

property values in the U.S. declined in August as job losses and the recession cut demand for offices, retail space and rental apartments.

The Moody's/REAL Commercial Property Price Indices fell 3 percent in August from July, bringing the market's decline to almost 41 percent since its peak in October 2007, **Moody's Investors Service** (NYSE: MCO) said Monday.

Prices fell 8 percent in both April and May, according to Moody's.

"We can't call a bottom at this point, but it's an encouraging sign to see the deceleration in the decline," said Connie Petruzzello, a Moody's analyst and co-author of the commer-

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more normal by the middle of next year, said gas station sales (including their mini-markets) are resembling more typical patterns.

Some other retailers (including Saturn and some other auto dealerships) may be facing the end of the line.

"Sit-down restaurants are hurting. Large format steakhouses are having to re-invent themselves. I'm a part owner in one and we're re-inventing the menus," Villasenor said. "We all knew this correction was long overdue."

Villasenor said that grocery stores and movie theaters have managed to hold their own throughout the recession with \$4- and \$5-per-square-foot rents, but that is generally the exception. For most other retailers, "it's \$2.75 to \$3 and that's

Directv on Carroll Canyon

Leasing Notes

By Richard Spaulding

Leasing Notes are updated twice weekly and are now available in a fully searchable database format at www.sddt.com/databases/leasing-notes.

Industrial: The Directv Group has leased 24,776 square feet of industrial space at 7518 Carroll Canyon Road, San Diego **92121**, from **H.G. Fenton**.

The property, leased for 64 months at \$1.2 million, will be used for a leading provider of digital television entertainment services.

The lessee was represented by Eric Northbrook and Sean Williams, of **Cushman & Wakefield**. The lessor was represented by Todd Holley, Glen Volk and Randy LaChance, of **Voit Commercial**.

Office: Smith Consulting Architects has leased 6,281 square feet of office space at 12220 El Camino Real, Suite 200, San Diego **92130**, from **Unire Real Estate Group Inc.** The property was leased for three years at \$654,706.

The lessee represented itself.

The lessor was represented by Dave Odmark, Joe Anderson, Rick Reeder and Brian Driscoll, of **Grubb & Ellis|BRE Commercial**.

Retail: 7-Eleven Stores has leased 3,054 square feet of retail space at 1311 Fifth Ave., San Diego, **92101**, from **Senior Fifth Ave. Associates-Sanford**. The property was leased for 10 years at \$632,160.

The lessee was represented by Linville Martin of **Grubb & Ellis|BRE Commercial**. The lessor was represented by Marc Frederick, of Colliers International.

Retail: Hossein Zhalehmahmoudi has leased 1,316 square feet of retail space at Point Loma Marketplace, 955 Catalina Blvd., San Diego **92106**, from **Catalina-Talbot Properties, LLC**. The property was leased for 10 years at \$480,670.

The lessee was represented by Masoud Riazati of **RRN Realty**. The lessor was represented by Bill Thaxton and Brad Williams, of **Flocke & Avoyer Commercial Real Estate**.

Industrial: Construction Services has leased 55,000 square feet of industrial space at 2401 Industry St., Oceanside **92054**, from Ross Pyle, trustee. The property, leased for 60 months at \$352,596, will be used for storage and distribution.

The lessee and lessor were represented by Jack Duncan, of **Colliers International**.

Retail: Hats Unlimited has leased 900 square feet of retail space at 955 Prospect St., Suite D, La Jolla **92037**, from **Tabmount Inc.** The property was leased for five years at \$341,250.

The lessee represented itself. The lessor was represented by Mike Slattery, of Grubb and Ellis|BRE Commercial.

Office: Delsen & Company LLP has leased 2,799 square feet of office space at Centrewest Plaza, 9740 Scranton Road, Suite 310, San Diego **92121**, from **AZNL-Centerwest, LLC**. The property was leased for 65 months at \$334,022, renewal.

The lessee was represented by **Glenborough Aventine LLC**. The lessor was represented by Steve Wolf and Brunson Howard, of Cushman & Wakefield.

Office: James A. Reavis, PSY.D., has leased 3,297 square feet of

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Industry Briefs

California bonds

(Bloomberg) — The California Public Works Board plans to offer \$820 million of bonds backed by lease payments appropriated this week.

