THE WATCH LIST

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IN THIS WEEK'S ISSUE:

U.S. Housing Market Finally Seen Reaching a Turning Point

Optimism Is Up, But Don't Expect a Quick Single-Family Recovery as the U.S. Housing Market Faces a Painful Shift

I put a bid in on a home over the Memorial Day weekend and, judging by the recent housing indicators, it appears I was part of a growing crowd of potential homebuyers poised to jump into the market and disperse the last remaining outsized cloud hovering over the economic landscape.

It's a compelling crowd because it is not, I believe, made up of vulture investors expecting to feed on bottom housing prices. Instead, it appears to consist of people choosing to get back into the market after being pent up during five years of recession and dim job prospects. And experts say it will drive both single-family and multifamily housing recovery in the coming years.

"In these initial years, the prime driver of recovery won't be new home construction, but rather demand for rental properties," said Louise Keely, chief research officer at The Demand Institute, a jointly operated non-profit, non-advocacy organization of The Conference Board and Nielsen. "This is a remarkable change from previous recoveries. It is a measure of just how severe the Great Recession has been that such a wide swath of Americans had to delay, scale back, or put off entirely their dreams of home ownership."

Five years is long time, and a lot can happen in that timeframe to affect consumer housing decisions. College graduates enter the marketplace; newly married couples begin raising children; young professionals advance in their careers; older families shrink as children go off to college (as in my case); and workers retire. All changes that trigger housing changes and housing demand -- and all that will compel economy going forward.

Consumers are not expected to surge back into the housing market but, as the Demand Institute estimates, the housing recovery will be moderately scaled. We put our bid knowing it was going to be one of multiple offers on a bank-owned property in a resort area. We bid just $100 more than the asking price - nothing extravagant. The asking price had already been lowered by $25,000 last month. The bank accepted one of the other four bids.

That rejection will not take us out of the housing market, but neither does it compel us to jump immediately on another property. A purchase, after all, requires uprooting families (in our case from Ohio) and is not a decision consumers make at the snap of a finger. The property and the location have to be the right fit.

However, it is also clear for many at least, that housing affordability, and perhaps just as importantly, consumer confidence, is finally coming around.

Between 2006 and 2011, some $7 trillion in American wealth was wiped out when home prices dropped 30% after a dramatic climb in valuations during the housing bubble, the Demand Institute estimates. Looking forward, the moderate growth expectations for coming years suggest a slow return to normalcy. As home prices continue to drop and interest rates hover at all-time lows, first-time buyers and others who remained relatively cautious likely will be drawn back into the housing market.

OPTIMISM IS UP, BUT THE U.S. HOUSING MARKET FACES A PAINFUL SHIFT

None of the positive indicators means that the cloud is gone yet. Four years after the start of the financial crisis, and six years after home prices began to collapse, the market is still shaky.

About one in four homeowners with mortgages, some 11 million households, are "underwater" -- owing more than their home values. Construction and sales of new homes remain anemic, with housing starts about one-third the historical average.

Nationally, prices are about 35.1% below their peaks in 2006, according to the S&P/Case-Shiller Home Price Indices released this week.

"While there has been improvement in some regions, housing prices have not turned," says David M. Blitzer, Chairman of the Index Committee at S&P Indices. "This month's report saw all three composites and five cities hit new lows."

However, there were some better numbers in the index. Only about half as many cities, a total of seven, experienced falling prices this month compared to 16 last month.

"Only three cities - Atlanta, Chicago and Detroit - saw annual rates of change worsen in March," Blitzer said. The other 17 cities and both composites saw improvement in this statistic, even though most are still showing a negative trend. Moreover, there are now seven cities - Charlotte, Dallas, Denver, Detroit, Miami, Minneapolis and Phoenix - where the annual rates of change are positive. This is what we need for a sustained recovery; monthly increases coupled with improving annual rates of change. Once we see this on a broader level we will be able to say the market has turned around."

Mark Zandi, co-founder of Moody's Economy.com, reported the housing crash is "largely over" and points to some strengthening in sales and new-home construction, but does not believe this is enough to lift home prices.

"The key is getting through more of the distressed properties that are in the foreclosure pipeline," Zandi noted recently, adding that this involves some 3.6 million of the nation's 49.5 million homes. "Until we work through them to a greater degree, that is going to remain a pall over home prices."

