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COMMERCIAL REAL ESTATE MARKET UPDATE

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Technology's Impact on the Future of Commercial Real Estate

科技對於未來商業房地產發展的影響

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Three Reasons Commercial Real Estate Brokers Should Embrace, Not Fear Technology

三個商業房產經紀應接受而不懼怕科技的原因

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2018 Not As Strong for Commercial Real Estate Investments As 2017, Industry Group Predicts

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US Commercial Real Estate: Q1 Review

美國商業不動產:第一季回顧

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Economy Watch: Second Half of '18 Should See Strong Economy

經濟觀察：2018 的下半年應該看到強勁的經濟發展

T. Row Price predicts that the world economy, and especially the U.S., will continue to grow in the second half of the year, despite volatility.

RETAIL
購物商場

Economy Watch: Retail Sales Up Robustly in May

經濟觀察：5 月零售銷售強勁增長

U.S. sales saw a slight increase in May, with most categories gaining ground. However, furniture stores, sporting goods, hobby, music and bookstores suffered significant sales decreases.

Retail Leads DTLA Growth in 2018

零售業帶動洛杉磯市中心的成長

The retail market rebounded in the first months of the year with the vacancy rate down 2.3% and retail rates up 6.6%.

FINANCING
貸款與資金

Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)

消費者市場利率：房貸、基本利率、等等

Technology's Impact on the Future of Commercial Real Estate

科技對於未來商業房地產發展的影響

By: Michael Polk, Forbes Councils

The retail industry has been experiencing disruption due to technological innovations that have pushed a growing number of consumers to mobile purchases and e-commerce transactions. In 2017, nationwide e-retail sales totaled over $409 billion. Amazon accounted for $54.47 billion and Walmart sold $14 billion in the U.S. alone. By the year 2021, forecasts for global e-retail sales expect the number to reach $603.4 billion (USD).

In tandem, local and national media headlines in the last few years have reported stories of major retail industry giants closing hundreds of brick-and-mortar locations due to steady declines in sales. Among the most notable retailers closing doors or filing for bankruptcy protection are RadioShack, Gap Inc., Kmart, and Toys R Us.

Across the commercial property board, access to information that was once limited to CRE brokers who paid fees for such data is now available to the general public for free. This has removed barriers between commercial real estate owners and prospective tenants.

For example, the website 42Floors provides office space rentals and commercial real estate listings for owners and prospective tenants. A fair amount of information is available for free, and a premium service lets licensed brokers access better-qualified prospective tenants. Some companies like CompStak and DealX implement a crowd-sourced platform by providing lease comparables for public usage, coupled with details like the tenant's name, rent amount, length of lease and landlord concessions. Real Massive and VTS have even more comprehensive platforms, offering property listings, relevant market data, workflows and information to owners, CRE professionals and tenants.

These are just a few of the startups looking to transform commercial real estate through innovation and by making data transparent and ubiquitous.

Three Reasons Commercial Real Estate Brokers Should Embrace, Not Fear Technology

三個商業房產經紀應接受而不懼怕科技的原因

By: Susan Tjarksen, Forbes Councils

Technology is offering efficiency, knowledge and timely information. Through the adoption of technology, brokers can be trusted advisors at the table, rather than transactional agents. It's the role of a broker to provide liquidity, transparency and the highest return on a property.

Residential real estate brokers — think single family homes — quickly adopted technology as a symbiotic partner while commercial real estate has lagged. Today, embracing technology will propel savvy commercial real estate firms ahead and leave those slow to adopt new practices chasing the curve. Technology will most certainly have a significant effect on the business of commercial real estate brokerages.

Like individuals in many other industries, real estate professionals and brokers especially have been reluctant, skeptical and worried about adopting new tools that could seemingly put them out of work. Think about stockbrokers: Their current day-to-day operations are totally different from what they were doing 20 years ago, but their jobs are also now enhanced and more efficient because of technology. And it's not like they've lost their jobs due to technology, quite the contrary. Technology has supplemented their fiduciary role to clients, their relationships and their market knowledge — now, they're better brokers because they have embraced the role of advisor in its truest sense. These same reasons apply to commercial real estate brokers and why technology will only strengthen their work without endangering their careers.

Relationships

Technology will help brokers spend less time working on transactions and more time providing advice and building stronger relationships with clients. We all know that technology increases the number of eyeballs on a listing; however, converting those site visits to offers and navigating rounds of offers and due diligence requires a relationship and communication between the buyer and the seller. The relationships needed for these roles is a skill that brokers cultivate over time and something that technology can't replace.

Market Knowledge And Advisory Skills

While technology will make collecting rent comps and financial modeling more efficient and less time-consuming, brokers will always be needed for their industry knowledge and advisory skills. While there are plenty of data providers out there, finding the information you need for a rent survey or offering memorandum takes less time. There are even newer platforms out there that utilize predictive analytics and machine learning not only to give you the data but also take it to the next level of conclusion-making. Algorithms will help brokers analyze more deals in less time by quickly removing outliers. Whether it's answering what the optimal rent price should be or what apartments are truly comps, brokers will still need to vet auto-populated answers and provide their expertise to clients on what other sources are saying and what they believe is the right answer.

Fiduciary

Brokers play a key role as fiduciaries to their clients. A broker provides third-party mediation and intimate market knowledge. It's the duty of a broker to get the best price and terms possible for their client. If off-market deals have taught us anything, it's that the buyer, not the seller, has the advantage. A broker needs to represent the best interest of the seller, while respecting the buyer, bringing both parties to a final offer and then to closing. All the nuance required of a fiduciary role makes it hard to think that technology will ever replace it.

Brokers will have to evolve their businesses to incorporate new tools in the marketplace or they will be left behind. How much of your day do you spend doing tasks not directly related to winning business and closing a deal? From CRM to marketing automation to data accessibility to automated analysis, technology tools are like having a bigger team without having to hire additional support. These tools also give you more time to do what you do best — broker. It's better to get out in front with adopting new technology than to chase to catch up.

