

Business Seminars

Monrovia Business Seminar

Oliver Chi-Monrovia City Manager
Double Tree Monrovia
October 16, 2017 11:30am-1:30pm

MADIA TECH LAUNCH TBD

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

Raising Capital for Commercial Real Estate Investments

Many people, when they invest in commercial real estate, think in terms of having to come up with all of the money that's necessary to buy the property on their own. But there's a different approach that's also being utilized, and it's being implemented by some of the most sophisticated commercial real estate investors in the world, as well as by smaller, more entrepreneurial investors, too.



This approach involves raising money from people or entities that have the money to invest, but they may lack the detailed understanding of commercial real estate investing, and they're looking for someone who has that expertise to guide them.

Pension funds are a perfect example of this. They can have many millions of dollars that need to be invested, but the people in charge may have very limited knowledge of how to invest it. So in this situation, the people who run the pension funds will partner with sophisticated investors who have solid experience at investing in commercial real estate, and then these two entities will share in the profits.

See Capital Page 2

Quotes for the Month

Behind every successful man lurks a truly amazed ex-mother-in-law.

John Chrusciel

I know a man who gave up smoking, drinking, sex, and rich food. He was healthy right up to the day he killed himself.

Johnny Carson

A budget tells us what we can't afford, but it doesn't keep us from buying it.

William Feather

Nothing is illegal if a hundred businessmen decide to do it, and that's true anywhere in the world.

Andrew Young

What's behind the sudden optimism among homebuyers?

Diana Olick [CNBC](#)

All year, the overwhelming sentiment in the housing market has been frustration. Too few homes for sale drove prices sky high and led to fierce competition among buyers, especially at the entry level. So it was a little more than surprising to see a sudden burst of optimism among potential homebuyers in a monthly sentiment survey from Fannie Mae.

Housing confidence rose in September to match the all-time high set in June. The main driver: a big jump in the share of current renters surveyed saying now is a good time to buy. In addition, the share of those respondents saying they believed home prices would go up in the next year dropped significantly. This, even though respondents continue to say that the main barrier to entry-level homeownership today is high prices.

"Perceptions of easing inventory helped boost the net share saying that now is a good time to buy, which is consistent with less bullish home price appreciation sentiment during the month," wrote Doug Duncan, Fannie Mae's chief economist, in the release.

See Optimism Page 2



So as an example, a pension fund might make \$100,000,000.00 available to invest along with the partners that they have chosen, then the partners will invest the money, and the two entities will then share in the profits, which can sometimes then be divided 50-50. The pension fund has the money, the partners have the expertise to maximize the returns, and then the two of them can oftentimes do very well together.

Now on a smaller scale, an entrepreneur can raise hundreds of thousands or millions of dollars from investors, find one or more great properties to invest the money in, and then the entrepreneur can share in the returns, sometimes without ever putting any money of their own pocket into the investment. So the entrepreneur can then receive a percentage of the ongoing net income from the investments, and/or receive a specific percentage of the profit when the properties are sold.

Typically the investors putting up the money for these kinds of entrepreneurial investments are people who are generating good money from their own businesses, but they lack the expertise at investing in commercial real estate. Keeping this in mind, doctors are one group of business professionals who can fall into this category, and there are many doctors who have invested in commercial properties in this manner.

So either way, if you're the person who's got the money to invest, connecting with someone who has commercial real estate expertise could be a great opportunity for both of you. While at the same time, if you're the one with the commercial real estate expertise, finding the people to invest their money through you could be a great and profitable venture for you to pursue.

That perception is puzzling, to say the least, as the numbers don't support it. Inventory at the end of August was down 6.5 percent from the year-earlier period, according to the National Association of Realtors. Home price gains also began accelerating again after plateauing at the start of the summer. Pending home sales, which measure contracts signed, fell in August and have been down five of the last six months, due to low supply.

"Demand continues to overwhelm supply in most of the country, and as a result, many would-be buyers from earlier in the year are still in the market for a home, while others have perhaps decided to temporarily postpone their search," wrote Lawrence Yun, chief economist for the Realtors.

The supply of existing homes is very low, but the supply of newly built homes is rising. Builders are still nowhere near their normal historical levels of production, but they are increasing supply — albeit at higher prices.

Some builders are reporting that renters are skipping the traditional starter home and jumping to that move-up, newly built home instead. That may be due to income growth and the fact that millennials have been renting for a longer period of time than previous generations, putting them higher up on the pay scale.