WHAT THE RECOVERY COULD LOOK LIKE

Initially, according to the Demand Institute, the recovery will be led by demand from buyers for rental properties, rather than, as in previous cycles, demand from buyers acquiring new or existing properties for themselves. More than 50% of those planning to move in the next two years say they intend to rent.

Most home purchases require down payments of 10% to 20%, which is unrealistic for the majority of first-time buyers, said Jay Lybik, vice president of market research for Equity Residential, at the National Multi Housing Council's (NMHC) Apartment Strategies/Finance Conference and Spring Board of Directors Meeting last week.

Citing research from the Brookings Institute, Lybik underscored the fact that just 20% of all households can afford to pay $2,000 in cash in 30 days.

"The theory of national affordability ignores the real parts of what it takes to own a home," Lybik said.

But don't expect wannabe homeowners to settle for traditional apartments, Lybik said. Many of these households - mostly families with children - seek single-family homeownership because traditional apartment product cannot meet their lifestyle needs.

Single-family rentals could fit the bill though, he said.

According to the Demand Institute, this initial rental demand will help to clear the huge oversupply of existing homes for sale. In 2011, some 14% of all housing units were vacant, while almost 13% of mortgages were in foreclosure or delinquent-increases of 12% and 129% respectively over 2005 levels. It will take two to three years for this oversupply to be cleared and at that point home ownership rates will rise and return to historical levels.

In other key predictions, the Demand Institute said the housing recovery will look like this:

- Housing market recovery will not be uniform across the country. Some states will see annual price gains of 5% or more. Others will not recover for many years. The deciding factors will include the level of foreclosed inventory and rates of unemployment.

- The average home size will shrink. Many baby boomers who delayed retirement for financial reasons during the recession will downsize. They will not be alone. The majority of Americans have seen little or no wage increase for several years, and many will scale back their housing aspirations. The size of an average new home is expected to continue to fall, reaching mid-1990s levels by 2015.

- Consumer industries including financial services, home furnishings, home remodeling will all experience shifts in demand and new growth opportunities. Part of this spending is linked to increases in wealth from improving home valuations, while an even bigger part is tied to the "transaction" of buying or selling the home, which sets in motion increased demand for a wide range of products and services.

Blackstone, Square Mile Pooling 31 Nonperforming Hotel Loans / REO Properties for Liquidation

The latest CMBS to come to market is a deal intended to clean up a pool of nonperforming hotel loans and foreclosed properties.

Square Mile Capital Management LLC and real estate funds owned by affiliates of the Blackstone Group LP ('S2') are sponsoring the offering

S2 Hospitality Series 2012-LV1 consists of 26 mortgage loans secured by 26 hotel properties and give real estate owned (REO) hotel properties. All of the properties are newly constructed, or recently renovated, limited and full service hotel properties with an initial principal balance of $159.5 million. However, the notes have a total unpaid principal balance $374.4 million, according to a presale report from Moody's Investors Service.

Although the loans were all performing at one time, several have lapsed to nonperforming status. Nonperforming and REO loans currently account for 26.6% of the pool. S2 has begun foreclosure proceedings on all nonperforming loans represented in the pool.

Approximately 97.3% of the properties in the pool are producing positive cash flow from operations. Negative cash flow properties are the most likely candidates to experience further deterioration with respect to loan status, as borrowers are paying "out of pocket" to keep their loans current. They are also the most likely candidates to eventually become REO.

The CMBS is set up as a vehicle to monetize recoveries from the loans via the liquidation of assets. The collateral manager, Square Mile, will seek to dispose of the assets quickly enough to pay down the bond balance before the reserves to pay deal fees and bond interest are depleted.

Moody's expects the transactions to have a weighted average maturity of three years or less. However, resolution timing may vary for several reasons. In several cases, S2 began the loan resolution process prior to bringing the deal to market, which may shorten the remaining timeline.

The hotels in the portfolio have multiple franchisor and brand relationships. Approximately 92.4% of the assets in the pool are flagged either as a Hilton, Marriott, Intercontinental or Starwood brand -- all of which usually command premium valuations in the marketplace. The Hilton brand accounts for the most properties -- 14 in total.

This is the second such liquidating CMBS trust set up for nonperforming loans this year. Homebuilder Lennar Corp.'s Rialto Capital Management subsidiary, offered a collection of nonperforming loans and REO assets in April. The deal were secured by 271 performing and nonperforming mortgages securing 266 properties, 11 unsecured loans, and 38 properties acquired at acquisition or through foreclosure.

