Commercial Newsletter

Monthly Newsletter for Owners and Tenants

Volume 6, Issue 1 | Visit our website at www.cibarealestate.com | January 2018

Business Seminars

Monrovia Business Seminar
John Moran Auctioneers
145 E. Walnut Ave., Monrovia
January 10,2018 11:30am-1:30pm

MADIA TECH LAUNCH
TBD

Monrovia Kiwanis
Meets at the Monrovian Restaurant
Every Thursday 12-1:30 PM

Duarte Kiwanis
Meets at Westminster Gardens
Every Other Tuesday 12-1:30 PM

Quotes for the Month

"Don't be afraid to give up the good to go for the great."

--John D. Rockefeller

"I find that the harder I work, the more luck I seem to have."

-- Thomas Jefferson

"Successful people do what unsuccessful people are not willing to do. Don't wish it were easier; wish you were better."

-- Jim Rohn

Here's What We Can Predict in Commercial Real Estate in 2018

With the New Year now being here, everyone would like to know what the future will hold for us within commercial real estate in 2018. But while we don't have the crystal ball, commercial real estate industry news resource GlobeSt.com recently sat down and interviewed Situs RERC President Ken Riggs on what we can expect in 2018, and here's what he said...

After discussing this subject with many valuation experts in the industry, Ken concluded that "Eighty percent of those surveyed said CRE values would remain the same in 2018, while 20% predicted they will increase by 1%."

This is good news for those wondering if there might be an economic downturn coming, but such a downturn is not something that is, generally speaking, on many people's radar screens right now.

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CRE Industry Groups Applaud Outcome of Tax Bill

CoStar RANDYL DRUMMER December 20,2017

Late changes to the Tax Cuts and Jobs Act, the first major overhaul of the U.S. tax code in more than 30 years, further sweetened a deal already loaded with benefits for commercial property owners as earlier concerns gave way to full-throated praise for the final bill Wednesday by groups from virtually every corner of the CRE industry.

The Republican-controlled U.S. House of Representatives gave final approval to the $1.5 trillion legislation Wednesday, sending the bill to President Donald Trump for his signature. The Senate passed the bill by a partisan vote of 51-48 in the early hours, and the House followed suit by approving it for the second time in two days after a procedural mishap forced another vote.

The legislation, which groups including NAIOP and Real Estate Roundtable lauded as "an important victory" in providing an economic boost for the industry, includes such key benefits for commercial property owners as a 20% deduction for income from pass-through entities and partnerships, along with a reduced depreciation schedule for nonresidential properties from 39 years to 25 years, which will allow investors to realize tax benefits on property acquisitions more quickly.

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Much of the upside, however, is focused on what will not change in the tax code. The legislation preserves the sale of property through like-kind 1031 tax exchanges. The bill retains and broadens the favorable capital gains tax treatment for carried interest, and contains an exemption for real estate businesses on interest deductibility restrictions.

Further, the legislation fallows for full and immediate expensing of business assets and capital expenditures, which is intended to incentivize property owners and investors to modernize and upgrade properties.

A complex and last-minute change in the provisions for sole proprietorships, S-corporations and other entities, which pass their income through to their owners and who pay tax at their individual income tax rates, helped seal the deal for recalcitrant lawmakers as Sen. Bob Corker, the Tennessee Republican who ultimately backed the bill he once opposed following the changes to the pass-through provisions in the legislation.

The bill allows pass-through entities making less than $157,500 ($315,000 for married couples) to take a flat 20% deduction on certain business income before computing the ordinary income tax they would owe. For taxpayers making above that amount but less than $207,500, or $415,000 for married couples, the deduction is gradually phased out.

The late change, through a complex set of rules and calculations, effectively broadens the pool of entities and individuals that will benefit from the 20% deduction. The change is particularly beneficial to owners with few employees but make use of significant leverage for capital investments in depreciable property like buildings and equipment, Pillsbury Winthrop Shaw Pittman LLP attorney Michael Kosnitzky said.

Brushing aside concerns that the new tax bill is projected to add around $1.4 trillion to the deficit over a decade, supporters claim the bill will spark enough economic growth to bring down the total shortfall. Although by most independent estimates, the national deficit would still increase by approximately $1 trillion under the best possible outcome.

In a statement of supporting the new legislation, Real Estate Roundtable President and CEO Jeffrey DeBoer said the new tax bill will strengthen the economy and spur broad-based growth by reducing barriers to private capital formation and business investment.

"The legislation will also allow our industry to put more people to work modernizing and improving existing properties such as office buildings, shopping centers, apartments and industrial properties," DeBoer said, adding that the legislation decreases the tax burden on all job-creating business entities, not just C corporations.

From the apartment and hotel sectors to groups representing the interests of capital markets and historic preservationists, reaction across the CRE industry was swift and almost universally positive.

The National Multifamily Housing Council and the National Apartment Association said the priorities of the apartment industry were largely addressed in the final bill, which "will help the multifamily industry meet growing demand to build 4.6 million new units by 2030."

In a joint statement, the American Hotel & Lodging Association (AHLA) and Asian American Hotel Owners Association (AAHOA) said the tax cuts will allow the hotel industry to grow and create more jobs.

