees of Superior Bank NA.

The acquisition represents Community Bancorp's second since its inception in 2010 and marks an important step in the pursuit of its strategy to build community banks in targeted markets throughout the region.

The Office of Thrift Supervision (OTS) had closed Superior Bank of Birmingham and appointed the Federal Deposit Insurance Corp. (FDIC) as receiver.

Superior Bank was critically undercapitalized and in an unsafe and unsound condition to transact business. The institution reported net losses in 2008, 2009 and 2010, according to the OTS.

As of Dec. 31, 2010, Superior had assets of $3 billion, retail deposits of $2.6 billion and 348 employees. Its largest share of distressed CRE assets was $135 million in construction and land development loans in nonaccrual status.

The FDIC and Superior Bank NA entered into a loss-share transaction on $1.84 billion of Superior Bank's assets.

Superior Bank NA will share in the losses on the asset pools covered under the loss-share agreement.

The FDIC estimates that the cost to its Deposit Insurance Fund (DIF) will be $259.6 million.

NEXITY BANK

AloStar Bank of Commerce in Birmingham, AL, entered into a purchase and assumption agreement with loss share arrangements with the FDIC to purchase substantially all of the assets, assume certain liabilities and all of the deposits of Nexity Bank in Birmingham.

Nexity Bank had one office each in Atlanta, Birmingham and Myrtle Beach, SC.

The Alabama State Banking Department had declared Nexity Bank insolvent and the FDIC accepted receivership.

Finance executives Michael Gillfillan and Andrew McGhee established AloStar for the purpose of acquiring the assets and assuming the deposits of Nexity Bank. Gillfillan and McGhee have 66 years of combined experience in banking, finance and private equity.

Gillfillan spent 26 years at Wells Fargo, where he finished his career as chief credit officer and vice chairman. He has extensive experience in bank governance and commercial finance and management.

McGhee co-founded Archway Equity Partners, an Atlanta-based private equity firm, in 2008.

As of Dec. 31, 2010, Nexity Bank had approximately $793.7 million in total assets. Its largest share of distressed CRE assets was $$83 million in foreclosed upon construction and land development projects and C&D loans in nonaccrual status.

The FDIC and AloStar Bank of Commerce entered into a loss-share transaction on $384.2 million of Nexity Bank's assets.

The FDIC estimates that the cost to its DIF will be $175.4 million.

BARTOW COUNTY BANK

Bartow County Bank in Cartersville, GA, was closed by the Georgia Department of Banking and Finance, which appointed the FDIC as receiver.

The FDIC entered into a purchase and assumption agreement with Hamilton State Bank in Hoschton, GA, to assume all of the deposits and essentially all of the assets of Bartow County Bank.

Bartow County Bank operated four branches.

As of Dec. 31, 2010, Bartow County Bank had approximately $330.2 million in total assets. Its largest share of distressed CRE assets was $$26 million in foreclosed upon construction and land development projects and C&D loans in nonaccrual status.

The FDIC and Hamilton State Bank entered into a loss-share transaction on $247.5 million of Bartow County Bank's assets.

Last month, Hamilton State Bancshares Inc., holding company for the bank, raised about $232 million in a private offering from investors including Tailwind Capital Group and Goldman Sachs.

The FDIC estimates that the cost to its DIF will be $69.5 million.

HERITAGE BANKING GROUP

Trustmark National Bank in Jackson, MS, acquired the banking operations of Heritage Banking Group in Carthage, MS, in an FDIC-assisted transaction.

As of Dec. 31, 2010, Heritage Banking Group had approximately $224 million in total assets. Substantially all loans and other real estate acquired are covered by a loss share agreement in which the FDIC will reimburse Trustmark for 80% of the losses incurred.

The assets covered by loss sharing agreements total approximately $156 million. Its largest share of distress was listed as $7.9 million in foreclosed upon nonresidential, income-producing properties.

Trustmark purchased Heritage for an asset discount of approximately $23 million and a deposit premium of 0.15%.

The FDIC estimates that the cost to its DIF will be $49.1 million.

NEW HORIZONS BANK

Citizens South Bank in Gastonia, NC, acquired the banking operations of New Horizons Bank in East Ellijay, GA, in an FDIC-assisted transaction.

Under the terms of the transaction, Citizens South Bank will receive approximately $107.6 million in assets, including $76.1 million in loans. The FDIC and Citizens South Bank have entered into a loss sharing agreement on $84.7 million of New Horizons Bank's assets, covering substantially all acquired loans.

New Horizons Bank had one office.

As of Dec. 31, 2010, New Horizons Bank had approximately $110.7 million in total assets. Its largest share of distressed CRE assets was $$9 million in foreclosed upon construction and land development projects and C&D loans in nonaccrual status.

