CIBA Real Estate

Commercial Newsletter

Monthly Newsletter for Owners and Tenants

Volume 7, Issue 1 | Visit our website at www.cibarealestate.com | January 2019

Business Seminars

Monrovia Business Seminar
Peter Hoffman
March 6, 12pm

MADIA TECH LAUNCH
Fintech and Blockchain
Tom McCarthy-Tanner Research
Feb 13, 2019 6:30-8:30pm

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

Duarte Kiwanis
Meets at Westminster Gardens
Every 3rd Tuesday 12-1:30 PM

Quotes for the Month

"Failure is simply the opportunity to begin again, this time more intelligently." – Henry Ford

"All lasting business is built on friendship." – Alfred A. Montapert

"Setting goals is the first step in turning the invisible into the visible." – Anthony Robbins

Why Commercial Real Estate is Always a Great Investment

We've been fortunate because in so many different areas within our nation, the economy has improved substantially from where it was during the Great Recession. But for those of us who have been through both up and down cycles within the economy, we know that a transition will be coming at sometime in the future.

There's been talk about how the bond market will collapse, and talk about how the stock market is long overdue for a major correction, but what can we expect within the commercial real estate market? This all depends on the property you are holding, the quality of your tenants, and how you are positioned to withstand any changes within the economy.

See Page 2 Investment

Chinese middle class is buying up US residential real estate

CNBC - Diana Olick – January 8, 2019

Chinese consumers may have soured on some American products, like iPhones, but they have only sweetened on U.S. residential real estate.

They have been the top foreign buyers in both units and dollar volume of residential housing for six years straight, according to the National Association of Realtors, and now they are expanding to new, lower price tiers.
Chinese consumers appear to be less interested in trade wars and more interested in bidding wars, according to San Francisco real estate agent Michi Olson, who just returned from an international property show in Shanghai.

"The Chinese are basically politically agnostic," Olson said. "Even though there is a great tension between U.S. government and Chinese, the Chinese citizen seems to be able to separate the political turmoil with the sound real estate investment."

Olson said the biggest difference this year is price point. Initially, it was wealthy Chinese buyers purchasing million-dollar properties, all in cash. Now more middle-class Chinese buyers are searching for lower-priced homes and using mortgages much more often.

See Page 2 Middle Class

See Page 2 Investment

For example, if you own property that is leased for the next ten years to a quality tenant, a tenant who met their financial obligations during the Great Recession, the chances are very good that you'll do just fine with this property over the next ten years, no matter what happens within the economy. But if, however, you have a tenant in place who you're concerned about making it through any future economic downturn, that's another story.

With your quality ten-year tenant, the value of your building may go down during any future economic downturn, but as long as you don't need to sell during that time, how important is this really? Sure, you may lament the fact that it may not be worth what it was several years earlier, but you're still getting solid rent from a good tenant, and you know that when the good economy returns once again, the value of your building will return. In addition, there's a great chance that it will become worth even more than it ever has been in the past, too. So two major keys with commercial real estate are buying at the right time when values are depressed, and renting your properties to quality tenants. In addition, you'll want the location and the design of your buildings to be such that whenever you do lose a tenant, there will be many other tenants who will line up to move into your building.

In short, by following these principles, you can control more with commercial real estate than you can with many other types of investments. Do you know precisely when the stock and bond markets are going to fall? Do you know if a company you're holding stock in right now has something going on internally that will cause the stock to plummet within the coming weeks?

Commercial real estate, when purchased and managed correctly, will help you avoid the potential pitfalls that will exist within many other types of investments

See Page 2 Middle Class

"The Chinese people still see the United States as a safe harbor where they can take their assets and park their money not only for their money but also for the future of their children," Olson said.

Several lenders in the San Francisco area now cater specifically to Chinese buyers. The median price of a home sold to a Chinese buyer dropped from just under $530,000 in 2017 to $439,000 in 2018, according to the Realtors. And while California is still the favorite among Chinese buyers, they are now moving into markets in Texas, Georgia and Florida.

Laura Barnett sells real estate in the Dallas/Fort Worth area and sees healthy Chinese demand there. She said while most foreign buyers there still use cash, she is also seeing the shift to mortgages.

"It is difficult to get loan approval on foreign buyers unless they put 50 percent or more down on a home, but several lenders specialize in this market now, so it is getting easier," said Barnett of RE/MAX DFW Associates.

