THE WATCH LIST

MARK HESCHMEYER, EDITOR | JUNE 30, 2011 | WWW.COSTAR.COM

A WEEKLY NEWSLETTER FOCUSING ON CHANGING MARKET CONDITIONS, COMMERCIAL REAL ESTATE, MORTGAGES AND CORPORATIONS PUBLISHED BY COSTAR NEWS

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Less Distress: CRE Distress Taking Less of Toll on Nations' Banks

Nonresidential Assets Continue Slide, Construction & Development Problems Abating, Multifamily on Verge of Turnaround

While commercial real estate continues to burden the nation's 7,584 insured banks and thrifts, the severity of the impairment is gradually improving. Most of the recuperation is coming from cuts and attrition in construction and development loans, the dearth of new lending and from improvement in the multifamily sector.

Eventually, as deteriorating conditions lessen, the amount of capital that banks have to loan should increase. Banks are already setting aside fewer dollars to deal with the losses. New provisions for loan losses fell to $20.7 billion in the first quarter from $51.6 billion a year earlier. This marks the sixth quarter in a row that loss provisions have had a year-over-year decline. It is the smallest quarterly loss provision for the industry since third quarter 2007.

The total amount of CRE loans outstanding fell by $32.3 billion (2%) during the first quarter. At the end of March, insured institutions reported holding $1.58 trillion in CRE-related loans, down from $1.61 trillion at the end of 2010.

The total amount of construction and development loans on bank books fell by $25.9 billion (8%) to $295.6 billion.

The total amount of nonresidential loans (including owner-occupied buildings) on bank books fell by $6 billion (less than 1%) to $1.07 trillion.

However, the total amount of multifamily loans on bank books was flat falling by just $300 million to $214.5 billion.

The total amount of distressed CRE assets (delinquent loans, foreclosed assets and restructured loans) at banks stood at $170.9 billion; just 1.3% of all outstanding bank assets.

Total delinquent CRE loan balances (loans 30 days or more past due or in nonaccrual status) fell by $3.5 billion (2.8%) during the first quarter. At the end of March, banks and thrifts reported $121.6 billion in delinquent CRE-related loans, down from $125.1 billion at the end of 2010.

Delinquent construction and development loans fell by $4 billion (6.9%) to $53.8 billion.

Delinquent multifamily loans fell by $400 million (3.8%) to $10 billion.

However, delinquent nonresidential loans grew by $900 million (a 1.6% increase) to $57.8 billion.

The balances of foreclosed assets continued to grow at the nation's banks from $30.9 billion at the end of the year to $31.2 billion as of March 31. All of that increase was in nonresidential properties, which grew by $500 million to $10.7 billion.

The amount of foreclosed construction and development projects fell about $100 million to $18 billion; and foreclosed multifamily properties also fell by about $100 million to $2.5 billion.

The total amount of restructured CRE loans at the end of the first quarter stood at $34.9 billion; (the amounts are not available for previous quarters). Of those restructured loans, $16.7 billion (48%) were again delinquent or in nonaccrual status.

The number of insured commercial banks and savings institutions reporting financial results in the first quarter declined from 7,658 to 7,574 in the first quarter. One new reporting institution was added during the quarter, while 56 institutions were absorbed by mergers and 26 institutions failed.

From the big picture of gradual recuperation in CRE bank assets, we've pulled together some of the highlights from the individual bank numbers.

The number of institutions on the FDIC's "Problem List" increased from 884 to 888 during the quarter. Assets of "problem" institutions increased from $390 billion to $397 billion.