2018 Not As Strong for Commercial Real Estate Investments As 2017, Industry Group Predicts

工業集團預測 2018 年商業房地產投資不如 2017 年

By: Ted Knutson, Contributor

2018 won't be as strong of a year for commercial and multifamily real estate investments as 2017, the Mortgage Bankers Association predicted in an annual report released today.

"Commercial and multifamily real estate finance is at the end of the latest act in a long-running play… It is clear that the next five years will be quite distinct from the last five," the study said.

Rising interest rates and a slowing growth in net operating income are likely to dampen returns, the mortgage finance trade group forecasted.

While solid income returns are expected to continue over coming years, the report cautioned the pace of growth won't probably match the last few years when strong demand was met with little new supply.

"It is unlikely property values will continue to increase the way they have in recent years," the study said.

Bolstering prospects, though the Mortgage Bankers Association said the tax reform bill passed last year will lead to a significant boost in after tax yields on many commercial real estate investments.

The group added the continuing surge in the economy should support continued occupancy and rent growth, providing further fuel for commercial property fundamentals.

Retail properties were cited as a trouble spot in the report.

While prices for all commercial property types climbed 7.6% in 2017, values for retail properties increased by just 2.3%.

"Sales of retail properties have been hard hit by the negative perceptions of the sector. Borrowing and lending backed by retail properties has followed the malaise," the trade group reported.

However, as vacancy rates for industrial properties have declined every year since 2010, investors have flocked to this niche of the commercial real estate market, the researchers noted.

Commercial and multifamily mortgage delinquency rates were at or near all-time lows last year, according to the study.

Six Common Expensive Mistakes Commercial Real Estate Sellers Make

商業不動產賣家易犯六個代價高昂的錯誤

By: Beau Beach, Forbes Councils

Our brokerage exclusively sells commercial properties, which means I've witnessed practically every seller mistake in the book. While some issues are outside the seller's control, sellers can complicate things for themselves, too. These are six of the most common mistakes commercial sellers make — and how to refrain from letting them impact your business.

1. Not Disclosing Tenant Defaults

Is a tenant behind on rent? Were you forced to apply their security deposit to a missed rent payment? Maybe a fire life safety violation was never cured to the satisfaction of the fire inspector. Whatever it may be, disclose it.

The tenant will likely have an opportunity to disclose these issues directly to the buyer anyway in their estoppel letter or the SNDA that the buyer's lender will likely require.

Many sellers are surprised by the depth of the average buyer's due diligence. One way or another, they're likely to uncover these issues. Disclose now so you don't jeopardize the deal or invite the buyer to try to retrade the deal later.

2. Not Managing Financial Records Properly

Lenders kill a lot of deals — a shocking number of deals every year, actually. Understand this and adjust. This is a big one because lenders often use tax returns to confirm the property's cash flow.

The tax return for the year prior to sale is important. Resist the temptation to pile on expenses in an effort to lower (or eliminate) your taxable income. Your recognized net operating income should mirror that which you'll be marketing to buyers, if possible.

Also, take care to properly classify your expenses. Depreciate your tenant improvements and capital expenses. I know it's easier to fully expense these costs in the year they were incurred. No one likes to pay taxes, but you should do it anyway.

3. Month-To-Month Leases

The lender wants to see a contractual stream of income that exceeds the mortgage payments that will be due, which makes sense. So how do they view a month-to-month tenant? Do they recognize income even though the tenant could be out the month after the deal closes?

Every lender treats month-to-month tenants differently. They may not recognize the income at all, which could mean no loan for the buyer and no sale for you.

There are a few exceptions. For example, if the month-to-month tenant is paying a below-market rent, you may not want to lock them into a longer-term lease. But if you expect the buyer to want to keep the tenant, then get the tenant signed to a one year lease, at a minimum.

4. Overpricing The Property

Establishing the ideal asking price for a commercial property is not a simple process. Every property is unique. Every market and submarket has different buyer demand. And that demand is not spread evenly across property types.

When we set an asking price, we price the property as aggressively as we can without turning off buyers. We want buyers to contact us with questions and to request more information. If you price the property so high that buyers are reluctant to even start that conversation, then you lose.

Be honest about the demand the property will receive in the marketplace. Then price the property about 10% higher than the sale price range you expect.

5. Not Adjusting To Market Feedback

Even professional commercial real estate brokers make mistakes pricing properties. Estimating buyer demand is difficult. Also, in many markets, buyer demand is not constant throughout the year. There may be a qualified buyer in January, but the next won't come along until September. And in some submarkets, there just aren't any buyers at all. The point is, we're in an imperfect business.

You overcome this by using a proven marketing system that tracks buyer interest and systematically solicits buyer feedback. Then comes the hard part: having the courage to adjust strategy based on what you learn.

If your broker tells you to expect $1,000,000 for your property, don't mentally cash that check. Understand that a great broker controls the process — but not how much the market will ultimately pay for your property.

It's our job to get you the highest price the market will pay. In the end, the market decides what that number is. Stay open to buyer feedback and adjust strategy with confidence.

6. Waiting For Buyers To Come To You

In our business, this is a huge and very common mistake. Sellers and their brokers expect to put an advertisement online and wait for the buyers to come to them. Every year that passes, this becomes less and less realistic. Why? Buyers are overwhelmed. Information comes at all of us relentlessly, all day, every day.

Then take into consideration that commercial real estate buyers are busier than average. They're business owners and investors. They aren't parked in front of a computer researching properties -- they're putting out fires.

So what must a seller do? First, you must know who the likely buyers of the property are and get their contact information. Next, you'll contact them directly by phone, email, direct mail and potentially text message. Once you've made contact, you must position the property in their minds to maximize its perceived value. Make no mistake about it, this is challenging work.

Ideally, you'll do this in a systematic way that will lead to at least two qualified buyers competing against one another for the property. The outcome should be a sale price as high as the market will pay.

In conclusion, selling commercial real estate is a complicated business. There is a lot of misinformation out there, even in the brokerage community. The world is changing rapidly, and all brokers are not created equal. I always say, 20% of the brokers do 80% of the deals. So the shortcut is to choose a broker in that 20% and you'll probably avoid these mistakes. Regardless, know that in the real world, these mistakes are very common — but they're avoidable with a little preparation.