The top 10 hotels in S2 Hospitality Series 2012-LV1 are as follows.

Hotel	Current Status	Moody's Projected Resolution	Owned UPB	Moody's UPB LTV1	Moody's Total Asset Cash Flow	S2's Timing to Exit
Embassy Suites - Hoover, AL	Performing	Restructure	$30,234,212	125.70%	$28,251,761	Q2 2013
Hilton Garden Inn - Yuma, AZ	REO	REO	$18,837,190	254.40%	$7,939,630	Q3 2013
Fairfield Inn & Suites - Brooklyn, NY	Performing	Par Payoff	$18,060,854	74.60%	$19,191,728	Q2 2013
Holiday Inn - San Antonio, TX	REO	REO	$17,540,062	195.80%	$9,576,251	Q3 2013
Courtyard - Hesperia, CA	Performing	Restructure	$13,150,075	134.30%	$11,247,777	Q4 2012
Hilton Garden Inn - Riverhead, NY	Performing	Par Payoff	$12,880,712	74.50%	$13,099,913	Q3 2012
Element - Houston, TX	Performing	Foreclosure	$12,522,245	131.80%	$10,720,634	Q3 2013
Hilton Garden Inn - Greenville, SC	Performing	Restructure	$11,443,716	107.60%	$12,413,338	Q2 2013
Courtyard - Canton, OH	Performing	Restructure	$11,364,845	98.50%	$13,225,550	Q3 2013
Hampton Inn & Suites - Green River, WY	Foreclosed	Foreclosure	$11,038,389	199.70%	$4,943,382	Q3 2013

CRE More and More of a Plus for U.S. Banks

Commercial banks and savings institutions reported an aggregate profit of $35.3 billion in the first quarter of 2012, a $6.6 billion improvement from the $28.8 billion in net income the industry reported in the first quarter of 2011, according to the FDIC. This is the 11th consecutive quarter that earnings have registered a year-over-year increase.

However, loan balances declined by $56.3 billion (0.8%) after three consecutive quarterly increases among FDIC-insured institutions. The silver lining for commercial real estate is that the declines resulted from residential real estate and consumer lending. Banks continued to increase their commercial real estate lending, which began to turn up at the end of last year.

Closed-end 1- to 4-family residential real estate loans fell by $19.2 billion, and home equity lines of credit dropped by $13.1 billion.

In commercial real estate, only balances in construction and development loans declined (by $11.7 billion over three months ago.)

Loans on nonfarm, nonresidential real estate increase by more than $43 billion to $586.95 billion.

Loans for owner-occupied real estate increased by nearly $13 billion to $470 billion.

Loans on multifamily real estate increased $2.45 billion to $220.95 billion.

BANK CRE DISTRESS

In other good news, the amounts of distressed commercial real estate assets held by banks also continued to decline.

At the end of the first quarter, U.S. banks held on to $27.35 billion in foreclosed commercial real estate; this was down a little more than a half of billion dollars from three months ago. Of the foreclosed assets currently on bank books, more than half of that ($15.41 billion) being construction and development projects, and another $10.54 billion of office, industrial, retail and hotel properties. The amount of REO multifamily properties was $1.39 billion.

In addition, U.S. banks held $86.14 billion in seriously delinquent CRE loans a big drop off from the $91.7 billion just three months ago. However, the total current delinquent amount $19.36 billion had already been restructured at least once before, this was an increase of about $200 million from three months ago.

The number of so-called "problem" institutions fell for the fourth quarter in a row -- from 813 to 772. This is the smallest number of "problem" banks since year-end 2009. Total assets of "problem" institutions declined from $319 billion to $292 billion. Sixteen insured institutions failed during the first quarter. This is the smallest number of failures in a quarter since the fourth quarter of 2008, when there were 12.

"The condition of the industry continues to gradually improve. Insured institutions have made steady progress in shedding bad loans, bolstering net worth, and increasing profitability" noted Martin J. Gruenberg, FDIC acting chairman. "The overall decline in loan balances is disappointing after we saw three quarters of growth last year. But we should be cautious in drawing conclusions from just one quarter."

Lower provisions for loan losses and higher noninterest income were responsible for most of the year-over-year improvement in earnings. First-quarter loss provisions totaled $14.3 billion, almost one-third less than the $20.9 billion that insured institutions set aside for losses in the first quarter of 2011.

Net operating revenue totaled $169.6 billion, an increase of $5 billion (3.1%) from a year earlier, as gains from loan sales rose by $2.3 billion.