Underwriters led by **Morgan Stanley** (NYSE: MS) and **Royal Bank of Canada's RBC Capital Markets** unit will take orders from individual investors Tuesday and set final prices and yields on the debt Oct. 21, when institutions can buy.

A portion of the deal will be taxable Build America Bonds, with the rest tax-exempt.

The proceeds will fund various capital projects, including a prison in Monterey County near Soledad.

Fitch Ratings grades the bonds BBB-, one level above high-risk, high-yield junk status. **Moody's Investors Service** rates them one level higher at Baa2.

Standard & Poor's assigns its A-minus rating, the fourth-lowest investment grade. (Updated Oct. 19).

Next week, the California Bay Area Toll Authority, the agency financing a new bridge across San Francisco Bay, intends to offer \$1.3 billion of federally subsidized, taxable Build America Bonds to fund construction.

The authority plans to offer the securities to investors through underwriting firms led by **Citigroup Inc.** (NYSE: C) and **Merrill Lynch** during the week of Oct. 26, Chief Financial Officer Brian Mayhew said. (Added Oct. 14).

LAX expansion

(AP) — Airport commissioners are considering a \$1 billion makeover for Los Angeles International Airport.

The Los Angeles Board of Airport Commissioners voted Monday whether to award two contracts to vastly expand the aging Tom Bradley International Terminal to accommodate more people and larger planes.

However, the decision comes at a time when airlines are in a financial slump and the number of overseas passengers at LAX has dipped.

The \$1.13-billion project, dubbed "Bradley West," would build nine airline gates, demolish the existing terminal and replace it with two new concourses. The project would add 1 million square feet to the terminal.

Bond and airport money would pay for the project, with completion expected by 2013.

Cell towers

(AP) — **Cleartalk**, California wireless phone company, has applied for a federal grant to bring broadband service to remote areas along North Carolina's coast.

The Daily Reflector of Greenville reported Monday that Cleartalk expects to hear next month if it will get \$50 million in federal stimulus money to build a wireless network in 38 counties stretching from the Outer Banks to Wilmington.

The company plans to build 392 towers that will bring broadband service to about two million people.

Cleartalk has built similar networks in other states, including South Carolina, Alabama and Texas.

Freddie Mac sale

(Bloomberg) — **Freddie Mac** (NYSE: FRE), the mortgage-finance company under government control, plans to sell two-

See **Industry Briefs** on 3B



COMMERCIAL SALES

Additional commercial sales data is available online at www.sddt.com/databases/commercialsales

THE TOP COMMERCIAL SALES OF THE DAY

1. The 5 unit, multi-residential at 834-38 Diamond St, San Diego, **92109**, was sold by Ronald E. Wylie, successor trustee, to Daniel S. Murphy on 10/12/2009. **Tax Value \$1,150,000.**

2. The 10 unit, multi-residential at 304 E. Fifth St, National City, **91950**, was sold by Colby Land & Livestock, LLC to Casa Familiar, Inc on 10/12/2009. **Tax Value \$1,045,000.**

3. The office condominium at

4540 #103-104 Kearny Villa Rd, San Diego, **92123**, was sold by Timothy L. Kane and Betty J. Kane to Thomas De Wildt and Mary J. Wagner De Wildt, et al, co-trustees on 10/09/2009. **Tax Value \$500,000.**

4. The 3 unit, multi-residential at 342-46 W. Cypress Ave, El Cajon, **92020**, was sold by Bank of New York, trustee, to David Forsey and Wendy Forsey, et al on 10/12/2009. **Tax Value \$285,000.**

HOME SALES

Additional home sales data is available online at www.sddt.com/databases/homesales

THE TOP FIVE HOME SALES OF THE DAY

1. The house at 18515 Old Coach Way, Poway, **92064**, was sold by ALB Properties, LLC to Alex A. Lluch and Elizabeth M. Lluch on 10/14/2009. **Tax Value \$2,500,000.**

2. The house at 8104 Run of the Knolls, San Diego, **92127**, was sold by Lane Newbury and Anne Newbury, trustees, to John P. Gethin and Patti S. Gethin, trustees on 10/13/2009. **Tax Value \$2,275,000.**

3. The house at 7259 Spoonbill Ln, Carlsbad, **92011**, was sold by Gregory W. Daul and Tamara

Daul, trustees, to Donald S. Eisenberg and Carol Eisenberg, trustees on 10/12/2009. **Tax Value \$1,007,500.**