2018 U.S. Market Outlook

2018 年美國市場概況

CBRE's 2018 U.S. Market Outlook forecasts market performance in the year ahead for all major commercial real estate sectors. Beyond the fundamentals of supply and demand, we explore certain macro factors that are likely to impact the industry: tax reform, infrastructure spending, immigration policy, health care policy, business spending and investment among others. Our baseline scenario is for continued economic growth and rising employment in 2018, which should benefit all major asset classes.

- **Capital Markets**: The next three years will likely see cap rates flat at best or rising, which we expect will outstrip property income growth. The economy's performance over the period will determine whether commercial real estate values continue to rise mildly, remain relatively flat or decline mildly or moderately.

- **Office**: U.S. office market growth should continue in 2018, but at a slower pace, due to higher completions and the tight labor market's impact on tenant demand.

- **Occupier**: Labor remains the primary challenge facing corporations. Even as they lower their space requirements, many occupiers are reinventing or adapting their workplace standards to meet employee demand for amenity-focused, flexible, technology-driven work environments.

- **Industrial & Logistics**: Although we are well along in the economic cycle, in the e-commerce/omnichannel cycle we are not, so demand for high-quality, well-located industrial real estate should not wane anytime soon. In most markets, a lack of quality space options is challenging those seeking to expand their supply chains.

- **Retail**: Changing demographics, consumer expectations and omnichannel retailing will continue to reshape retail and its real estate environment in 2018. The consumer trend toward off-price and discount retail will continue, with mid-range retailers seeking new ways to limit share losses to lower-priced players.

- **Multifamily**: Developers are poised to register the second-highest annual completions count of this cycle in 2018, down by 9.2% from 2017's cycle peak. Because apartment starts began to slow in 2017, the multifamily market will get a reprieve from new supply by late 2018 and throughout 2019.

- **Hotel**: Forecasts for continued U.S. economic expansion portend a favorable year ahead for the U.S. lodging industry, with forecasts of income and employment growth—coupled with slowing supply growth— promising increased demand for hotels.

- **Data Centers**: The U.S. wholesale data center market continues to thrive, with sustained record-setting absorption levels for the past three years. Transformation and flexibility are the key themes in the multi-tenant data center space in 2018.

- **Life Sciences**: The greater health care needs of an aging population and quickening advancement in software and computing power have prompted strong biotech employment growth, with demand surges in most major markets and double-digit rent growth in some. But with the unsustainable rise in health care costs, the industry is under pressure to identify new, more effective, less costly solutions.

- **Medical Office**: The direction of health care policy and payment mechanisms may remain uncertain, but rapid growth in the older population will remain a significant tailwind for medical-office demand in the years ahead.

- **Seniors Housing**: The seniors housing market improved modestly in 2017 and is set to improve further in 2018, largely due to lower construction levels. For the most part, the traditional segments of seniors housing—independent living, assisted living, memory care and nursing care—are not yet benefiting from baby boomer demand.

US Commercial Real Estate: Q1 Review
美國商業不動產:第一季回顧
Real Estate Team

Executive Summary

After a strong momentum-led start to the year, the defining characteristics of the first quarter of 2018 were increased volatility in equity markets, rising interest rates, and a steady weakening of the US Dollar. Q1 also saw GDP growth slow to 2.2% SAAR (seasonally adjusted annual rate)1 and although we expect conditions to pick up again as we move through 2018, there has been evidence of more widespread moderation.

That said, Commercial Real Estate investment markets showed signs of resilience, with Q1 transaction volumes increasing by 4.8% year-over-year for the first time in one and a half years. However, transaction volume growth varied widely, with Industrial and Multifamily segments growing by 25% and 34% respectively, while Retail and Office experienced shrinking volumes.[2]

In this quarterly review, we take a look at how key sub-sectors of the US commercial real estate market performed against this backdrop, and consider their outlook for the months ahead.