As technology jobs spread across the U.S., it seems more Chinese workers in tech are starting to buy properties in new locations.

Olson has several Chinese clients whose children are already working at tech companies in California. Once they are settled, a parent will fly in from China with a down payment for a condo. That is happening now in other places.

For instance, Chinese buyers flocked to an open house in Long Island City in Queens, N.Y., just a week after Amazon announced it would open a new headquarters there.

Federal Reserve Acts As Expected, but Doesn't Say What the Markets Want to Hear Heading Into 2019

CoStar Market Insight: Stocks Fall Sharply After Fed Raises Federal Funds Rate for Fourth Time This Year

DECEMBER 20, 2018|GALINA ALEXEENKO

The Federal Reserve acted as expected Wednesday but didn't say what the markets wanted to hear. Therein lies the communications challenge for the central bank going into 2019.

The Fed increased the target range for the federal funds rate for the fourth time this year by a quarter-point to 2.25 percent to 2.50 percent. As expected, the central bank also lowered the median forecast for rate hikes in 2019 to two hikes from three, projecting slightly weaker growth in the economy next year. And the Fed said it plans to continue trimming its balance sheet at the current pace.

While Federal Reserve Chairman Jerome Powell's comments and the Fed's projections are consistent with the continued strength reflected in the economic data, the chairman's press conference clearly disappointed financial markets. Investors had been expecting a more dovish tone from the Fed, given recent jitters in financial markets and increasing uncertainty related to trade tensions and foreign developments. Both stock markets and bond yields fell sharply in trading following the chairman's comments.

The change in economic and interest rate outlooks for 2019 communicated by the Fed should not be a game changer for commercial real estate. The slight downward revision to the outlook and one less interest rate increase next year are generally consistent with CoStar's base case expectations of slightly higher capitalization rates and moderating rent and price increases across all major property types in 2019.

Financial Markets Disappointment

Before Wednesday's decision, there was a great deal of anticipation that the Fed would change the language it used to describe how it will make policy decisions in the new environment of moderating growth in the United States, economic slowdown abroad and financial market volatility. Intensifying trade tensions with China and President Donald Trump's calls not to increase rates added to the suspense surrounding the Fed's response.

However, the financial markets were left sorely disappointed as the Fed's post-meeting statement and the chairman's remarks indicated very little change in its position. Although the Fed did explicitly acknowledge in the statement that it was monitoring global economic and financial developments, it kept its assessment of risks as being "roughly balanced." Moreover, Powell emphasized that the economy continues to grow strongly, especially employment.

The chairman acknowledged recent stock market volatility by noting that financial conditions have tightened, meaning that they have become less supportive of the economy. That tightening affected Fed officials' forecasts for the economy next year. In line with the slightly downgraded forecasts for economic growth, the Fed's projections showed that only six of 17 Fed officials expect three or more interest rate hikes next year, down from nine in September.

However, while economic growth is expected to be slightly less than what was projected in September, the Fed still sees the economy expanding at a strong pace next year, pushing the unemployment rate even lower.