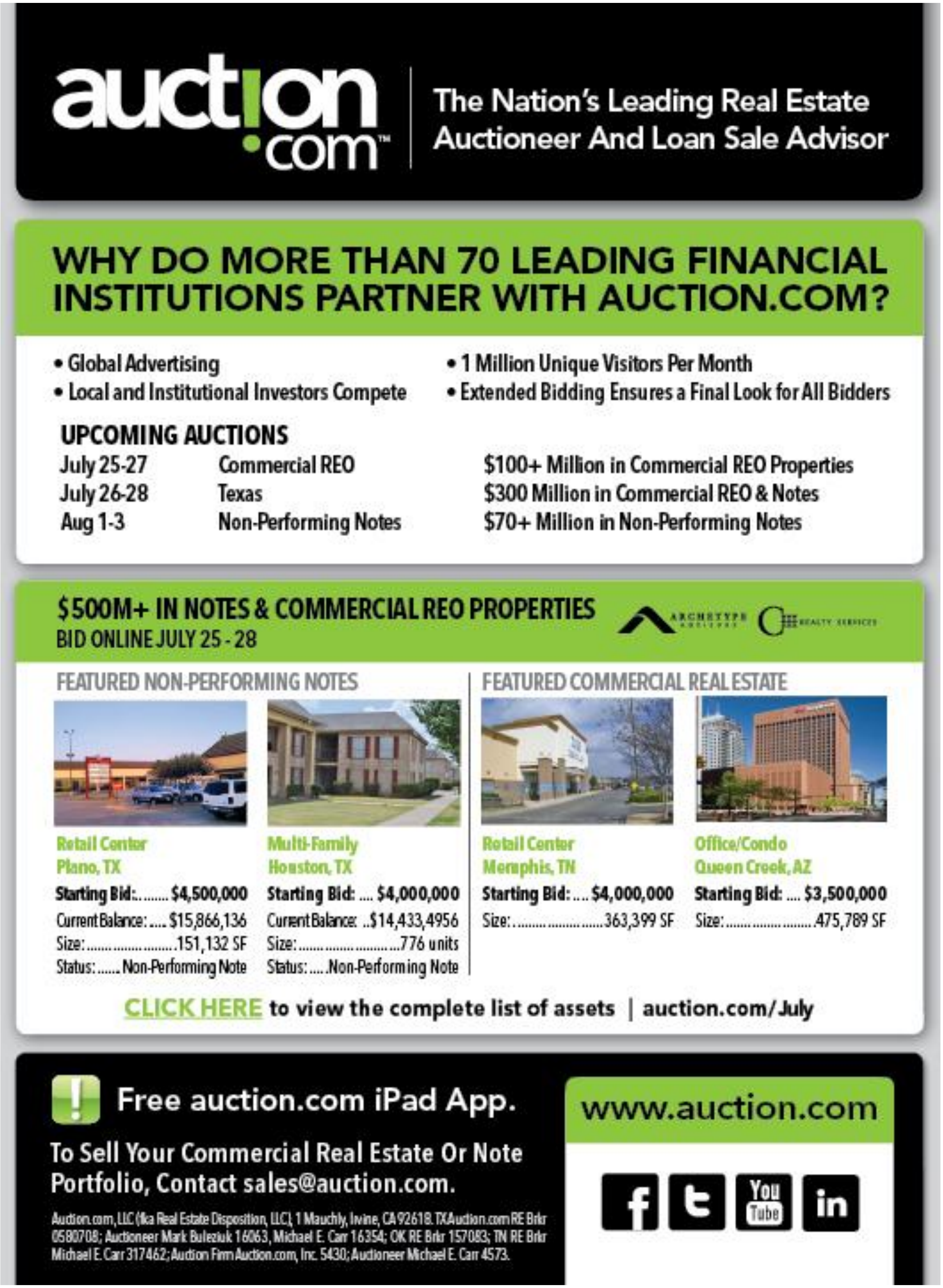
Of the 7,584 insured banks in the country as of March 31, distressed CRE assets made up 1% or less of total assets at 4,298 banks.

566 banks out of the total of 7,584 (7.4%) hold more than 80% of the distressed commercial real estate on bank books. The 10 largest banks in the country hold $49.4 billion in delinquent, foreclosed or restructured assets (29%).

Wells Fargo Bank holds $2.24 billion of commercial real estate properties on which it has foreclosed, including $1.14 billion in construction and development properties and $868 million in nonresidential properties. Citibank holds the largest amount of foreclosed multifamily properties at $710 million. While high in dollar amounts, the total amount of CRE distress at these two banks is 1% or less of their total assets.

Distressed CRE assets make up more than one-third of total assets at five banks: Builders Bank, Chicago, IL; First Choice Community Bank, Dallas, GA; High Trust Bank, Stockbridge, GA; Security Exchange Bank, Marietta, GA; and Cortez Community Bank, Brooksville, FL.

$500 Million in Notes & Commercial REO



Retail Sputtering from Exhaust of High Gas Prices

While gasoline prices have been falling as the Fourth of July weekend approaches, the cost of fuel is still roiling retailers.

The high price of fuel has taken money out of consumers' pockets and driven down sales at stores across the country. And that is not likely to change for a few months at least.

Retail sales drifted into negative territory in May after 10 consecutive months of gains, according Garrick H. Brown, research director for Terranomics in Sacramento. The continued impact of gas pricing, plus weak May car sales combined to finally send these numbers into the red.

Several reasons have been advanced for the slowdown in spending, including bad weather (which hampered construction) and the Japanese earthquake (which disrupted industrial activity), adding to the lingering drag from falling home prices and state-government cutbacks.

However, says Kevin White, a real estate strategist for CoStar Group, "While these factors have no doubt played a role, it seems clear that the spike in oil prices from $90/barrel late last year to nearly $115/barrel in April deserves most of the blame."

White points out that while in the first three months of the year, U.S. consumer spending rose at its fastest pace since early 2007, real gains were offset by inflation.

"Higher inflation, driven largely by rising gas prices, neutralized most of these gains, reducing 'real' (inflation-adjusted) consumption growth to a modest 2%," White reported to CoStar clients this week. "Americans spent liberally, but their dollars did not go as far. Since consumption accounts for 70% of U.S. GDP, the hit to economic growth was palpable."

Oil prices have since retreated from their $115/barrel, but not quickly enough to prevent energy from taking a toll on second quarter performance. In addition, those prices are still more than prices at the same time last summer.

"Although consumers will see the cash-flow benefit soon, some of the lagged, second-round effects of the hit from gas earlier this year – weaker stock prices and job growth – could weigh on spending in the third quarter. I don't expect we'll really pick up momentum until the fourth quarter," White said.

That sentiment was backed up the Research Division of Federal Reserve Bank of St. Louis in a report this week entitled 'Where is an Oil Shock?' That report concludes that sharp increases in oil prices affect economic activity adversely, but even sharp decreases in oil prices have no effect on improving the economy.

White is advising real estate clients to continue to stress their assumptions against downside scenarios.

Peter Muoio, senior principal at real estate research firm Maximus Advisors and former global head of Deutsche Bank Real Estate Research, reported this month that stabilization of consumer spending bodes well for recovery, though many risk factors have prevented a solid improvement in most metro areas.