4. The house at 4656 W. Talmadge Dr, San Diego, **92116**, was sold by J. Dean Loring and Holly L. Loring to Timothy Wilder on 10/14/2009. **Tax Value \$875,000.**

5. The condo at 604 India St, San Diego, **92101**, was sold by Sean H. Mallean to George J. Batavick on 10/14/2009. **Tax Value \$830,000.**

See **Home sales** on 8B

U.K. ban proposed on 'self-cert' mortgages Commercial — Leasing Notes

By CAROLINE BINHAM
Bloomberg News

LONDON — The United Kingdom's financial regulator called for a ban on self-certification home loans as part of a crackdown on risky credit in the country's 1.2 trillion-pound (\$1.95 trillion) mortgage market.

The Financial Services Authority also called for mandatory affordability tests for all mortgages, making banks and other lenders responsible for assessing consumers' ability to pay, according to a statement Monday.

The raft of measures designed to dampen peaks and troughs in the lending market will likely curb demand for mortgages, the FSA forecast.

"We are proposing to ban effectively all self-cert mortgages, which back in '07, in the boom times, were around half of the mortgages being offered," FSA Chief Executive Officer Hector Sants said.

"It is vital from the point of view of both firms and consumers that when people enter into mortgages they give proper consideration as to whether they can really afford them," Sants said.

While the global financial crisis was triggered by losses on subprime mortgages, the review comes as the U.K. property market is beginning to rebound from a two-year slump.

The Council of Mortgage Lenders said a week ago that banks approved almost a third more loans in August than a year ago. Still, the FSA said Monday that repossessions and late payments would increase this year.

Loan ratios

Borrowers with poor credit could be banned from taking out mortgages that have a high ratio to their income under the proposals.

The FSA pulled away from introducing outright limits on mortgages relative to the value of the home, or relative to income. It did say that it may

document verification, the FSA said.

By 2007, customers' incomes weren't checked accounted in 45 percent of new mortgages in the U.K., according to the regulator's statistics, with 44 lenders offering the products. Now only two lenders do, the FSA said.

The proposals "could beneficially reduce the volumes of mortgage lending in the economy," adding that the proposals would impose unspecified costs on lenders, intermediaries and the regulator itself, the FSA said.

High-risk borrowers

"It should be a firm principle of mortgage regulation that higher-risk borrowers such as self-employed people and first-time buyers are not effectively cut out of the market," the British Bankers Association said.

"The issue that faces all of us — lenders, borrowers and regulators — is ensuring the risk of taking out a mortgage can be shared effectively," the association said.

Critics of the FSA proposals, which are out for public comment until January, warned they could strangle any recovery.

The proposed product regulation is really addressing problems that are no longer relevant, the CML said in a statement before the proposals were published. The FSA argues that

without new rules, risky products could re-emerge.

"At every meeting I have with housebuilders, they complain about a lack of mortgage lending," said Robin Hardy, a homebuilding analyst at **KBC Peel Hunt**. "At the very least, it's going to slow the momentum of mortgage approvals."

The average cost of a home in London rose 6.5 percent, the most since records began in 2002, to 416,157 pounds (\$680,000), according to Rightmove Plc, the U.K.'s biggest residential property Web site.

'Irresponsible lending'

Lenders will have to verify buyers' salaries and calculate their customers' disposable income for repayments under the FSA's proposals.

The increased demands for banks to improve their capital will limit the supply of mortgages by making them more expensive, according to the CML.

"Irresponsible lending helped fuel the credit crunch and also drove up house prices, making it tough for first-time buyers to get into the market," U.K. Treasury Minister Paul Myners, said.

"The government is committed to fixing the system for the future so it works better for families and the economy,"

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Muni regulator to require disclosure

By DARRELL PRESTON
Bloomberg News

WASHINGTON — The municipal bond market's top policy setter plans to require securities underwriters to disclose their contributions to supporters of bond elections by state and local governments, the Municipal Securities Rulemaking Board said Monday.

The Alexandria, Va.-based MSRB acted on concern over conflicts of interest by under-

would apply to in-kind election services, as well as to direct cash contributions.

The MSRB already restricts campaign contributions by underwriters to elected officials who control their hiring.

"The rule has been very effective in election contributions by underwriters wanting news business," Clarke said.