With this transaction, Citizens South Bank now has 22 full-service offices and has increased total assets to more than $1.1 billion.

The FDIC and Citizens South Bank entered into a loss-share transaction. Citizens South Bank will share in the losses on the asset pools covered under the loss-share agreement.

The FDIC estimates that the cost to its DIF will be $30.9 million.

ROSEMOUNT NATIONAL BANK

Rosemount National Bank in Rosemount, MN, was closed by the Office of the Comptroller of the Currency, which appointed the FDIC as receiver.

The FDIC entered into a purchase and assumption agreement with Central Bank in Stillwater, MN, to assume all of the deposits and essentially all of the assets of the one-branch Rosemount National Bank.

As of Dec. 31, 2010, Rosemount National Bank had approximately $37.6 million in total assets.

The FDIC estimates that the cost to its DIF will be $3.6 million.

First Chicago Bank & Trust On the Clock To Raise Money or Be Sold

After suffering net losses in the last two years of $177 million, the Federal Reserve System issued a prompt corrective action agreement to $1 billion First Chicago Bank & Trust in Chicago.

The bank has until June to increase its equity through the sale of shares or contributions or enter into and close a contract to be acquired by another depository institution.

During that time, the bank cannot solicit and accept new deposit accounts or renew any time deposit bearing an interest rate that exceeds the prevailing effective rates on deposits of comparable amounts and maturities in the bank's market area, without consent of the Federal Reserve.

Almost half of the bank's loan assets are tied to commercial real estate projects. As of Dec. 31, 2010, the bank listed holding $24.6 million in CRE properties and $78.6 million in delinquent CRE-related loans. It also was holding more than $31 million in restructured non 1- to 4-family residential loans.

Largest U.S. Auction at $1 Billion Nevada Assets Slated for May

Auction.com, a leader in real estate auctions, and Archetype Advisors, a loan sale advisor, will auction $1 billion of Nevada commercial real estate properties and notes, making it the largest commercial real estate and note auction in U.S. history.

The auction will be held May 17-19 in a simultaneous online and live event in Las Vegas, NV. The offering features retail, multifamily, land and industrial assets throughout Nevada. The assets are primarily in Las Vegas with additional properties and notes in Henderson, Carson City, Sparks and Reno.

"In our opinion, the unprecedented volume of distressed real estate we are seeing here represents the bottom of the market for Nevada and in particular, Las Vegas," said Jeff Frieden, Auction.com's CEO. "The quality and condition of these assets will compel even the most sophisticated of investors to take notice. In any financial cycle, there is a best time to be active. For investors interested in Nevada, we believe that time is now."

The offering includes 55 assets, all of which will be sold individually, including:

- A $56 million non-performing note secured by 333,234-square-foot Sahara Pavilion North retail center on 29 acres of land in Las Vegas;
- A $50 million non-performing note secured by The Fountains at Flamingo, a gated apartment complex off the Las Vegas Strip featuring 524 units on 28 acres;
- A $38 million non-performing note secured by a multifamily complex in Henderson, the Montego Bay Apartments, which features 420 units on 23 acres; and
- Nine additional notes of $20 million or more.

The auction features Auction.com's online due diligence data vault, as well as a live information center in Las Vegas, where bidders can come and look at hard copies of due diligence materials, ask questions to auction representatives, as well as attend "broker & buyer information" sessions to learn more about the auction process. Detailed due diligence documents, photos, maps and more are also available at Auction.com.

"The online auction platform provides a winning mix of what investors today want: discretion and relative anonymity coupled with a buying process that works. Auction.com provides a platform where sellers and buyers can meet and transact allowing buyers an opportunity to purchase commercial properties or notes at very attractive discounts," Frieden said.

A&P Looking To Exit Baltimore/Washington Corridor

The Great Atlantic & Pacific Tea Company Inc. is seeking bankruptcy court approval of bidding procedures to market and sell 25 Superfresh stores in Maryland, Washington, DC, and Delaware.

The 25 Superfresh locations to be put up for sale under the proposed bidding process include 22 in Maryland, two in Delaware and one in the District of Columbia. The company's Superfresh locations in New Jersey, Pennsylvania and the Maryland/Delaware shore area are not being put up for sale.

A&P, with the assistance of Hilco Real Estate LLC, has entered into confidentiality agreements with 15 potential purchasers.

Through the fiscal year ended February 2011, the 25 stores generated gross sales of more than $330 million, or $13.4 million per store. The median square footage is 46,000 square feet and the average sales per square foot is a little more than $330.