"Recent increases in the price of gasoline and food will directly and negatively impact discretionary spending, threatening chain stores and shopping centers," Muoio said. "With the growing prevalence of e-commerce and online retailers, we could be left with a glut of vacant retail space as in-store demand shrinks."

Cole Looking To Cash Out on 20.6M-SF NNN Portfolio

Cole Real Estate Investment sent a letter to financial advisors this week underscoring its plans to exit a 20.6 million-square-foot, triple net leased portfolio accumulated by its affiliate, Cole Credit Property Trust II.

"There appears to be a growing demand in the market for the type of assets that comprise the CCPT II portfolio: high-quality properties net-leased on a long-term basis to industry-leading tenants," wrote Marc T. Nemer, president of Cole Real Estate Investment. "We are also seeing positive indications that the commercial real estate markets are continuing to recover as we actively explore options to successfully exit the portfolio within the next 12 months."

"As the commercial real estate markets continue to rebound, we believe the market cycle we are in favors portfolios like CCPT II, which consist of high-quality, brand name tenants under long-term leases," Nemer wrote. "Additionally, the retail sector in particular is beginning to benefit from the labor market recovery and the associated incremental improvement in consumer confidence."

"We believe we are moving into a healthy environment for a portfolio exit, and we are evaluating options to take CCPT II full cycle within the next 12 months," he wrote. "Potential exit strategies we are looking at include, but are not limited to, a sale of the portfolio or a listing of the portfolio on a public stock exchange."

As of year-end 2010, CCPT II owned 725 properties comprising 20.6 million rentable square feet of single and multi-tenant retail and commercial space located in 45 states and the U.S. Virgin Islands. It also owned 69 mortgage notes receivable secured by 43 restaurant properties and 26 single-tenant retail properties, each of which is subject to a net lease. Through two joint ventures, it had a majority indirect interest in a 386,000-square-foot multi-tenant retail building in Independence, MO, and a majority indirect interest in a 10-property storage facility portfolio.

Circle K convenience stores accounted for 83 of the leases in the portfolio, Walgreens, 58; and CVS, 35.

The largest concentration of properties was in Texas (165 with 3.58 million square feet); Florida properties totaled 22 with 2.07 million square feet; Illinois, 23 properties with 1.74 million square feet; and Georgia 57 properties with 1.01 million.

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Start of Spring Homebuying Season Boosts Prices, Temporarily at Least

Home prices across a wide section of the U.S. showed a monthly increase in prices for the first time in eight months, according to data through April 2011, released by S&P Indices for its S&P/Case- Shiller1 Home Price Indices.

The 10- and 20-City Composites were up 0.8% and 0.7%, respectively, in April versus March. Both indices are lower than a year ago; the 10-City Composite fell 3.1% and the 20-City Composite is down 4.0% from April 2010 levels. Thirteen of the cities and both composites posted positive monthly changes.

Six of the 20 MSAs showed new index lows in April, though, – Charlotte, Chicago, Detroit, Las Vegas, Miami and Tampa.

"In a welcome shift from recent months, this month is better than last - April's numbers beat March," says David M. Blitzer, chairman of the Index Committee at S&P Indices. "However, the seasonally adjusted numbers show that much of the improvement reflects the beginning of the spring-summer home buying season. It is much too early to tell if this is a turning point or simply due to some warmer weather."

"Other housing statistics show the same trends. Single-family housing starts were up in May, but still well below their 2010 levels and still very close to their 30-year low. Existing home sales rose in May, but are still about 15% below last year's pace and about 35% below their 2005 pace," Blitzer said. "While foreclosures remain a large factor in most parts of the country, the S&P/Experian Consumer Credit Default indices show a small decline in the pace of new defaults since last November. Other reports confirm that banks have tightened lending standards in the past year making it harder to qualify for a mortgage despite very low interest rates."

As of April 2011, 19 of the 20 MSAs and both Composites are down compared to April 2010.

Washington D.C. continues to be the only market to post a year-over-year gain, at +4%. Minneapolis was the only city that demonstrated a double-digit annual decline, -11.1%. While 13 markets rose on a monthly basis, 16 markets saw their annual rates of change fall deeper into negative territory.

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JER Investors Trust Running Out of Cash

Cash is running out for JER Investors Trust Inc., a Northern Virginia-based specialty finance company that manages a portfolio of commercial real estate structured finance products.

The company disclosed that cash receipts continue to decline as delinquencies and special servicing transfers on loans underlying its CMBS continue to increase. The company's unrestricted cash balances were $1.7 million and $1.4 million at December 31, 2010 and May 31, 2011, respectively.

"Considering these circumstances, it is unlikely the company will be able to repay its obligations under [notes payable] were the lenders to demand payment. In such event, the company may have to negotiate a settlement with such creditors, recapitalize, refinance its obligations, sell some or all of its assets at prices below current estimated fair value or seek to reorganize under Chapter 11 or liquidate under Chapter 7 of the United States Bankruptcy Code," the company disclosed in a prepared release.

JER has been in payment default on its interest rate swap obligations to National Australia Bank Ltd., its junior subordinated notes and on some collateralized debt obligations (CDOs).

Currently, the company's primary sources of liquidity are from its CMBS bonds, which are making payments to the company at a rate of approximately $100,000 per quarter

The company is no longer receiving distributions from its retained interests in some CDOs and it does not expect to receive distributions from such CDOs for the foreseeable future, if ever.