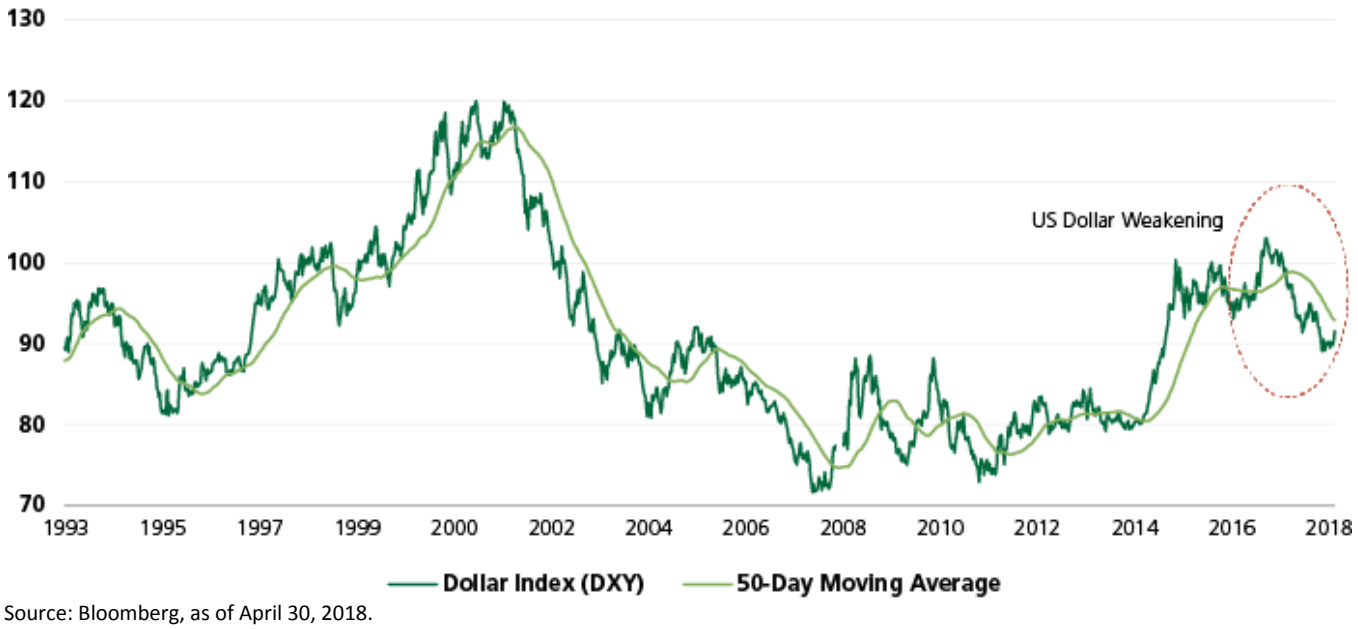
United States: Soft Start To The Year

2018 began on an uncertain footing compared with the previous year. GDP growth slowed to 2.2% over Q1 despite being propped up by transitory factors. However, the quarter's defining characteristics were the return of equity market volatility despite robust Q1 S&P 500 earnings data, a shift to higher rates with the US 10-Year yield flirting with 3%, and a steady weakening of the US Dollar during the period (see Exhibit 1).[3]

Some of the deceleration in GDP was a due to a reversal of higher post-hurricane activity, so we would expect growth rates to pick up again in the coming quarters. That being said, there has also been evidence of more widespread moderation; if these trends persist, growth expectations could be trimmed slightly. Some of the tailwinds that had started to appear in the housing market have once again become headwinds, with interest rates notably pushing higher. Retail sales also moved sideways for the first few months of 2018, before finally showing signs of improvement.[4] Similarly, business spending has so far struggled to accelerate meaningfully, despite optimism created by the tax bill.[5] Conversely, inflation is expected to accelerate over the second quarter before receding over the latter half of the year due to statistical factors; any stronger than expected results here could add additional uncertainty around the pace and magnitude of Federal Reserve interest rate increases.

Our longer-term outlook still calls for moderation beyond 2018. While our 2018 GDP estimates remain at a robust 2.6% on a year-on-year basis due to the US tax bill and other fiscal measures, we expect that the US will hit peak growth this year and decelerate from there over our five-year forecast period, with modest (albeit slightly higher) inflation persisting over that period. Similarly, we expect a modest increase in interest rates over that period as the Federal Reserve continues to tighten at a gradual pace.

Exhibit 1: The US Dollar Weakens during the First Quarter



Source: Bloomberg, as of April 30, 2018.

REAL ESTATE MARKET REVIEW, Q1 2018

Investment Markets

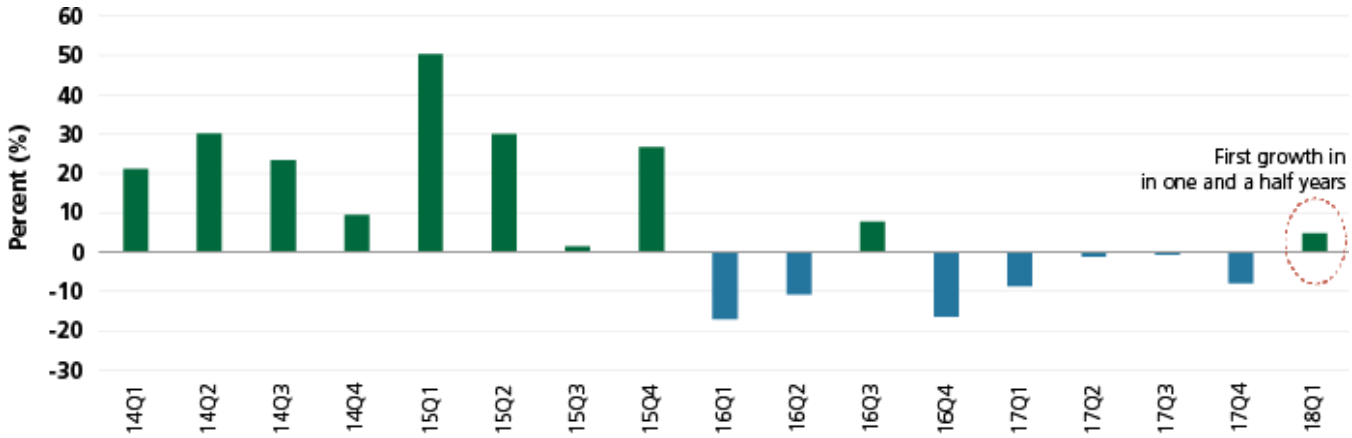
Following five consecutive declining quarters, transaction volumes in the first quarter of 2018 increased by 4.8% year-on-year. The growth was primarily driven by growth in Multifamily and Industrial transactions which increased by 25% and 34% respectively, but was offset by Retail and Office transaction volumes which decreased by 31% and 12% respectively.[6]

Transaction volume growth was partly driven by a slight price adjustment, helping to close the gap between buyers and sellers' price expectations. The 12-month average transaction cap rate was up by five basis points (bps) quarter-overquarter in Q1 2018, the first such move in over seven years.[5]

While cap rate compression has helped drive strong investment returns over the past eight years, it is income growth that is expected to differentiate returns over the next few years and investment demand is reflective of this trend. Both Industrial and Multifamily have experienced the fastest Net Operating Income (NOI) growth, increasing by an average rate of 7.4% and 7.1% respectively over the past three years.[7] And with strong demand fundamentals driven by e-commerce for Industrial and favorable demographics trends for Multifamily, we expect this trend to continue over the next few years.

