

Business Seminars

Monrovia Business Seminar

June 14, 2017 11:30 AM

Katherine Barger

TBD

MADIA TECH LAUNCH

City of Hope, Argyros Auditorium

Tuesday April 11, 6:30-8:30PM

"How I got funded"

Monrovia Kiwanis

Meets at the Monrovia Restaurant

Every Thursday 12-1:30 PM

Duarte Kiwanis

Meets at Westminster Gardens

Every Other Tuesday 12-1:30 PM

Is It Now Time to Sell or Hold Onto Your Commercial Real Estate?

The economy has been chugging along fairly nicely in most areas for several years now. But this then always begs us to ask the question, "When will we experience the next economic downturn?" This isn't a question that we often like to ponder, but at the same time, we'd always like to anticipate what's coming our way.

Keeping this in mind with respect to commercial real estate, we can sometimes even notice specific advance warnings of a downturn. For example, when cap rates have been getting lower on investment properties, and they've now plateaued and they haven't been getting lower for a while, this could be a signal that we've hit the market peak. With this in mind, if we look back over the last 40 years or so in commercial real estate investing, once the market has plateaued after prices have been rising for awhile, the next major move will most likely be down rather than up. So then we are left with guessing as to when, exactly, this cycle is going to turn.



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Quotes for the Month

"I don't know where we should take this company, but I do know that if I start with the right people, ask them the right questions, and engage them in vigorous debate, we will find a way to make this company great."

— James C. Collins

"Working together as a team helps build a cohesive organization."

— Ifeanyi Enoch Onuoha

"If you want to go fast, go alone; if you want to go far, go together" **African Proverb**"

Jamie Dimon's new letter says America is great, but regulation is holding us back

Andy Serwer Yahoo Finance April 4, 2017

Two bullet points in [Jamie Dimon's 2016 letter to shareholders](#) neatly sum up the theme of the JPMorgan Chase CEO's communication this year:

- *"The United States of America is truly an exceptional country."*
- *"But it is clear that something is wrong — and it's holding us back."*

And while Dimon goes through a laundry list of our nation's foibles in his high-profile letter, he focuses most keenly on over-regulation and bad policy, which he says is holding us back

"The lack of economic growth and opportunity has led to deep and understandable frustration among so many Americans," Dimon writes. "Our problems are significant, and they are not the singular purview of either political party. We need coherent, consistent, comprehensive and coordinated policies that help fix these problems."

Dimon, whose letter to shareholders is perhaps the business world's second most-read chairman's letter after [Warren Buffett's](#), writes that "By some estimates, approximately \$2 trillion is spent on regulations annually (which is approximately \$15,000 per U.S. household annually)." And he continues: "...it is an understatement to say improvements could be made. The regulatory environment is unnecessarily complex, costly and sometimes confusing."

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No rational person could think that everything that was done was good, fair, sensible and effective, or coherent and consistent, in creating a safer and stronger system.

“We are not looking to throw out the entirety of Dodd-Frank or other rules (many of which were not specifically prescribed in Dodd-Frank). It is, however, appropriate to open up the rulebook in the light of day and rework those rules and regulations....This complexity can sometimes create even more risk. There are far too many regulations to talk about in this letter, and, if I tried, it would not only frustrate you but bore you to tears.”

Idle capital

“Banks in the United States in total now hold \$200 billion in operational risk capital,” Dimon says. “This is permanently idle capital never to be utilized to support our economy. It was an unnecessary add-on that should be eliminated.”

He argues that there isn’t enough mortgage lending right now and says that’s hurting those who need it the most.

“[I]t’s noteworthy that those who lost access to mortgage credit are the very ones who so many people profess to want to help – e.g., lower income buyers, first-time home buyers, the self-employed and individuals with prior defaults who deserve another chance.”

Dimon also observed that since the financial crisis, bank loans have lagged bank deposits.

“The new liquidity rules require banks to hold approximately \$2 trillion at the Federal Reserve, whether or not there is loan demand,” he notes.

The JPMorgan CEO also declares the banking system to be safe: “Essentially, Too Big to Fail has been solved — taxpayers will not pay if a bank fails.”

America is not relegated to slower growth

Dimon counters the concern that Harvard’s Larry Summers and others have about our economy by writing, “many economists believe we are now permanently relegated to slower growth and lower productivity (they say that secular stagnation is the new normal), but I strongly disagree.”

Dimon has two lists of negatives for the nation’s economy.

First:

- Wasteful defense spending
- Government student loans sector
- High health care costs compared to other developed nations
- Not enough visas for STEM students
- Not enough jobs for released felons
- An underserved mortgage market

And second:

- The real labor participation is too low
- Bad education system for those in need
- Not enough infrastructure spending
- High corporate tax rates
- Over-regulation

Dimon is optimistic that many of these hindrances are fixable.

“The solutions are not binary – they are not either/or, and they are not about Democrats or Republicans,” he says. “They are about facts, analysis, ideas and best practices (including what we can learn from others around the world).”



Keeping this in mind, the big question then becomes, "Are you going to ride out the next economic downturn no matter what with the properties that you currently own, or do you want to sell one or more properties at or near the peak of the market?" Because if you're planning on holding onto your property and just riding out the next economic downturn, there's no reason to even ask yourself if now is the time to sell, because you've already decided that you're not going to do it. So your game plan will just be to stand pat and hold firm with your existing real estate investments.

But if you're someone who would like to sell one or more of your properties before the next downturn hits, ask yourself, "Would now be a great time to cash in and take my money, or maybe even get into another kind of investment, or do I still think that my property will continue to appreciate even more before this next downturn hits?"

With this in mind, how much lower do you think cap rates will go before this next downturn hits us, and do you think you'll find someone who will ultimately pay you that higher price? In addition, consider that once the lenders begin recognizing that a downturn may be coming, they're more likely to then tighten their lending standards, making it more difficult for your buyers to then pay you the price that you really want.

Putting all of this together, if your plan is to remain a long-term holder with your commercial real estate, there's no decision for you to make right now about selling. But if you want to sell at or near the top of the market, you need to be asking yourself, "Should I sell right now, knowing that I'll find a buyer who will pay me great money, or do I feel confident that I'll get an even higher price by waiting?"

For Lease 1321 S. Shamrock Ave., Monrovia



Property Highlights:

- High visibility property located adjacent to the 210 FWY.
- Parking available in the rear.
- An Approx. 10,450 SF Industrial Building For Lease
- Asking Lease Rate is \$0.95 PSF.
- Large Ground Level Roll up door and approx. 16 foot ceilings.
- Property has a secure yard.
- Close to Myrtle Ave. & All Amenities
- Easy Access to 210, 605 & 10 Freeways
- Zoned M1



**Your business deserves a great property.
With service to match.**

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Industrial Building Sold

Property Highlights

- **Approx. 11,425 SF Warehouse Available**
- **Located on Major Corridor in High Visibility Location**
- **Secured Yard**
- **15' Clear Height**
- **Easy access to 210 and 605 Freeway**
- **Property located across from Monrovia Shopping Center**
- **Loading Dock and Ground Level Door**
- **Great space for a Tech Company or a Warehouse/Retailer**



Shown by appointment only. Please
call listing office to
schedule an appointment.

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