As a result, the company continues to be focused on preserving liquidity by minimizing its non-CDO cash operating costs to the extent possible including the elimination of external board of directors' fees and audit fees.

JER said that it expects that delinquencies and transfers of loans to special servicing will stabilize during the remainder of 2011, although it expects realized losses and appraisal reductions will continue to increase during the remainder of 2011, further eroding cash flows to the CMBS bonds it owns.

The company has been reporting dwindling revenues: $47.99 million in 2010; $62.32 million in 2009 and $108.12 million in 2008. Its net losses have been declining: $(64,240) in 2010, $(76,839) in 2009 and $(254,151) in 2008.

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Life Insurers' CRE Loan Performance Better Than Expected

Commercial mortgage loan performance for U.S. life insurers favorably exceeded Fitch Ratings' expectations in terms of realized losses in 2010 and troubled mortgages in investment portfolios at Dec. 31, 2010. Based on an analysis of recent loss experience and a nascent recovery in the commercial real estate market, Fitch said its concern about the industry's loss exposure to mortgage loans has moderated.

Approximately 99.6% of mortgage loans held by U.S. life insurance companies were in good standing at year-end 2010, a level similar to year-end 2009. Fitch said it believes that mortgage loan performance has benefited from increased liquidity and continued low interest rates.

Commercial mortgage loans held by life insurers in Fitch's universe posted actual realized losses of $1.36 billion (0.5% of total adjusted capital) in 2010. This was well below Fitch's expectations of up to $3 billion and was a modest decline from $1.41 billion in losses realized in 2009. As a percentage of the statutory book value of mortgage loans, realized losses totaled 0.46% in 2010 and 0.48% in 2009. This puts the industry on track to outperform Fitch's base case loss projection on directly placed mortgage loans of 2.0% for the 2009−2011 period.

On an individual company basis, most life insurance mortgage portfolios are reporting modest amounts of nonperforming loans and losses have been manageable, Fitch said. Troubled mortgages grew 15% during 2010 to 0.4% of the year-end mortgage total and 0.4% of total adjusted capital, driven by an increase in foreclosure activity. Fitch defines troubled mortgages as delinquent mortgages, mortgages in the process of foreclosure, and restructured mortgages.

While Fitch said it believes there are inconsistencies among companies' mortgage loan loss recognition practices, and actual losses and troubled mortgages reported are likely understated, Fitch said it did not believe the distortion to overall loss experience for the industry is material. Further, Fitch said that it believes that insurers are employing more "active management" of mortgage loan portfolios relative to prior commercial real estate downturns in an effort to minimize the amount of troubled mortgages on the statutory books and the impact on regulatory capital requirements.

The outlook for 2011 is for a continuation of delinquencies, foreclosures, and restructurings at levels above the insurance industry average for the last 10 years, but still outperforming CMBS markets.

Realized losses are expected to moderately exceed 2010 levels of 0.5% of mortgages, or $1.4 billion, but not to exceed 1%, or $3 billion. Fitch said it believes that the more conservative underwriting and flexibility found in life company loan portfolios in workout situations will continue to result in favorable experience versus the CMBS market.

Commercial mortgage lending continues to play an important role in many life insurers' investment portfolios. CRE loans generally possesses good relative value versus corporate bonds, allowing insurers more control over risk selection and underwriting, and matches up well to the insurers' liability profile, Fitch said.

Many insurers saw their allocation to commercial mortgages decline in 2010 as payoffs and amortization exceeded new investment. Mortgages declined 2.7% to $307 billion at year-end 2010 from $315 billion, after having declined 3.2% in 2009. New money invested in commercial mortgages increased in 2010, but remained below the pre-crisis run-rate levels. More companies could have made more loans in 2010 but they could not find transactions that met underwriting and spread requirements.

For Fitch's life universe commercial mortgages declined as percentage of invested assets to 10.2% in 2010 from 10.5% in 2009. Contributing to the percentage decline was a 5.6% growth in invested assets in 2010.

Within the broad commercial mortgage loan sector, traditional commercial loans still account for the largest percentage of life insurer's directly placed mortgages at 83%, followed by multifamily 8%, and agricultural loans at 6%. While mezzanine and construction loans balances are only a small part of the life industry's mortgage portfolio, their balances declined in 2010. Among traditional commercial loans, office, retail, and industrial loans are the dominant property types in most life insurer's commercial mortgage portfolios.

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Apollo Closes In on Acquisition of WestImmo Bank

By: James Wallace, CoStar's London-based finance reporter

Apollo Global Management, a New York-based opportunity fund manager, is expected to complete its approximately $639 million purchase of Westdeutsche ImmobilienBank, a German property lending bank, within weeks.

The sale by West LB, the German government-owned bank which owns WestImmo, will transfer a commercial property loan book of around $19.2 billion to $24 billion, comprising predominantly performing loans and a smaller non-performing loan portfolio secured against a diverse mix of European and U.S. property.

Apollo has two strategic options with its acquisition of WestImmo: the first is to buy the bank's loan book at a discount to book value, break it up and sell the loans on – piecemeal – at a premium to the negotiated discount, although in the current market Apollo would be unable to sell on even the performing loans at par.