Realized gains on investment securities and other assets were $2 billion higher than in the first quarter of 2011.

Asset quality indicators continued to improve as insured banks and thrifts charged off $21.8 billion in uncollectible loans during the quarter, down $11.7 billion (34.8%) from a year earlier. The amount of noncurrent loans and leases (those 90 days or more past due or in nonaccrual status) fell for an eighth consecutive quarter, but the percentage of loans and leases that were noncurrent remained high by historical standards.

The 10 Banks with the Highest Percentage of Distressed CRE Assets to Total Assets

Bank	City	State	Total assets (000s)	Total Del.-Distressed CRE Assets (000s)	% Del-Distressed CRE Assets to Total Assets
Security Exchange Bank	Marietta	GA	$150,962	$55,714	36.91%
Community Bank of the Ozarks	Sunrise Beach	MO	$47,408	$14,442	30.46%
Southern Commerce Bank, National Association	Tampa	FL	$91,747	$25,545	27.84%
Providence Bank	Alpharetta	GA	$114,924	$31,452	27.37%
United Central Bank	Garland	TX	$2,220,482	$596,922	26.88%
Builders Bank	Chicago	IL	$301,959	$79,338	26.27%
Palm Desert National Bank	Palm Desert	CA	$129,253	$33,959	26.27%
1st Commerce Bank	North Las Vegas	NV	$26,044	$6,692	25.69%
Douglas County Bank	Douglasville	GA	$330,132	$83,231	25.21%

Bank	City	State	Total assets (000s)	Total Del.-Distressed CRE Assets (000s)	% Del-Distressed CRE Assets to Total Assets
Delta Bank, National Association	Manteca	CA	$99,371	$23,900	24.05%

<u>Capdominus: The Capital Marketplace Simplified</u>

Energy Sector Leading the Charge in New Facilities Spending

Companies continue to invest in the U.S. economy and businesses show strong levels of investment in new and upgraded facilities, according to the 2012 U.S. Investment Monitor prepared by the Quantitative Economics and Statistics (Quest) practice of Ernst & Young LLP.

The report analyzes major U.S. business investment projects in each state and focuses on mobile capital investments.

E&Y found capital investments were highest in states with substantial energy sectors, primarily Louisiana, Texas and Pennsylvania. The Gulf and East Coast had the highest number of announced new jobs, led by Texas, Pennsylvania and Ohio.

The automotive industry remained a creator of significant jobs, and the U.S. continues to be an important location for advanced manufacturing facilities.

"The announced projects reflect the modernization of manufacturing facilities and the development of new energy resources, such as shale gas extraction and solar power," said Andrew Phillips, leader of EY's Regional Economic Contribution service. "After two full years of post-recession recovery, we're also seeing that the U.S. automotive industry remains a creator of significant jobs in the Midwest, and that the U.S. remains an important location for advanced manufacturing facilities like semiconductors."

Manufacturing projects accounted for 60% of announced capital investment and 56% of jobs.

Investment in solar energy installations experienced record growth, more than doubling from 2010. Investment in wind and solar power generation projects, wind and solar component manufacturing, energy efficient battery manufacturing, and other green industries accounted for nearly 20% of all announced mobile capital investment in 2011.

Semiconductor manufacturing also continued to be an important source for large capital investments and high wage jobs.

Demand, Capital Driving Apartment Market

Continued positive multifamily demand fundamentals and ready access to capital at attractive rates is fueling a surge in new apartment development, according to industry executives.

Several hundred senior-level apartment executives gathered in Scottsdale, AZ, last week for National Multi Housing Council's (NMHC) Apartment Strategies/Finance Conference and Spring Board of Directors Meeting. The following is the NMHC's summary of what was discussed.

Continued low levels of new supply have led to a big bounce-back in rents as demand outpaces new construction. According to one panel of apartment executives, the new supply shortfall may be larger than once thought -- as many as 700,000 to 1 million units -- because many of the apartments built in recent years have been in the affordable, rather than market-rate, section of the market. Moreover, much of the current apartment stock dates back to the 1970s and is becoming obsolete, creating additional demand for new supply.

Select areas have seen such large upticks in the number of planned and under construction units that could turn into hot spots for potential overbuilding. In particular, certain submarkets of Phoenix, Seattle and Washington, D.C., appear somewhat at risk.
But, overall, new completions are still a very low percentage of total inventory.