"The company has been working hard to implement our turnaround strategy since last year. As part of our ongoing review of our store footprint, we determined that these 25 Superfresh locations are outside A&P's core market," said Sam Martin, A&P president and CEO.

Any sales resulting from the proposed bidding process are expected to be completed by mid-June, subject to court approval.

Volvo CE Restructuring, Growing Rental Store Operations

As the North American business cycle is showing signs of recovery, Volvo CE Rents is seeking to expand its company-owned and franchise network of rental stores.

Whether the store will be franchise owned or Volvo-owned depends on the given circumstances in the market.

As part of the expansion, Volvo CE Rents will become a subsidiary to AB Volvo and will no longer be a part of Volvo CE. In addition, the operation will relocate from Asheville, NC, to the new Volvo Rents HQ in Shippensburg, PA.

Scott Hall will become president and CEO of Volvo Rents next month to oversee the expansion. Hall is currently executive vice president and head of global sales and marketing at Volvo CE.

Lease Down

Pinnacle Foods Group plans to consolidate its Birds Eye brand's Fulton, NY, plant at 607 Phillips St. operations into its Darien, WI, and Waseca, MN, facilities, which will locate all vegetable processing closer to the crop growing region, eliminating approximately 1 million shipping miles every year.

Quantum Corp. entered into a lease amendment with Wells Fund XIII-REIT Joint Venture Partnership to downsize at 8560 Upland Drive in Englewood, CO. Quantum currently occupies all of the two one-story office buildings containing approximately 148,000 rentable square feet. The amendment reduces Quantum's square footage from 100% of the building to approximately 57% of the building, effective Jan. 1, 2012, and extends the lease term on the reduced square footage to Dec. 31, 2021. Effective Jan. 1, 2012, annual base rent of $8.25 per square foot shall be payable and is scheduled to increase by 2% annually beginning on Jan. 1, 2013.

Whirlpool Corp. is laying off 160 employees in Yakima, WA, as part of its closure at the center there due to decreasing call volume. Whirlpool expects the Yakima facility to close during the second quarter, 2011. Approximately 50 jobs will be added to each of the company's two remaining U.S. contact centers in Benton Harbor, MI, and Cleveland, TN.

Lease Cancellations

Company	Leased Location	Landlord	Orig. Lease Exp.
Draper's & Damon's	3150 East Camelback Road, Phoenix, AZ	Samuelson BrotherslHornaday and Zell Commercial Real Estate Services	Oct. 2013
Draper's & Damon's	7636 Girard Ave., La Jolla, CA	Torrey Pines Property Management	Jun. 2012
Draper's & Damon's	51 Bovet Road, San Mateo, CA,	Borl Estate Co.	Sept. 2011
Draper's & Damon's	12199 Ventura Blvd., Studio City, CA	Janie and Richard Roberts, Trustees	Apr. 2012
Draper's & Darnon's	1637 Hollenbeck Ave., Sunnyvale, CA	CBRE	Feb. 2014
Draper's & Darnon's	101 Jordan Creek Pkwy, # 11044, West Des Moines, IA	Jordan Creek Town Center c/o GGP	Dec. 2011
Draper's & Darnon's	10 13 Galleria Blvd., #I60, Roseville, CA	Inter-Cal Real Estate Corp.	Feb. 2018
Draper's & Darnon's	2026 S. Milledge Ave.,Suite A-1, Athens, GA	Penn Hodge Properties	Jan. 2016
Draper's & Darnon's	The Promenade Shops at Evergreen 501 Evergreen Way, Suite 109, South Windsor, CT	Evergreen Walk Lifestyle Center	Oct. 2016
Johnny Appleseed's	Tanger Outlet Center, 314 Flat Rock Place, El10, Westbrook, CT	COROC/Westbrook I,	Dec. 2012
Johnny Appleseed's	145 Great Road, Acton, MA	Farm Hill Mall LP	Aug. 2013
Johnny Appleseed's	Merchant's Row SC, 2071 Washington St., Hanover, MA	Centremark Properties	Aug. 2018
Johnny Appleseed's	17 Market St., Mashpee, MA	Mashpee Commons and Goulston & Storrs	Jan. 2015
Johnny Appleseed's	The Eaglewood Shops, 99 Turnpike St.,,North Andover, MA	Eaglewood Properties	Oct. 2015
Johnny Appleseed's	680 High St., Westwood, MA	J.C. Whitney	Jun. 2011
Johnny Appleseed's	Garden City Center, 31 Hillside Road, Cranston, RI	TA Associates Realty	Aug. 2015
Norm Thompson Outfitters	3 Monroe Pkwy., Suite G, Lake Oswego, OR	RREEF Management Co.	Dec. 2010
Norm Thompson Outfitters	450 NW 257th Drive, #332, Troutdale, OR	Chelsea Property Group	Aug. 2013
Norm Thompson Outfitters	18 Settler's Green, North Conway, NH	O.V.P. Management Inc.	Jul. 2012