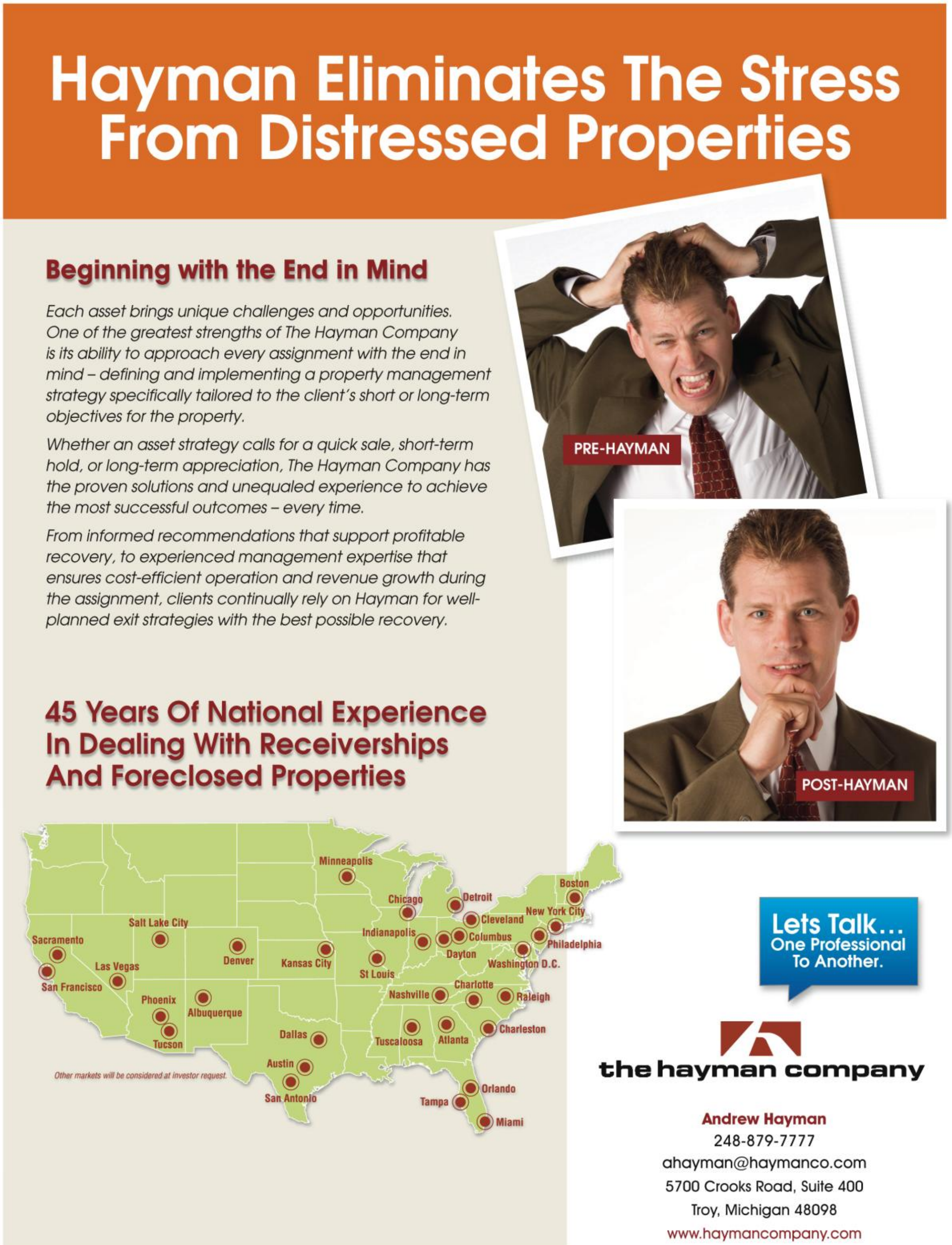
The second strategy, which Apollo is expected to adopt, is to run the bank as an ongoing European commercial property lender, which will require sustainable, long-term funding.

West LB hived off $123 billion of commercial property loans into a "bad bank" in June 2010, which WestImmo's rating subsequently benefits from. Apollo will have to inject equity into WestImmo's balance sheet to reach an adequate rating to maintain its ability to issue bonds.

With North America assets at end of 2010 of $3.84 billion, WestImmo has developed a broad customer base via the branch in New York, including listed REITs, pension funds and asset managers for high net worth individuals.

In fiscal year 2010, the bank took some financing onto its books again during the upturn in the commercial real estate market and has transacted a number of deals.

Eliminate the Stress from Distressed Properties



Two Distressed Banks Go on the Block

Bank of the Carolinas Corp. has retained The Hutchison Co. to explore prospective strategic alternatives.

The Mocksville, NC-based bank holding company for Bank of the Carolinas has directed Hutchison to study all possible alternatives.

Bank of the Carolinas with approximately $537 million in assets operates 10 offices in Advance, Asheboro, Cleveland, Concord, Harrisburg, King, Landis, Lexington, Mocksville, and Winston-Salem.

The bank reported losing $5.3 million total over 2009 and 2010 and reported losing another $3.2 million in the first quarter.

About one-third of the bank's lending has been commercial real estate related and it reported holding about $50 million in distressed CRE assets at the end of the first quarter. That total included $17.4 in nonaccrual loans on nonresidential properties.

Western Liberty Bancorp Inc., the bank holding company for Service1st Bank of Nevada, has engaged Sandler O'Neill + Partners LP as its financial advisor on strategic alternatives to maximize shareholder value, which could include a sale or other business combinations. The bank also plans to boost reserves to cover possible loan losses.