MONEY FLOWING FOR MULTIFAMILY

There is a wall of private capital that wants into the multifamily space. More than 250 private equity funds currently are looking to do multifamily deals-57 of which are apartments-only funds, while the balance are diversified funds looking for a slice of the multifamily action.

"Our investors can't get enough of multifamily," said Steve Pogarsky, vice president of multifamily acquisitions for BPG Properties/Madison Apartment Group. "We have to contain their enthusiasm."

Life companies also continue to up their investment in the multifamily space; they invested $11 billion in sector in 2011. While their target exposure to multifamily real estate had been 15 to 20% of their portfolio, the major players have upped that to roughly 25%.

"It's just getting the deals done that's the problem," said Mark Hafner, managing director for investments at Greystar Real Estate Partners. "You have a supply-demand imbalance," he said, pointing out that out of $166 billion in commitments in 2011, just $44 billion closed. For now, a lot of so-called "dry powder" is collecting on the sidelines, waiting for the right deals.

Beyond acquisitions and dispositions, the construction lending market is also going through a transformation that may tap the brakes on the apartment sector's activity and growth.

Many big projects also are getting "clubbed" together as handfuls of investors mitigate risk in a project by joining forces. And because big banks don't have syndication departments anymore, companies are spending a year or more talking to various lenders to cobble together a deal.

But Tom Booher, executive vice president at PNC Real Estate, said he's seeing regional banks ramp up on their construction lending. Some of the most aggressive terms on construction he's seen have been for smaller deals in Midwestern markets like Cincinnati, Columbus, Indianapolis and Toledo.

Lowe, Guardian Team with Pension Fund To Target High LTV Debt

Lowe Enterprises Investors (LEI) and Guardian Life Insurance Co. said they launched LEI Senior Finance, LLC with the backing of an undisclosed public pension fund to acquire $164 million in high loan-to-value senior debt secured by hotel, office and multi-family assets in major markets throughout the U.S.

The affiliate of Lowe Enterprises has successfully invested in debt secured by several hospitality and commercial property assets, most recently buying the 28-story, 213-room Affinia Hotel at 166 E. Superior St. in downtown Chicago.

Bleecker Seaman, CEO of Lowe Enterprises Investors, said the firm's experience in underwriting recovering properties and affiliation with owner/operator Lowe Enterprises, gives it a keen understanding of asset operations and borrower needs.

The firm's new venture with Guardian and their pension fund client will target senior debt investments in operating assets, focusing primarily on hotel, office and multifamily assets.

LEI Senior Finance will target borrowers in need of financing otherwise unavailable from traditional lenders on transitional properties or stabilized properties in need of capital to refinance existing loans. The venture anticipates making 10 to 15 loans in the $10 million to $20 million range.

Lowe formed a partnership with Guardian in 2010 under which the insurance firm committed to provide Lowe with $200 million for investing in value-add real estate opportunities, and paying an undisclosed sum to take a substantial, non-controlling interest in the Los Angeles-based real estate firm’s Lowe Enterprises Investors investment management subsidiary.

Macy's: Retail Stores as Distribution Centers

Taking what it calls a "360-degree view," Macy's Inc. chairman, president and CEO Terry J. Lundgren said the retailer is doubling efforts to turn its retail store sites into distribution centers.

"At the end of 2011, we had 23 Macy's stores set up to pick and ship orders from other stores that didn't have the right inventory on hand to fill the customer's needs, Lundgren said speaking at the company's 2012 meeting of shareholders. "This was in addition to the inventories stocked in our three primary online fulfillment centers."

"Today, about 150 Macy's stores are set up for shipping, and by the end of 2012, we expect that number to grow to 292 stores, on top of the inventories in four primary online fulfillment centers," Lundgren said. "We also are beginning to use store-to-customer shipping to fill online orders."

Last year, customers ordered more than 7 million items from a register in a Macy's store, which were then shipped to their homes from either its online inventory, or from the inventory of another store that had been set up to ship individual packages.

Noam Kleinman, a real estate economist with CoStar Group, said the strategy makes total sense.

"The time to ship an item to a customer is shorter from the local retail location than from centralized hubs to a customer that may be half way around the country," Kleinman said. "Transportation is a larger chunk of fulfillment cost than the cost of real estate. What they are doing is minimizing the cost of transportation while maximizing the efficiency of their existing asset."