The rulemaking body plans to submit a proposal to the U.S. Securities and Exchange Commission within two

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cial property price report.

Values are falling as U.S. unemployment climbs and consumers cut spending. Office vacancies rose to a five-year high of 16.5 percent in the third quarter, according to New York-based property research firm **Reis Inc.** (Nasdaq: REIS).

Apartment vacancies hit a 23-year high and mall vacancies were the highest since 1992.

Commercial real estate prices are forecast to fall additional 17 percent through the fourth quarter of next year, **Goldman Sachs Group Inc.** (NYSE: GS) said in a Sept. 30 report, citing scarce credit, rising vacancy rates and the risk of forced sales.

Late payments on commercial mortgages jumped sevenfold in September from a year earlier, as installments on \$22.4 billion of mortgages were at least 60 days late, **Credit Suisse** (NYSE: CS) analysts reported Oct. 12.

The delinquency rate of commercial mortgage payments bundled into bonds rose to 3.64 percent in September from 0.54 a year earlier, Moody's said Oct. 13.

It's too soon to determine the effect of those defaults on values, said Neal Elkin, president of **Real Estate Analytics LLC**, a New York firm that partners with Moody's in producing the commercial property price report.

"What's going to definitely occur is a lot of borrowers are going to have to refinance and whether that leads to defaults and foreclosures is unclear," Elkin said.

August was the 11th consecutive month the commercial property index fell.

The August report was based on prices for 73 properties that sold during the month and for which Moody's has previous price records. Those sales totaled \$950 million.

Overall market transactions "showed a slight uptick" to 377

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office space at 3636 Camino del Rio North, Suite 230, San Diego **92108**, from **Encin Real Estate**. The property was leased for five years at \$242,145.

The lessee was represented by Mike Conger of **ECO Commercial**. The lessor was represented by Jack Kruger, of Grubb & Ellis|BRE Commercial.

Retail: **Tracy's Salon & Day Spa** has leased 1,468 square feet of retail space at 727 W. San Marcos Blvd., Suite 121, San Marcos **92078**, from **San Marcos Pavilion, LLC**. The property was leased for 10 months at \$231,826.

The lessee and lessor were represented by Chris Rink and Randee Stratton, of Grubb & Ellis|BRE Commercial.

Retail: **Tepper Technologies Inc.** has leased 5,000 square feet of retail space at 3445 Midway Drive, San Diego **92110**, from Cohen Family Trust. The property, leased for 84 months at \$206,887, will be used for an International Academy of English.

The lessee and lessor were represented by Kipp Gstettenbauer, of **Cushman & Wakefield**.

Industrial: **Clarus Technologies** has leased 10,000 square feet of industrial space at 1827 Main St., San Diego **92113**, from **Mitchell Investments**. The property, leased for 33 months at \$185,430, will be used for warehousing and storage of equipment.

Tim Mills, of **Cushman & Wakefield**, represented the lessee and lessor.

Office: **Unilab Corp.** has leased 2,868 square feet of office space at Temecula Medical Center, 27699 Jefferson Ave., Suite 109, Temecula **92590**, from Hostler Trust. The property was leased for 36 months at \$180,840.

The lessee represented itself. The lessor was represented by Tony Albin, of Colliers International.

Office: **888 ExtraMoney.com** has leased 1,671 square feet of office space at 8910 University Center Lane, San Diego **92122**, from **Glenborough Aventure LLC**. The property was leased for 17 months at \$78,119.

The lessee represented itself. The lessor was represented by Steve Wolf and Brunson Howard, of Cushman & Wakefield.

Industrial: **Scott's Drilling Service** has leased 1,200 square feet of industrial space at 271 Roymar Road, Suite D, Oceanside, **92058**, from **Josepho Properties**. The property was leased for 36 months at \$33,828.

The lessee and lessor were represented by Josh McFadyen and Jim Spain, of Colliers International.

In fall 2006, Scott's Drilling extended and expanded its leasehold at 271 Roymar to 2,400 square feet for 67 months at \$65,316. McFadyen and Spain also handled that transaction.

Editor's Note: Leasing Notes for publication must contain the names of the lessee and the lessor; address (including street name and number, city and zip code); square footage; length of lease; lease terms such as NNN; financial consideration; proposed use of space (if not evident from name of lessee); and the names of brokers and their firms representing both the lessee and the lessor.

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RE Briefs