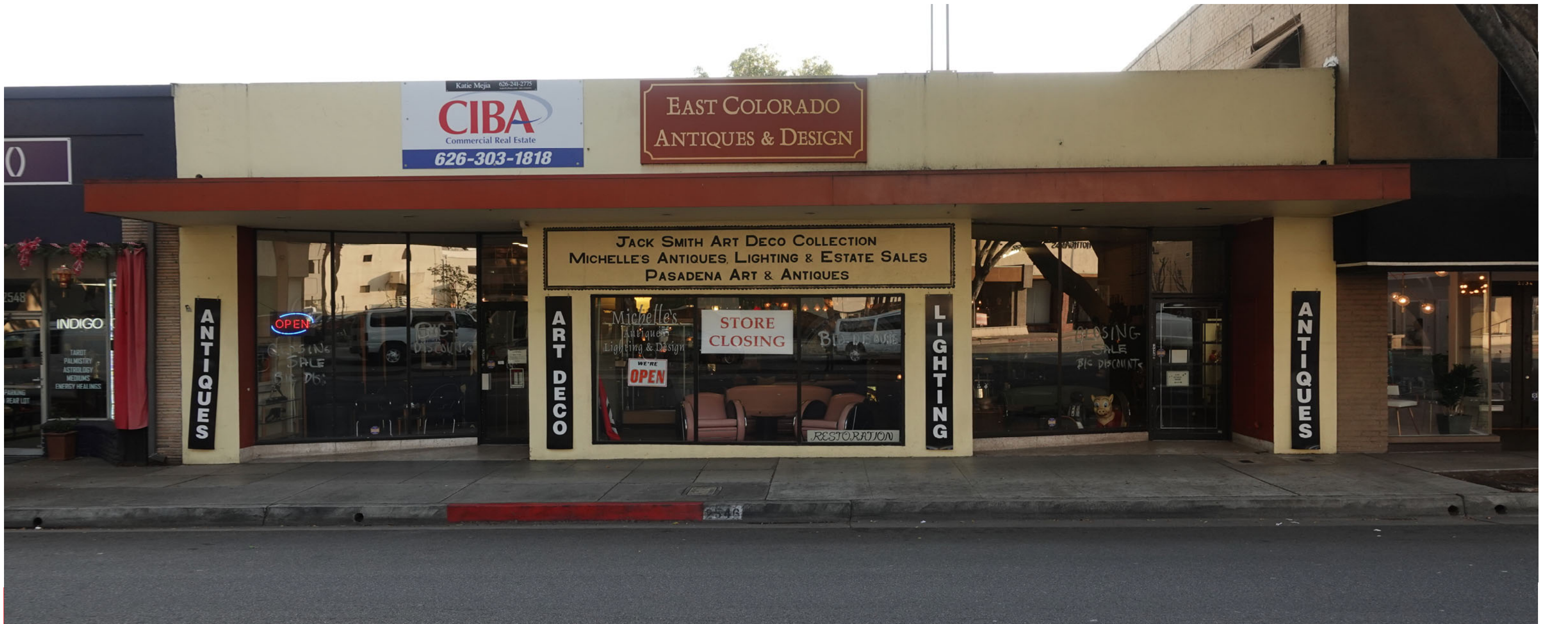
During the press conference, Powell underscored that the Fed's decisions are always dependent on economic data and risk assessment, and that the monetary policy is never on autopilot, adding that there is considerable uncertainty about the path and destination of interest rates.

In response to a reporter's question about Trump opposing further rate increases, Powell replied that the Fed is committed to fulfilling its Congressional mandate of ensuring price stability and maximum employment, and "nothing will deter us from doing what we think is the right thing to do."

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

Pasadena Retail Space Available

2540-2546 E. Colorado Blvd., Pasadena, CA 91107



Commercial Building Available for Lease or Sale

Property Highlights

- Approximately 5,000 SF Building
- High Traffic Retail Space
- Front and Rear Entrances
- Parking in Rear
- Located Near 210 Freeway and Amenities
- Lease Price is $1.95 PSF NNN
- Low Nets!
- For Sale $2,350,000 ($470/SF)

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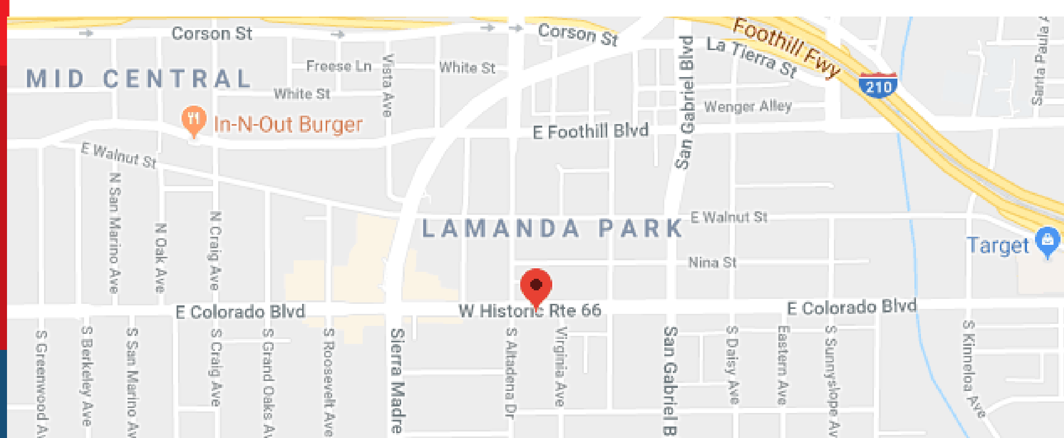

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