Syms Reorganization Plan Calls for Selling All Owned Stores

Discount clothing retailer Syms Corp. and its wholly owned subsidiary, Filene's Basement LLC, filed a plan of reorganization calling for Syms to continuing owning its real estate while it disposes of the properties.

The retailer filed for Chapter 11 reorganization last fall and liquidated the two chains earlier this year. It has either cancelled or is in the process of disposing of its leased store locations. Now, it plans to do the same for retail properties it owns

Syms cited a litany of woes that combined to undermine the two retail operations, including increased competition from large department stores offering the same brands at similar discounts; a proliferation of private label discount chains; decreased buying opportunities as manufacturers reduced overruns through improved supply chain management; together with what she described as the worst economic downturn in her lifetime.

Documents file with the Bankruptcy Court explain that "because Syms is solvent, under the Plan, Syms anticipates paying all its creditors in full… Syms will retain its real estate assets and own, manage, lease and dispose of them over time, in a non-distressed commercially reasonable manner, in order to maximize the value of these assets."

Filene's, on the other hand, is insolvent and Syms has agreed that Filene's creditors will share pro rata in a portion of the proceeds of Syms' assets."

Syms anticipates selling its parcels either "as is," i.e., vacant in certain cases, or after they have been leased to one or more commercial tenants and related improvements have been made. Syms anticipates that the disposition process could take up to four years.

Syms currently owns 17 stores totaling 1.53 million square feet

Fairfield, CT, 43,000
Ft. Lauderdale, FL, 55,000
Miami, FL, 53,000
West Palm Beach, FL, 112,000
Marietta, GA, 77,000

Norcross, GA, 69,000
Addison, IL, 68,000
Southfield, MI, 60,000
Cherry Hill, NJ, 150,000
Paramus, NJ, 77,000
Secaucus, NJ, 340,000

Elmsford, NY, 59,000
New York, NY, 57,000
Westbury, NY, 92,000
Williamsville, NY, 102,000
Berwyn, PA, 69,000
Houston, TX, 42,000

American Eagle Outfitters Closing its Kids Stores

American Eagle Outfitters Inc. plans to close all 22 of its 77kids stores and focus on its strong teen apparel business. The company is currently exploring options for the business, which include a full or partial disposition of assets to a third party.

In fiscal 2011, the brand generated an after-tax loss of $24 million on sales of $40 million. The company anticipates charges associated with the disposition of 77kids to be taken primarily in the second and third quarters.

Pittsburgh-based American Eagle said it may close other of its brands stores as well.

"Our brick-and-mortar store fleet is currently under a comprehensive market-by-market, store-by-store review, focused on maximizing productivity in our top volume doors," Robert L. Hanson, CEO of American Eagle told investment analyst last week. "We're reviewing opportunities to consolidate markets and selectively close stores.

We're also looking to accelerate outlet store openings and expect to more than double the store base from 67 today."

In the first quarter, American Eagle opened seven locations, primarily outlets. It closed seven locations, including one aerie store. The company said it is still on target to open nine stores this year and remodel 55 to 65 stores.

Wet Seal Slowing Growth, Trimming Stores

Posting a loss in its first quarter, specialty young women's retailer The Wet Seal Inc. plans to slow down its store growth and plans to trim down the number of its Arden B stores.

Foothill Ranch, CA-based Wet Seal reported a loss of $400,000 in its first quarter compared to operating income of $13.3 million in the year earlier quarter.

"We are disappointed with our first quarter results and recent sales trends at both Wet Seal and Arden B. We are taking immediate actions to rebalance the assortments towards stronger selling categories," said Susan McGalla, the company's CEO. "We are reducing our store opening plan to 20 to 22 net store openings at Wet Seal for fiscal 2012, a decrease from our prior plan of 25 to 30 net openings. This reflects a more selective approach to new store development while we're working on repositioning efforts at Wet Seal."

"We have modified our Arden B real estate plans to focus entirely on turning around its merchandising and sales productivity challenges. As Arden B leases come up for renewal this year, we will either seek short-term extensions or allow the lease to expire and close the store," McGalla said. "As a result, we expect the Arden B store base will decline from the current 84 stores to approximately 64 to 69 stores by the end of this fiscal year. This will allow us to put all efforts toward repositioning the brand. We are committed to the long-term future of Arden B and look forward to restoring strength in the business and resuming a growth trajectory."

The company opened one Wet Seal store and closed four Wet Seal stores and closed two Arden B stores during the first quarter. At April 28, 2012, the company operated 553 stores in 47 states and Puerto Rico, including 469 Wet Seal stores and 84 Arden B stores.