"So to the extent they were focused on new homes, [the survey] may have picked up on that," added Duncan. "Given the 30-year low in existing supply, that's a reasonable dynamic to see."

Still, consumer confidence in the economy overall has been rising despite a setback in September, likely due to the hurricanes. That does jibe with another component of the Fannie Mae survey, which found an increase in the share of respondents saying they weren't worried about losing their jobs.

Both imply more spending ahead and consequently higher prices. That expectation, along with recent statements from the Federal Reserve with a more hawkish tone, has pushed mortgage interest rates higher. Despite all of it, some argue that buying a home today is still affordable at least by historical standards.

"Indeed, the median household currently has just over 150 percent of the income needed to buy a median-priced home, which compares to a long-run average of 125 percent," wrote researchers at Capital Economics in a monthly report on the U.S. housing market.

They also point to loosening mortgage lending standards. The median FICO score in August fell slightly from a year ago, according to Ellie Mae. Lenders are also approving loan applications at the highest rates since 2011, with 77 percent of applications for loans to purchase a home approved — compare that to just 59 percent in 2012.

The Mortgage Bankers Association reported credit availability increased in September, as well. Not surprisingly, credit has eased most for larger loans to buy more expensive homes. That is because most of the sales activity today is happening on the higher end of the housing market, where there are more homes for sale.

"For the year-to-date, the supply of credit has increased only modestly in the non-jumbo space, while it has expanded significantly among jumbo programs," noted Lynn Fisher, MBA's vice president of research and economics, in the report.





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4318 Alderson Ave., Irwindale, CA



Brian Deets
DRE Lic. 01800743
626.244.4743 Cell
brian@cibare.com

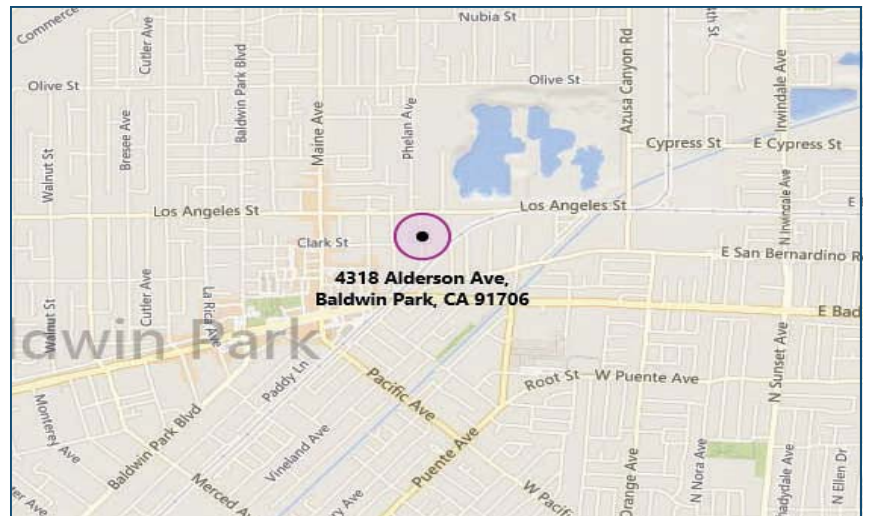
Alfredo Mejia
DRE Lic. 01340251
626.841.0599 Cell
alfredo@cibare.com

233 W. Chestnut Ave.
Monrovia, CA 91016
626.303.1818 Office
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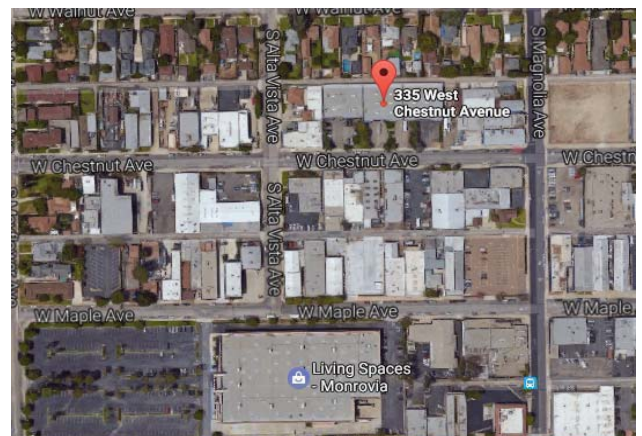
Brian Deets
Principal
BRE License 01800743

Alfredo Mejia
Broker Principal
BRE License 01198019

830 S. Myrtle Ave.
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Ph 626.303.1818
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