"For the past three decades, hoteliers have endured the crushing burden of perpetually increasing tax obligations that stifled growth and job creation," AAHOA President and CEO Chip Rogers said in a statement on the new tax bill. "This substantial reformation of the tax code presents hoteliers with the opportunity to reinvest in their properties, increase employee wages, develop new businesses and create new jobs."

The final draft even managed to preserve the Federal Historic Tax credit at 20% following proposals that the credit be scrapped or downsized, which had alarmed some developers and preservationists.

"The inclusion of the historic tax credit as part of the most expansive overhaul of our nation’s tax code in more than three decades is a reaffirmation that reviving older and historic buildings is sound federal policy and good for the nation," said Stephanie K. Meeks, president and CEO of the National Trust for Historic Preservation.

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Property values seem to be firm, the economy has been doing good, and good financing continues to be available, all of which are good indicators for our future within commercial real estate.

However, there is one indicator that does deserve to be looked at, and this is the fact that in many areas commercial real estate prices have now stabilized and are not continuing to rise as they had been.

While on the surface some may respond to this by saying, "So what?", in reality, when we look at what has happened in previous economic downturns, this price stabilization and seeing buyers no longer being willing to pay tomorrow's price today has been an indication that a change is in progress...and that we're more likely to experience a downturn at some point before we experience prices rising substantially once again.

Lenders seem to be confident right now in giving loans, and this is a very good sign. This is because when property can be purchased with both good leverage and at reasonable interest rates, this helps to support overall property values, as more people can still get good financing, keeping them in the market, and keeping them interested in buying more property.

So in putting all of this together, as we begin transitioning into 2018 a good term for us to be operating under could be "cautious optimism". Keep looking for more opportunities, but always make wise, intelligent decisions based upon sound fundamentals.

Avoiding Serious Marketing Errors

Mistakes happen, but the good news is that when it comes to B2B marketing, the great majority of serious errors can be avoided with a bit of discipline and careful planning.

One of the most common errors made by B2B professional marketers is attempting to be everything to everybody.

The reality, however, is that regardless of how good the products or services offered by your company may be, it is impossible to make everybody happy. The simplest way to avoid this mistake is to gain a better awareness of your target audience. Knowing what you should not, or even cannot do is vital to achieving B2B marketing success, so build a detailed and specific buyer persona which will enable you to better develop a clear message aimed specifically at your target market.

Another mistake to avoid is reusing old methods just because they worked in the past. Tried and true methods may seem safe and risk-free, but they also virtually guarantee that there will be no chance for even bigger gains than has previously been the case. B2B marketing strategies need constant updating to account for new approaches, channels, competition, and technologies.

Designing a Logo

Design is another industry in which inspiration is key, and coming up with a new logo design is a challenge in which design can be very vital. For a complete beginner, inspiration for a logo design can come from a variety of things such as reading the success stories behind other logos, understanding and analyzing the branding work carried out by other designers, checking out logo designing contests, and watching online video tutorials. There are a wide variety of design studio portfolios that can be accessed online. One good website to check out tons of inspirational logos is Fullstop 360, and there are many other examples, too. If you are not a complete novice and have had at least a couple of previous clients, one good way of learning is to re-examine the company's creative briefs to gain an understanding of the perception of their customers, and the company's overall expectations for the final product. Then when designing the logo, keep the company's target audience in mind, along with the impact you believe the new logo will have on them.

CIBA Real Estate

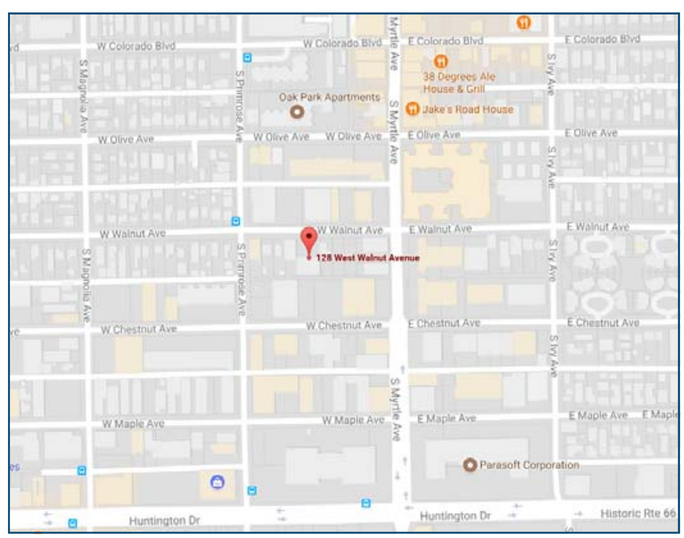
FOR LEASE

128 W. Walnut Ave., Suites A & D, Monrovia, CA 91016

Property Highlights

Available Suites (Suites Can Be Combined)

- Office and Warehouse Spaces Available For Lease
- Located Within Walking Distance of Old Town Monrovia
- **Suite A** - Approx. 2,380 SF of Office and Warehouse Space Available. Ideal R&D Space. Power is 120/208V, 3-phase, 200 Amps, and is Separately Metered. Asking Price is $1.30/SF MG.
- **Suite D** - Approx. 3,355 SF and Features Private Offices, Large Conference Room, Kitchen/Lunch Room, Private Restrooms, and Open Creative Work Area. Asking Price is $1.30/SF MG.
- Private Parking Lot Plus Access to Street Parking
- Great Mountain Views
- Close to 210 and 605 Freeways



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