"We have an abundance of capital at the holding company level and more than adequate liquidity and strong capital at the bank. We believe neither of these strengths is reflected in our current market value," said Michel B. Frankel, chairman of Western Liberty. "We believe there are many ways we can improve our value with the help of the professionals at Sandler O'Neill, + Partners, L.P., which include sale transactions, merger possibilities, and share repurchases."

"While we made progress in several areas during the quarter in managing asset quality, our problem assets remain a primary focus," said William Martin, CEO. "The deterioration of a few large loans in the second quarter will require us to add a substantial provision for loan losses, which we currently estimate to be between $4 million and $5 million, based on the information we have as of June 21, 2011. Even with this substantial increase in provision expense, we continue to have strong capital ratios, and our tangible book value is expected to remain well above $5 per share."

The boost in loan loss provisions could wipe out Las Vegas-based Service1st Bank's modest profits. The bank with $176.4 million in assets as of March 31 had returned to profitability last year, squeaking out $186,000 in net income. It reported a profit of $745,000 in the first quarter.

About one-third of the bank's lending was in commercial real estate and it reported holding $16.8 million in CRE distress at the end of the first quarter.

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14th Georgia Bank Fails This Year

First American Bank and Trust Co. in Athens, GA, acquired all deposits and borrowings and substantially all of the assets of Mountain Heritage Bank in Clayton, GA, from the Federal Deposit Insurance Corp. (FDIC) as receiver.

Mountain Heritage, which regulators closed this past week, operated branches at 550 Hwy 441 South in Clayton and 7199 Hwy 441 North in Dillard.

As of March 31, Mountain Heritage Bank had approximately $103.7 million in total assets and $89.6 million in total deposits. It reported a loss in the first quarter of $1.7 million and has lost $6.2 million over the last two year.

It reported having $23.3 million in delinquent, restructured and foreclosed commercial real estate assets on its books.

The FDIC and First American Bank and Trust entered into a loss-share transaction on $69.2 million of Mountain Heritage Bank's assets.

The FDIC estimates that the cost to its Deposit Insurance Fund will be $41.1 million.

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Sears to Spin Off Hardware Stores

Sears Holdings Corp. filed documents to spin off its Orchard Supply Hardware Stores Corp., which currently operates 89 full-service hardware stores in California. The spinoff will make Orchard Supply a separate public company.

Orchard Supply is a specialty retailer primarily focused on the consumer segment of the home improvement market. Its stores are designed to appeal to convenience-oriented customers, whose purchase occasions are largely driven by their home repair, maintenance and improvement needs throughout the home, garden and outdoor living areas.

Its stores average approximately 40,600 square feet of interior and exterior selling space and carry a broad assortment of repair and maintenance, lawn and garden and in-home products.

In its filing, Orchard Supply said it did "not expect to see a significant change in the immediate future in our number of stores."

Sears Holdings' said it determined that separating Orchard from Sears Holdings would provide, among other things, financial, operational and managerial benefits to both Orchard and Sears Holdings, including strategic focus and flexibility and focused management.

For the fiscal year ended Jan. 29, 2011, Orchard Supply posted 660.7 million in revenue and net profit of $8.7 million.

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318-Store Chain DEB Shops Files for Bankruptcy

DEB Shops, a Philadelphia-based specialty retail chain that operates 318 stores in the junior "fast fashion" market, filed for Ch. 11 bankruptcy reorganization this past week. The company is seeking a sale of the chain through a bankruptcy court auction.

In its filing, DEB Shops parent company, DSI Holdings Inc., said that it is crucial for the business to emerge from chapter 11 as quickly as possible to avoid an erosion of customer and vendor confidence that could result from a protracted chapter 11 process.

The company also said it did not have the financial resources for a protracted stay in chapter 11.

DEB has entered into a stalking horse agreement with Ableco Finance LLC, the administrative and collateral agent for the holders of DEB'S first lien debt. Ableco has committed to credit bid $75 million of the company's first lien debt.

DEB is looking to close a sale by Sept. 9.

Campbell Soup Cooks Up Supply Chain Savings

Campbell Soup Co. announced a series of initiatives to improve supply chain efficiency and reduce overhead costs across the compant to help fund plans to drive the growth of the business. Campbell expects to eliminate approximately 770 positions in connection with these initiatives.

In the U.S., Campbell Soup will improve asset utilization by shifting production of ready-to-serve soups from its plant in Paris, TX, to its facilities in Napoleon, OH, and Maxton, NC. Manufacturing of Campbell's Soup at Hand microwavable products will be consolidated at the Maxton plant, and the manufacturing facility in Marshall, MI, will be closed.

Campbell will reduce its salaried workforce by approximately 510 positions around the world, including approximately 130 positions at its world headquarters in Camden, NJ.

As part of this initiative, Campbell will outsource a larger portion of its U.S. retail merchandising activities to its current retail sales agent, Acosta Sales and Marketing, and eliminate approximately 190 positions.

Campbell also announced its intent to close its office in Moscow and exit the Russian market.