Upcoming Corporate Facility Closures & Downsizings

Company	Address	Closure or Layoff	Owned or Leased	Bldg RBA	No. Workers Impacted	Impact Date
Ralphs Grocery	20220 Highway 18, Apple Valley, CA	Layoff	Leased	40,262	49	6/1/2012
Tercica Inc.	2000 Sierra Point Parkway, Suite 400, Brisbane, CA	Closure	Leased	219,213	28	6/30/2012
Vwr Distribution Center	3745 Bayshore Blvd., Brisbane, CA	Closure	Leased	248,280	151	6/1/2012
Yahoo! Inc.	3333 Empire Ave., Burbank, CA	Layoff	Leased	207,885	65	6/8/2012
North County Times	207 E. Pennsylvania Ave., Escondido, CA	Layoff	Owned	19,815	56	6/4/2012
St. Joseph Hospital	2700 Dolbeer St., Eureka, CA	Layoff			67	5/30/2012
MV Transportation Inc.	4620 Westamerica Drive, Fairfield, CA	Closure	Owned	12,830	32	6/1/2012
Verizon Wireless (Cellco Partnership)	255 Parkshore Drive, Folsom, CA	Closure	Leased	54,678	94	5/30/2012
New Breed	13232 North Valley Blvd. , Fontana, CA	Closure	Leased	196,548	165	6/15/2012
Surefire LLC	18300 Mt. Baldy Cir-17680 Newport, Fountain Valley, CA	Layoff			28	6/6/2012
Surefire LLC	17680 Newhope St-17620 Mr. Herrmann St, Fountain Valley, CA	Layoff	Leased	60,106	21	5/28/2012

Company	Address	Closure or Layoff	Owned or Leased	Bldg RBA	No. Workers Impacted	Impact Date
I-5 Social Services Corp.	114 E. Shaw Ave., Suite 100, Fresno, CA	Layoff	Leased	18,542	134	5/31/2012
Secure Customer Relations	4910 E. Ahslan Ave., Suite 105, Fresno, CA	Layoff	Leased	45,666	98	6/18/2012
Bank of America	1000 W. Temple St., Los Angeles, CA	Layoff	Owned	741,221	100	5/31/2012
Best Buy	10861 Weyburn Ave., Los Angeles, CA	Closure	Leased	337,578	64	6/15/2012
Cyberdefender	617 W. 7th St., Suite 1000, Los Angeles, CA	Closure	Leased	218,016	307	6/1/2012
Best Buy	934 Perimeter Drive, Manteca, CA	Closure	Leased	26,407	61	6/15/2012
Best Buy	27220 Eucalyptus, Moreno Valley, CA	Closure	Leased	89,072	50	6/15/2012
Wellpoint	2000-2100 Corporate Center Drive, Newbury Park, CA	Layoff	Leased	107,560	73	6/4/2012
Fenceworks Inc.	4051 Oceanside Blvd., Oceanside, CA	Closure	Leased	11,910	129	6/5/2012
Best Buy	4120a E 4th St., Ontario, CA	Closure	Leased	254,293	78	6/15/2012
Time Warner Cable	303 W. Palm Ave., Orange, CA	Closure	Leased	14,780	49	6/15/2012
Best Buy	1751 E Bayshore Road, Palo Alto, CA	Closure	Leased	46,000	61	6/15/2012
Scolari's Food & Drug	2121 Spring St., Paso Robles, CA	Closure	Leased	36,000	58	6/10/2012
Scolari's Food & Drug	555 Five Cities Drive, Pismo Beach, CA	Closure	Leased	39,498	49	6/10/2012
Best Buy	4405 Century Blvd., Pittsburg, CA	Closure	Leased	202,939	59	6/15/2012
Comerica Bank	215 Manhattan Beach Blvd., Redondo Beach, CA	Closure	Owned	86,400	74	6/15/2012
Riverside Convention Center	3443 Orange St., Riverside, CA	Closure			77	6/16/2012
American Stores Co.	1860 Coronado Ave., San Diego, CA	Closure	Leased	22,243	61	6/26/2012
Yahoo! Inc.	16745 W. Bernardo Drive, Suite 400, San Diego, CA	Layoff	Leased	93,699	35	6/8/2012
BAE Systems	Foot Of 20th Street, San Francisco, CA	Layoff			126	5/30/2012
Scolari's Food & Drug	1321 Johnson Ave., San Luis Obispo, CA	Closure	Leased	27,115	56	6/10/2012
Scolari's Food & Drug	222 N. Milpas St., Santa Barbara, CA	Closure	Leased	25,530	67	6/10/2012
Yahoo! Inc.	4401 Great America Parkway, Santa Clara, CA	Layoff	Leased	184,000	130	6/8/2012
Yahoo! Inc.	2450 Broadway St., Santa Monica, CA	Layoff	Leased	182,186	70	6/8/2012
International Paper	140 W. Santa Barbara St., Santa Paula, CA	Closure	Owned	132,000	64	6/19/2012
Yahoo! Inc.	701 First Ave., Sunnyvale, CA	Layoff	Owned	164,000	720	6/8/2012
Best Buy	2857 Park Ave., Tustin, CA	Closure	Leased	191,117	79	6/15/2012