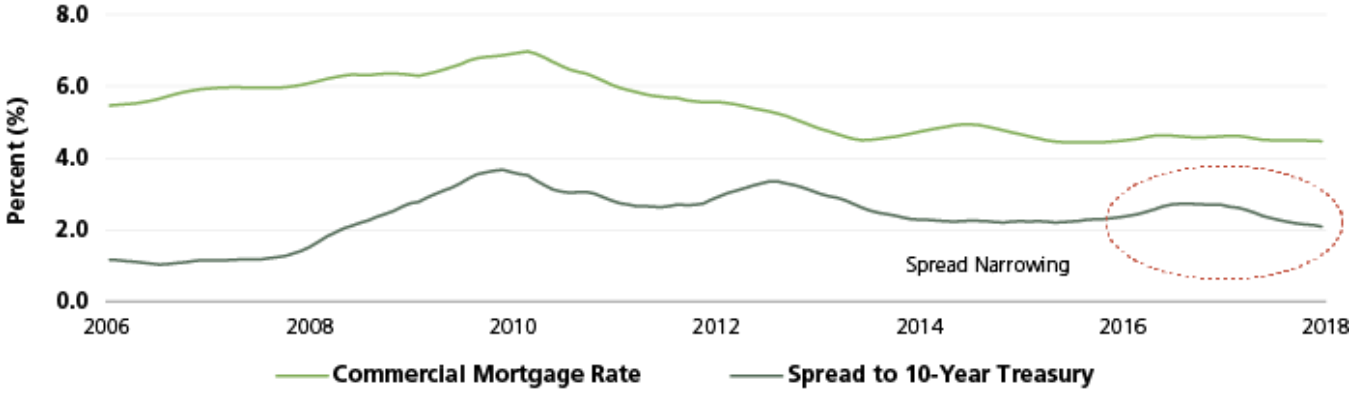
Mortgage markets continue to remain competitive with average commercial mortgage rates remaining relatively flat at around 4.5%, despite risk-free rates increasing by about 100bps over the past 18 months.[1] Spreads remain above 200bps however, allowing for further rate hikes to be absorbed.

Exhibit 2- Transaction Volume, Year-on-Year Growth



Source: Real Capital Analytics, Manulife Asset Management, as of March 31, 2018.

Exhibit 3 - Commercial Mortgage Rate & Spread to 10-Year Treasury Yield



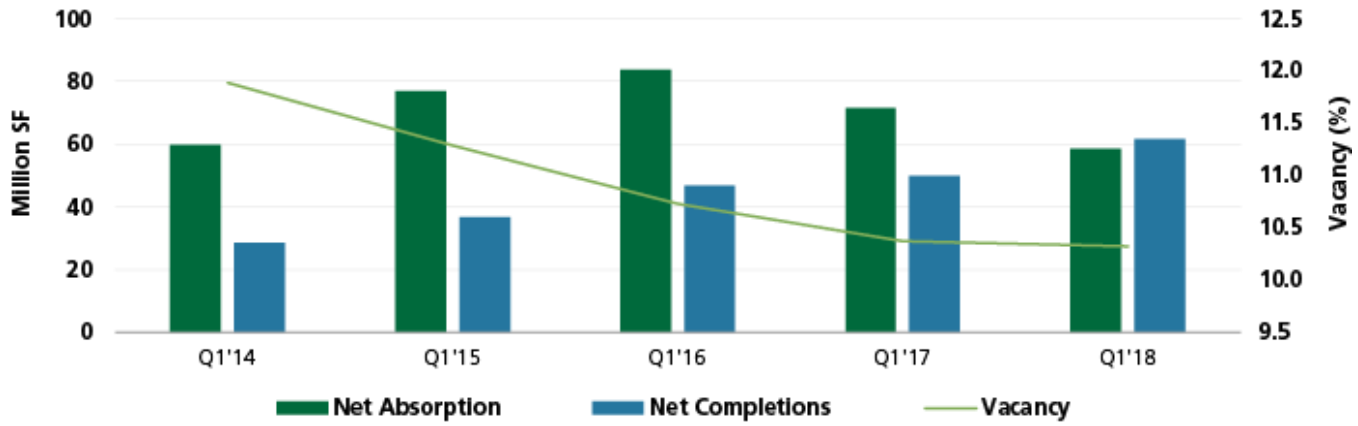
Source: Real Capital Analytics, Manulife Asset Management, as of February 28, 2018.

Office Markets[8, 9]

Occupancy has increased by 300bps over the past seven years due to healthy office employment growth and relatively low development activity. However, supply and demand have become more balanced recently. For the 12 months ending Q1 2018, supply exceeded demand by three million SF, with net absorption of 59 million SF against net completion of 62 million SF (see Exhibit 4). Construction activity seems to have peaked in Q1 2017 and is now at 122 million SF, which is equivalent to 1.6% of existing stock as of Q1 2018 (see Exhibit 5). This trend is in line with deceleration in demand and accordingly, we expect markets will remain relatively balanced in the medium term. National average rent growth continues to trend down, with average annual rent growth reaching 1.7%, the lowest over the last six years. However, secondary markets that offer a combination of lower business costs and an educated work force that is available continue to outperform the rest of the markets. Charlotte, Raleigh, Seattle, Sacramento, and Fort Lauderdale lead the markets, with annual rent growth exceeding 5.0%, as of Q1 2018.

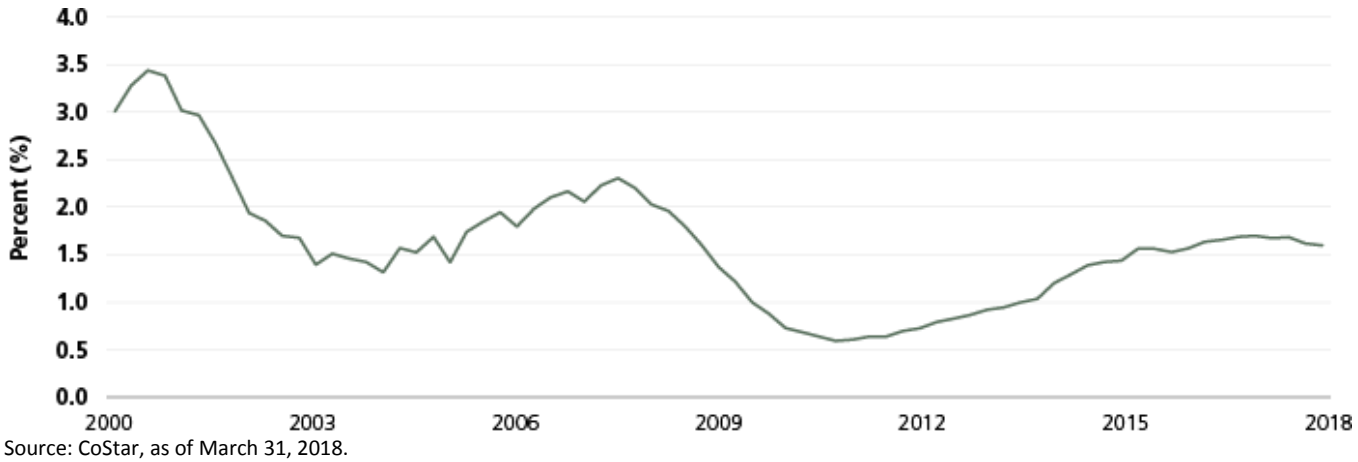
Office transaction volume was down by 12% year-over-year in Q1 2018, primarily driven by lower portfolio and entity-level transactions, which fell by 50% when compared with the previous year. Individual asset sales remained relatively flat, down by only 2% year-over-year. With peak pricing in major markets, [10] investors are pursuing more opportunities in prominent secondary markets, such as Atlanta, Dallas, Denver, Houston, Miami, Phoenix, San Diego, and Seattle. Investor demand has resulted in strong capital appreciation in these markets, narrowing the CBD office cap rate spread between prominent secondary and major markets, from 95bps in mid-2017 to 30bps as of Q1 2018.