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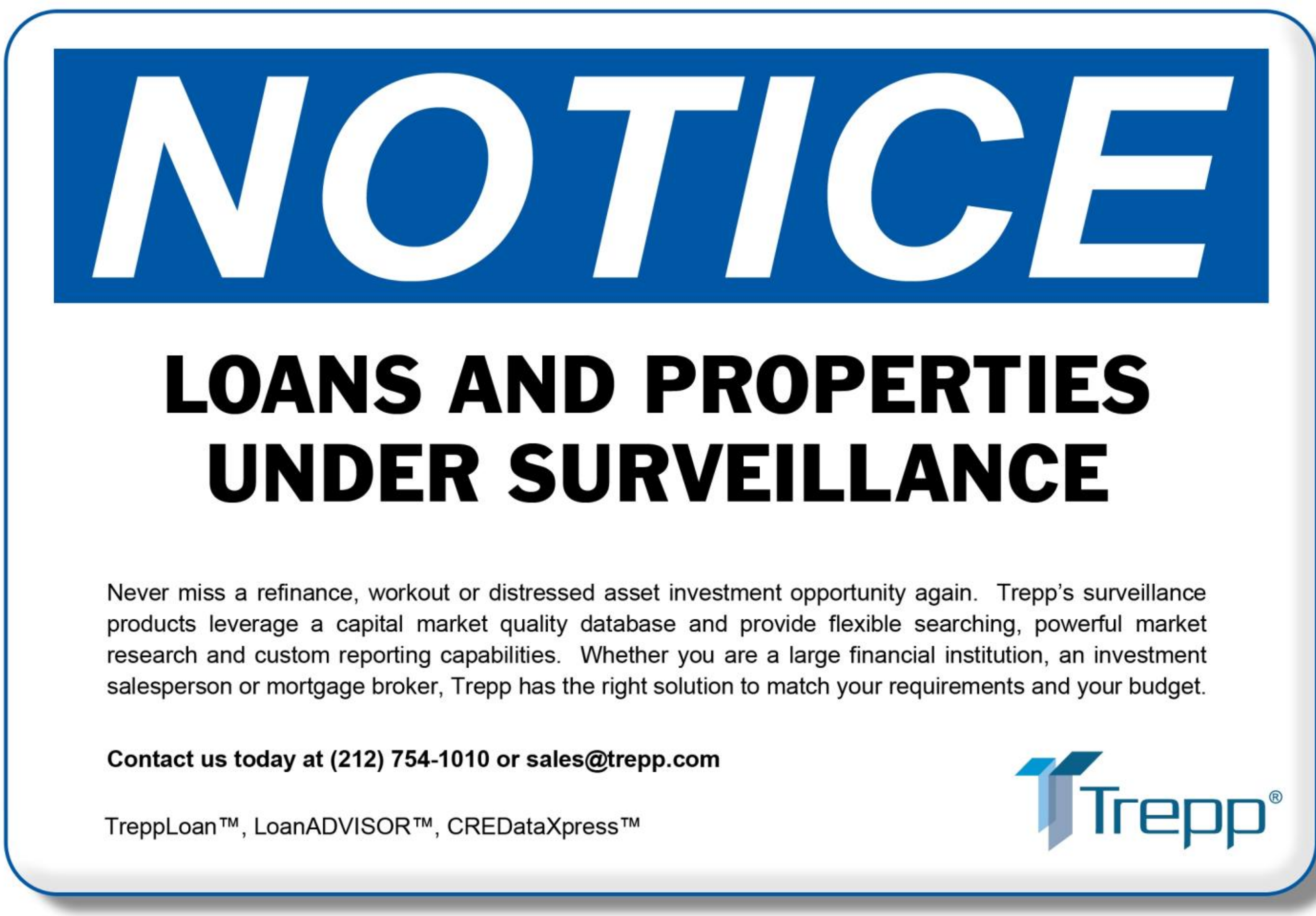
Loans and Properties Under Surveillance



Census Bureau To Close 6 Offices, Layoff 330

The U.S. Census Bureau announced a realignment of its national field office structure and management reforms designed to keep pace with modern survey collection methods worldwide and reduce costs by an estimated $15 million to $18 million annually beginning in 2014.

The changes are the first to the field office structure since 1961 and will result in the permanent closing of six of the agency's 12 regional offices, affecting approximately 330 employees in a national field force of about 7,200.

The six remaining regional offices will increase slightly in size, although a net loss of approximately 115 to 130 positions nationally is expected.

Most staff reductions will happen through attrition, early retirements, or transfers to vacant jobs at Census headquarters or elsewhere across the federal government.

The realignment will close regional offices in Boston, Charlotte, Dallas, Detroit, Kansas City and Seattle.

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Upcoming Corporate Downsizings & Facility Closures

Colfax Corp., a Fulton, MD-based leader in fluid-handling solutions, plans to close its plant in Portland, ME, and move the operations to Warren, MA. This consolidation is expected to save the company $1 million a year. The Portland plant, which employs 40 people, is scheduled to close by the end of the year.

Gannett Co. in an internal note to publishing employees, said it plans to lay off 700 employees or about 2% of its overall workforce. Bob Dickey, division president of Gannett U.S. Community Publishing, wrote: "As we reach the mid-point of the year, the economic recovery is not happening as quickly or favorably as we had hoped and continues to impact our U.S. community media organizations... While we are seeing improved circulation results and audience growth, weakness in the real estate sector, slow job creation and now softer auto ad demand continue to challenge revenue growth in the division."

Universal Forest Products Inc. in Grand Rapids, MI, announced measures to align its costs with its current business, primarily due to significantly weaker-than-expected sales in the first five months of the year. The company has identified cost reductions -- that it did not publicly disclose – that will result in annualized savings of $10 million. "We are evaluating our organizational structure and staffing model and making reductions and, as is our practice, we're evaluating underperforming assets with an eye toward consolidation, improvement or divestiture," said president/COO Pat Webster.