Company	Leased Location	Landlord	Orig. Lease Exp.
Norm Thompson Outfitters	3030 NW Aloclek Drive, Hillsboro, OR	Multi-Employer Property Trust	Apr. 2013

Watch List: Latest Specially Serviced Loans

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

Property	Address	Property Type	Current Bal.	CMBS; Special Servicer	Transer Reason; Comment
Wells Fargo Tower	333 S. Grand Ave., Los Angeles, CA	Office	$550,000,000	GSMS 2007-GG10; CWCapital	Imminent default; As of 6/30/10, debt service coverage was 1.06x.
Manhattan Towers	1230 &1240 Rosecrans Ave., Manhattan Beach, CA	Office	$75,000,000	CD 2007-CD4; CWCapital Asset Management	Imminent default; Northrop Grumman vacated 234,260 square feet upon its lease expiration; current occupancy is approximately 23%.
US Bank Tower	633 W. Fifth St., Los Angeles, CA	Office	$65,000,000	MSCI 2004-Top13; C-III Asset Management	Other; As of Sept. 2010, debt service coverage was 1.67x with occupancy of 57.51%.
Malibu Canyon	26565 - 26709 W. Agoura Road, Calabassas, CA	Office	$59,100,000	JPMC 2007-FL1; Berkadia	Imminent default; The building continues to struggle with vacancies, which is comprised of nine units ranging from 3,441 to 27,000 square feet.
East Thunderbird Square North	14202 - 14418 N. Scottsdale Road, Scottsdale, AZ	Retail	$50,000,000	ML 2007-5; CW Capital	Monetary default; Occupancy has decreased to about 84.4%.
DHL Perimeter Center Building	8667 & 8701 E. Hartford Drive, Scottsdale, AZ	Office	$44,000,000	COBALT 2006-C1; CWCapital	Imminent default; DHL Systems (100% tenant) vacated the property and paid a $13.5 million lease assumption fee to borrower's parent company, DTR1 for assignment of the lease for the entire premises to DTR1 from DHL Systems. This request was sent to lender along with a request for a sublease to TSystems affecting 55,000 square feet.
300 Broadhollow Road	300 Broadhollow Road, Melville, NY	Office	$36,800,000	COBALT 2007-C2; CWCapital	Monetary default
Monument IV @ Worldgate	12900 Worldgate Drive, Herndon, VA	Office	$35,454,415	BACM 2004-6; Midland Loan Services	Imminent default; The single-tenant at the property, Fannie Mae, has a lease that expires 12/31/2011. The borrower has indicated that Fannie Mae has not exercised its renewal option and the opportunity to do so has lapsed but lease renewal discussions are continuing.
Bank of America Plaza	1901 Main St., Columbia, SC	Office	$34,154,370	CGCMT 2006-C4; J. E. Robert Company, Inc	Monetary default; Occupancy dropped from 92% to 79% as a result of Edens & Avant Investments vacating 41,620 square feet upon lease expiration at the end of 2009.
East Thunderbird Square	13802 N. Scottsdale Road, Scottsdale, AZ	Retail	$33,400,000	MLCFC 2006-1; Midland Loan Services	Monetary default; As of Sept. 2010, debt service coverage was 1.00x and occupancy was 48%. In addition, loan converted from interest only to amortizing in January 2011 which will further negatively impact DSCR.

The Biltmore	817 W. Peachtree St., Atlanta, GA	Office	$32,864,455	BACM 2006-2; Helios	Maturity default; The borrower has been unable to obtain refinancing and has requested an extension of the maturity date or a discounted payoff.
Forest Hills Village MHP	7927 Forest Hills Road, Loves Park, IL	Mobile Home Park	$30,360,090	JPM 2007-CIBC20; C-III Asset Management	Imminent default
Montvale Center	18310 Montgomery Village Ave., Gaithersburg, MD	Office	$25,000,000	GSMS 2007-GG10; CWCapital	Monetary default; Occupancy as of Sept. 2010 remains flat at 82%, with a DSCR of 0.75x.
20555 Victor Parkway	20555 Victor Parkway, Livonia, MI	Office	$24,432,878	BACM 2002-2; C-III Asset Management	Imminent default; Quicken Loans occupied nine of the building's 12 suites totaling 193,434 square feet all of which expired 12/31/2010. The borrower has requested discussing a discounted payoff based upon the appraised value of the property.

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