Exhibit 4: Office - 12 months Net Absorption & Net Completion



Source: CoStar, as of March 31, 2018.

Exhibit 5: Office Under-Construction as % of Stock



Source: CoStar, as of March 31, 2018.

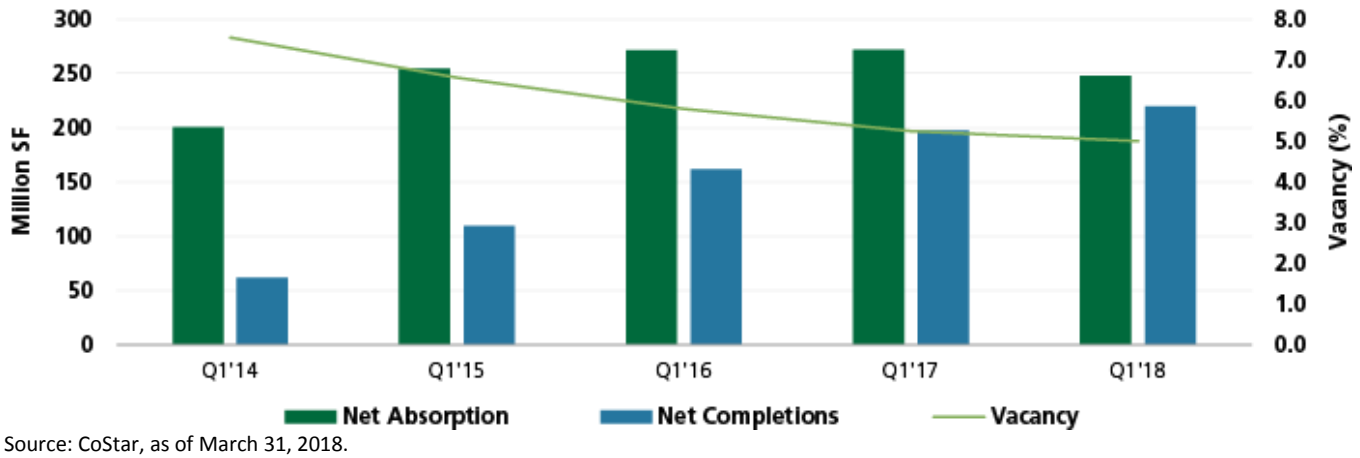
Industrial Markets [8, 9]

Despite increased construction activity in the industrial sector, demand continues to outpace supply resulting in strong rent growth and improved occupancies. Net absorption exceeded supply by 28 million SF for the 12 months ending Q1 2018, pushing down vacancies by 25bps year-over-year (see Exhibit 6). Average industrial

rent growth was 6.0% nationally, with Nashville, East Bay, Sacramento, Inland Empire, and Los Angeles leading the market with rent growth of more than 8.0% E-commerce continues to be the primary growth driver and accordingly demand for assets that suit e-commerce logistics, from large spaces in super-regional markets to small last-mile fulfillment centers, remain elevated.

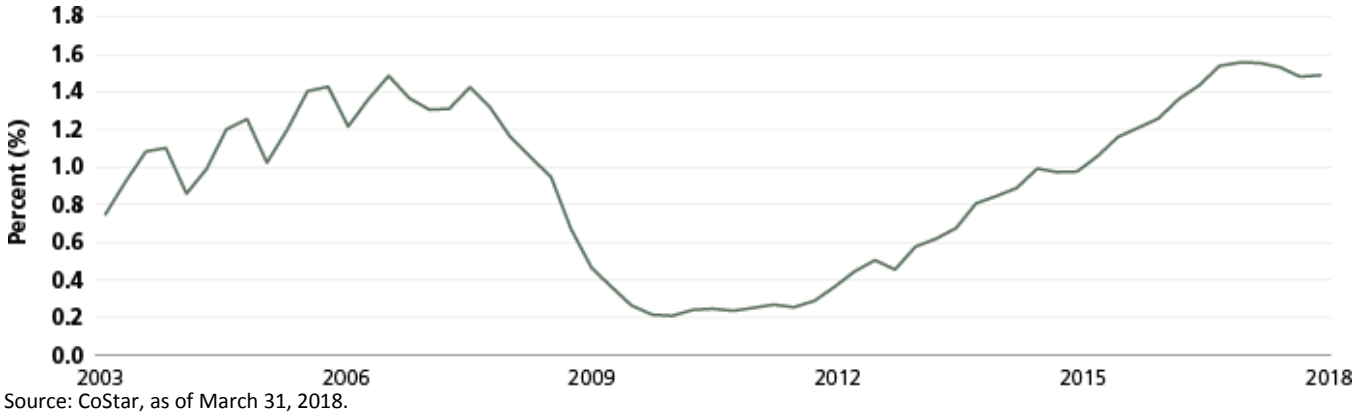
Investment demand for industrial assets continues to grow, with Q1 2018 transaction volumes growing by 34% year-over-year. Both portfolio and individual asset sales saw improved volumes, growing by 84% and 10% respectively. Robust investment demand has helped the industrial sector enjoy strong price appreciation as well. As per the RCA CPPI[11] price index, industrial asset prices increased by an annual average of 11.1% as of March 2018.