Two California Plaza Goes on the Block

MPG Office Trust Inc. reached an agreement with CWCapital Asset Management, special servicer on its loan on Two California Plaza, for disposition of the property that is currently in receivership.

Under the deal, the receiver will continue to manage the property. MPG Office Trust will temporarily remain the title holder of the property until Two California Plaza is sold or a foreclosure is completed by the end of the year.

The 1.33 million-square-foot office property at 350 South Grand Ave. in Los Angeles is subject to a $470 million loan. The property is currently 78% occupied.

MPG Office Trust is obligated to pay $1 million related to historical operational liabilities and is required to cooperate in the disposition.

Watch List: Latest Loan Modifications

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

Property Name	Address	Property Type	Pymt Status	Cur. Bal.	Maturity Date	CMBS	Modification
100 Wall Street	100 Wall St., New York, NY	Office	Less Than 30 days Del.	$117,399,060	6/15/2016	LB-UBS 2007-C6	4-year maturity date extension
One Newark Center	1085 Raymond Blvd., Newark, NJ	Office	Current	$96,700,000	12/11/2012	BS 2006-PWR14	2-year maturity date extension
Ritz Carlton Bachelor Gulch	0130 Daybreak Ridge, Avon, CO	Lodging	Less Than 30 days Del.	$61,000,000	10/15/2017	LB-UBS 2007-C7	Modified note rate of 2%; borrower made a $7.25 million equity contribution
1615 Poydras Street	1615 Poydras St., New Orleans, LA	Office	Less Than 30 days Del.	$25,688,182	5/18/2012	SB 2000-C2	2-year extension, I/O thru 1/1/2014

Property Name	Address	Property Type	Pymt Status	Cur. Bal.	Maturity Date	CMBS	Modification
72 Madison Avenue	72 Madison Ave., New York, NY	Office	30-59 Days Delinquent	$22,000,000	5/15/2014	Wach 2007-C32	2-year maturity date extension
Marriott Detroit Livonia	17100 N Laurel Park Drive, Livonia, MI	Lodging	Less Than 30 days Del.	$16,970,741	10/11/2016	BS 2006-PWR14	Amortization change
Hilton Garden Inn - Glen Allen, VA	4050 Cox Road, Glen Allen, VA	Lodging	Less Than 30 days Del.	$13,041,136	2/15/2014	Citi 2006-C4	3-year maturity date extension; loan was paid down 5%
Wabash Landing	375 Brown St., West Lafayette, IN	Retail	Less Than 30 days Del.	$10,203,214	1/10/2017	BofA 2006-1	Interest rate reduction to 4% and I/O through 12/1/13 and a 1-year extension.
Amberly Village Townhomes	2735 North Garland Ave., Garland, TX	Multifamily	60-89 Days Delinquent	$9,597,541	6/15/2015	CSFB 2005-C4	I/O pymnts 4% pay rate thru 12/11/13
Siemens Facility	Highway 52, Lafayette, IN	Mixed Use	Less Than 30 days Del.	$8,265,296	5/18/2012	CSFB 2001-CK1	2-year maturity date extension
Holiday Inn Ontario	3400 Shelby St., Ontario, CA	Lodging	Less Than 30 days Del.	$6,384,736	1/15/2015	CSFB 2001-CK1	maturity date extended, interest rate reduced, and $1 million principal repayment
Radisson Inn - North - A note	8110 North Academy Blvd., Colorado Springs, CO	Lodging	Less Than 30 days Del.	$5,052,373	1/15/2014	CSFB 2001-CF2	3-year maturity date extension