Company	Address	Closure or Layoff	Owned or Leased	No. Impacted	ImpactDate	CoStar ID No.
Recticel Interiors	1420 Industrial Park Drive, Tuscaloosa, AL	Layoff	Leased	40	7/13/2011	
RockTenn (formerly Smurfit Stone)	3200 Pinson Valley Pkwy, Birmingham, AL	Closure	Owned	77	7/30/2011	1232367
Knauf Insulation	3502 43rd St. SW, Lanett, AL	Closure		146	6/14/2011	
Deluxe Corp.	3050 S. 35th St., Suite. B, Phoenix, AZ	Unknown	Owned	176	10/28/2011	230308
Republic National Distributing Co.	624 N. 44th St., Phoenix, AZ	Unknown	Leased	250	7/31/2011	390766
Young's Market Co.	200 S. 49h Ave., Phoenix, AZ	Unknown	Owned	135	7/31/2011	229485
Superior Technical Resources	5005 E. McDowell Road, Phoenix, AZ	Unknown	Leased	26	8/1/2011	231225

Company	Address	Closure or Layoff	Owned or Leased	No. Impacted	ImpactDate	CoStar ID No.
On Semiconductor	5005 E. McDowell Road, Phoenix, AZ	Unknown	Owned	173	8/1/2011	231225, 688278, 688280, 6530001, 7895389
DeVry Inc.	2149 W. Dunlap, Phoenix, AZ	Unknown	Leased	150	6/20/2011	6115442
Berry Plastics Corp.	381 Veterans Memorial Drive, Elizabeth, NJ	Unknown		66	8/1/2011	
Cordis Corp.	7 Powder Horn Drive, Warren, NJ	Unknown	Leasd	106	8/19/2011	174443
NBTY Manufacturing	650 Hadley Road, South Plainfield, NJ	Unknown	Owned	57	9/30/2011	170344
CoreLogic Appraisal	8009 34th Ave. South, Suite 1000, Bloomington, MN	Unknown	Leased	85	8/3/2011	1031318
Citi Trends	1901 East Victory Drive, Savannah, GA	Closure	Leased	107	6/3/2011	1159930
RR Donnelley	3900 N Commerce Drive, Suite 100, East Point, GA	Closure	Leased	115	5/25/2011	152668
Manheim Metro Altanta (Manheim Remarketing)	56 Marietta St. NW, Atlanta, GA	Closure	Leased	171	5/24/2011	41817
Cagle's	14075 GA Highway 116, Pine Mountain Vally, GA	Layoff		298	6/21/2011	

Watch List: Non-Performing Matured Multifamily 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 Name	Address	Curr Bal	Maturity Date	CMBS	Special Servicer
Spring Creek Apartments	8085 Brandon Mill Road, Atlanta, GA	$60,000,000	1/11/2011	LB-UBS 2006-C3	CW Capital Asset Management
Union Square	4120 Union Square Blvd., Palm Beach Gardens, FL	$58,000,000	11/1/2010	CD 2005-CD1	LNR Partners
Cabrillo Palisades	7901 Harmarsh St., San Diego, CA	$41,666,164	2/11/2011	Wach 2005-C17	CW Capital Asset Management
Belmont at Cowan Place	2520 Belmont Terr., Fredericksburg, VA	$32,760,000	5/11/2011	LB-UBS 2006-C3	CW Capital Asset Management
Amli Of North Dallas	18665 Midway Road, Dallas, TX	$26,801,000	5/11/2011	LB-UBS 2006-C3	CW Capital Asset Management
Villas at West Oaks	15155 Richmond Ave., Houston, TX	$26,500,000	5/1/2010	BofA 2005-3	LNR Partners
Arbors at Winters Chapel	4335 Winters Chapel Road, Atlanta, GA	$26,000,000	5/11/2011	LB-UBS 2006-C6	LNR Partners
Lodgeatkingwood	938kingwooddrive, Kingwood, TX	$24,000,000	5/1/2010	GE 2005-C2	LNR Partners
Cornerstone Apartments	2409 S. Conway Road, Orlando, FL	$23,500,000	6/1/2010	COMM 2005-C6	Helios AMC
Regal Parc Apartments	2414 N. Macarthur Blvd., Irving, TX	$22,616,612	9/1/2010	BofA 2003-2	ORIX Capital Markets
The Mills Apartments	10225 Bissonet Drive, Houston, TX	$21,121,537	5/11/2010	CSFB 2003-C3	C-III Asset Management
Lake Sweetwater Apartments	3100 Sweetwater Road, Lawrenceville, GA	$20,682,740	10/11/2010	Wach 2005-C22	CW Capital Asset Management

Essex Place Apartments	8900 W. 102nd Terr., Overland Park, KS	$19,338,292	2/11/2011	Wach 2004-C11	CW Capital Asset Management
Colony Club Apartments	7200 S. Military Trail, Lake Worth, FL	$18,669,750	5/29/2011	BS 2005-PWR9	Helios AMC
Village Park Apartments	6201 Newberry Road, Indianapolis, IN	$16,500,000	5/1/2010	JPM 2005-LDP2	LNR Partners
Amargosa Creek	43336 Gadsden Ave., Lancaster, CA	$16,400,000	5/1/2010	JPM 2005-LDP2	LNR Partners
Grove at Landmark	1402 Bridford Parkway, Greensboro, NC	$15,300,000	5/11/2011	LB-UBS 2006-C3	CW Capital Asset Management

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