Exhibit 6: Industrial - 12 months Net Absorption & Net Completion



Source: CoStar, as of March 31, 2018.

Exhibit 7: Industrial Under Construction as % of Stock



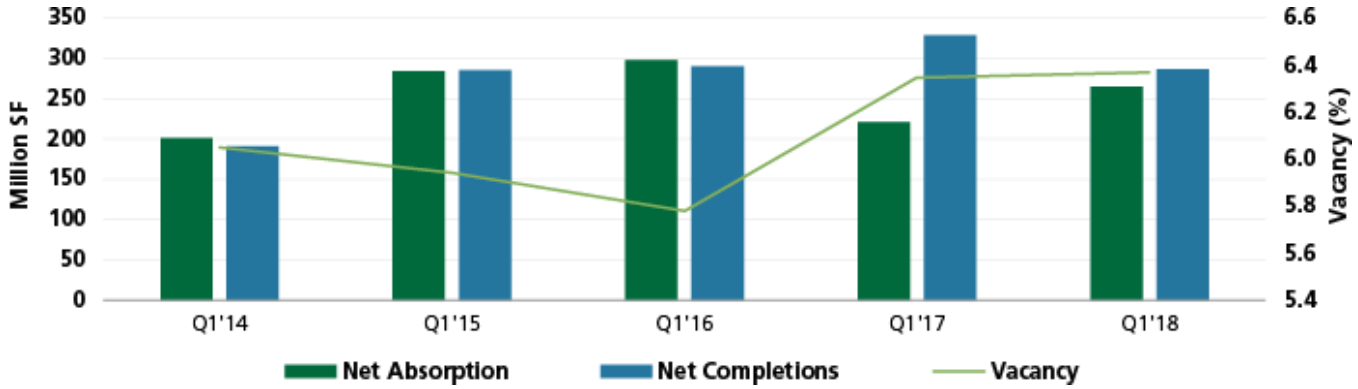
Source: CoStar, as of March 31, 2018.

Multifamily Markets [8, 9]

The multifamily sector continues to appeal to institutional investors. US demographic trends such as steady household formation, lower home ownership rate, and baby-boomers reaching retirement are all supportive of healthy demand growth. For the 12 months ending Q1 2018, supply and demand were relatively balanced, with net absorption of 268,000 and net completion of 287,000 units (see Exhibit 8). There were 666,000 apartment units under construction, as of Q1 2018, equivalent to 4.2% of the existing units (see exhibit 9). However, construction activity is relatively concentrated, in the top five markets, New York, Dallas-Fort Worth, Washington DC, Los Angeles, and Phoenix, which account for more than a quarter of total activity. National average rent growth has remained relatively flat for over a year-and-a-half at around 2.6%. Affordable markets continue to outperform in rent growth, with Orlando, Las Vegas, Sacramento, Inland Empire, and Phoenix leading the market with rent growth of more than 4.5%.

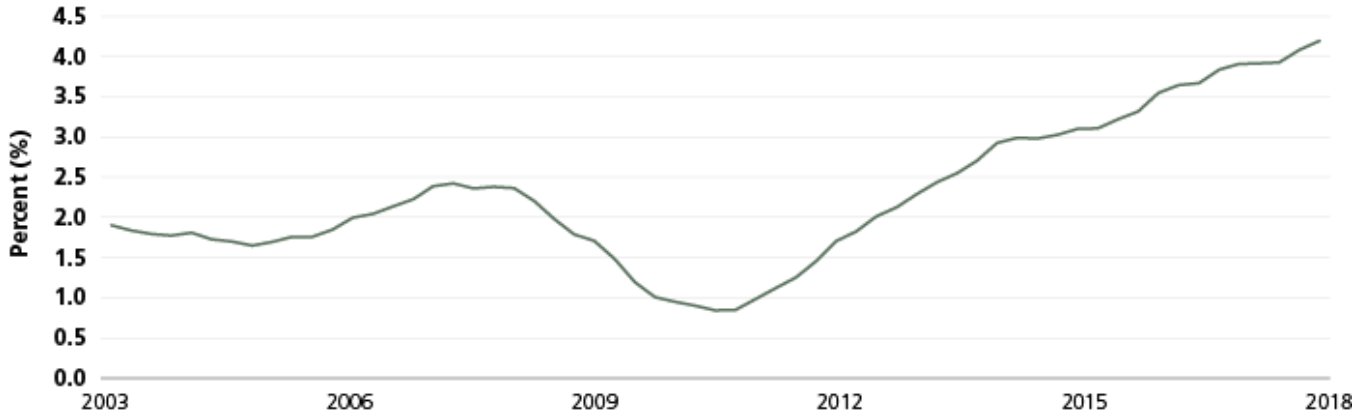
Multifamily topped all other sectors in total transaction volume in Q1 2018, at US$34.8 Billion and increasing by 25% year-on-year. Strong investment demand has resulted in healthy capital appreciation, with the RCA CPPI price index increasing by 11.3% year-on-year as of March 2018. As with the office sector, multifamily assets in prominent secondary markets12 have experienced stronger price appreciation at an average rate of 13.4% compared to 7.9% for major markets. Boston led all markets with price appreciation of 21.3% year-on-year.

Exhibit 8: Multifamily - 12 months Net Absorption & Net Completion



Source: CoStar, as of March 31, 2018.

Exhibit 9: Multifamily Under-Construction as % of Stock



Source: CoStar, as of March 31, 2018.

Economy Watch: Second Half of '18 Should See Strong Economy

經濟觀察：2018 的下半年應該看到強勁的經濟發展

By: The Editors of Commercial Property Executive

T. Row Price's Midyear Market Outlook, which was released on June 25, is predicting "favorable" economic conditions for the rest of the year, though volatility is likely to continue. High valuations across most global asset classes and a range of economic and policy risks—including the threat of trade protectionism, growing by the day—create the potential for volatility to persist moving into the second half of 2018.

The growth outlook is most robust in the U.S., where confidence remains high on the heels of last year's tax cut legislation for individuals and corporations, the report asserted.

Earnings growth is strong and not expected to slow dramatically over the next few quarters, but likely peaked during the first half of this year. Other recent reports have offered similar findings about the longevity of the current expansion.

"The fundamental environment is great, but it's not getting any better," said Rob Sharps, head of investments & group chief investment officer in a statement. "Risks are rising, and investors should consider positioning their portfolios a little more conservatively at the margin, but not overdo it."

Sharps added that the economy isn't at the end of a bull cycle, "but if you take a multi-year view, you should probably expect lower returns going forward than what we've experienced over the last couple of years."

Economy Watch: Retail Sales Up Robustly in May

經濟觀察：5 月零售銷售強勁增長

By: D.C. Stribling, Commercial Property Executive

U.S. retail sales were up 0.8 percent in May compared with April, the Census Bureau reported on Thursday, and up 5.9 percent compared with a year ago. Car sales gained 0.5 percent for the month, but did not especially drive overall sales, which were up 0.9 percent for the month without car sales factored in.

Most retail categories gained ground for the month, though there were a few losers, such as furniture stores, down a sizable 2.4 percent just since April. Sporting goods, hobby, music and bookstores suffered a 1.1 percent sales decrease for the month, and grocery stores broke even. Oddly enough, the usually robust Internet sales barely gained for the month, up 0.1 percent.

Compared with a year ago, every retail category was up except sporting goods, hobby, music and bookstores, which saw a 0.7 percent annual drop, according to the bureau. Even department stores, which haven't had much luck in terms of sales in recent years, saw them expand by 2.1 percent since a year ago—perhaps as a result of the ongoing winnowing of the weaker stores.

Internet sales did best of all for the year, up 9.1 percent. Other strong retail sectors included general merchandise stores (Walmart, dollar stores, etc.), whose sales were up 5 percent for the year, and clothing stores, up 5.9 percent. Gas stations saw an increase of 17.7 percent in sales since last year, but that is because of a spike in the price of gas since 2017.

Retail Leads DTLA Growth in 2018

零售業帶動洛杉磯市中心的成長

By: Kelsi Borland, GlobeSt.com

The retail sector lead the growth in the Downtown Los Angeles market in the first quarter of the year. The retail vacancy rate fell a whopping 2.3% to 4.5% and rental rates climbed an even more impressive 6.6% to $3.55 per square foot, according to the first quarter report from the Downtown Central Improvement District. Residential activity—which has also been strong—has been crucial in driving the retail market. In total, the market saw 51,822 square feet of net absorption, a year-over-year increase of 137,913 square feet, with some wins including Uniqlo's 15,000-squre-foot lease at the Bloc.

"One truism about retailers is they don't enter markets if the numbers and demographics aren't there," Carol Schatz, president and CEO of the DCBID, tells GlobeSt.com. "Today, in downtown, they are here. There is a growing residential population of roughly 70,000; a weekday population near 500,000; and a thriving hospitality and tourism industry. This dynamic critical mass is now garnering the attention of retailers from across the country. Uniqlo's 15,000 square foot lease at the Bloc is a real feather in the cap for that project, which is strategically important for the CBD retail market, and a clear indication that national brand retailers are increasingly confident in the future of DTLA."

Retail activity slowed at the end of 2017, but generally, the sector has been one of the more active growth areas for Downtown Los Angeles. As the market has grown, the retailers migrating to the market have changed as well. "While DTLA has long been a location of choice for early adopters and boutique retailers, we are beginning to see a growing migration of national and regional brands opening in downtown," says Schatz. "Uniqlo, Adidas, Zara, Jordan, West Elm, H&M, Urban Outfitters and more, are not simply opening outlets, but committing to flagship stores, and in some cases, corporate office locations too. Recognizing the opportunity, global brands are making a point to have a significant presence in DTLA."
This activity is not likely to slow down. Some reports show that the market will have a population of 200,000 people in the next decade. "Since major retailers tend to be followers, we see the retail market as still being in the early stages," explains Schatz. "When you consider some projections giving DTLA a residential population of 200,000 in just the next 10 years, and the announced redevelopment of the Convention Center, and the pending completion of the Metro Regional Connector, the DTLA retail market appears to be ripe for expansion."

While that growth is far in the future, today, there are big changes happening in the retail sector. "To meet the growing demand, we have several major retail projects coming to market, including Oceanwide Plaza across from LA Live, the Broadway Trade Center in the historic core and Row DTLA and At Mateo in the Arts District, providing a diversity of product and multiple centers and corridors for retailers to choose from," says Schatz. "That's what a robust retail market in a major urban center looks like."

Consumer Money Rates (Mortgage Rate, Prime Rate, etc.)

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	Yield/Rate (%)		52-Week		Change in PCT. PTS	
Interest Rate	Last	Wk Ago	High	Low	52-week	3-yr
Federal-Funds rate target	1.75-2.00	1.75 2.00	1.75	1.00	0.75	1.75
Prime rate*	5.00	5.00	5.00	4.25	0.75	1.75
Money market, annual yield	0.52	0.52	0.52	0.25	0.19	0.18
Five-year CD, annual yield	1.74	1.73	1.74	1.33	0.36	0.29
30-year mortgage, fixed	4.52	4.57	4.69	3.73	0.52	0.33
15-year mortgage, fixed	4.00	4.06	4.14	2.99	0.79	0.63
Jumbo mortgages, $424,000-plus	4.73	4.75	4.96	4.21	0.25	0.23
Five-year adj mortgage (ARM)	4.37	4.48	4.78	3.22	0.95	0.84
New-car loan, 48-month	3.74	3.70	4.28	2.85	0.66	0.78
Home-equity loan, $30,000	…	…	…	…	…	…

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