

## Business Seminars

### Monrovia Business Seminar

Wednesday June 19, 2019  
12pm Location TBD

### MADIA TECH LAUNCH

June 12, 2019 – 6:30-8:30pm  
Tanner Research  
Albert Lee and Jim Schaeffer

### Monrovia Kiwanis

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

### Duarte Kiwanis

Meets at the Duarte Teens Center  
Every 3rd Tuesday 12-1:30 PM

## What Does This Pause in Rising Interest Rates Now Mean for Our Economy?

Interest rates are such an important determinant for how our economy will be performing. When the cost of capital becomes more expensive, suddenly it becomes less profitable and more risky for businesses to expand, and commercial real estate investment transactions can become less attractive, too. But on the other hand, when interest rates are falling, the cost of capital then becomes cheaper, and both business and real estate investment can benefit from this.



So when The Fed made the announcement that they'd be holding back on any interest rate increases for the duration of 2019, despite their statement just months earlier that we should expect to see multiple interest rate increases throughout 2019, what impact will this now have on both business and on commercial real estate?

See Page 2 Economy

## Lending Shoots Up in Opportunity Zones

### Freddie Mac Sees 180% Increase as Funds Target Multifamily Investments

MAY 08, 2019 | MARK HESCHMEYER

In the latest sign of investor interest in federal opportunity zones, the Federal Home Loan Mortgage Corp., known as Freddie Mac, had a nearly 180% increase in the amount of multifamily loan origination in these areas designated as economically distressed in 2018, the first year that new tax breaks kicked in under the program.

Of the 630,000 conventional multifamily units, including apartments, mobile homes, senior and student housing, that Freddie Mac financed last year, 71,000, or 11.3%, were located in areas that are now designated as opportunity zones, according to a new Freddie Mac analysis.

The increase escalates a trend that surfaced in 2015, the year Freddie Mac launched a small-balance loan program. Prior to 2015, there were very few small-balance loan properties in Freddie Mac's lending portfolio. Following the creation of this program, financing activity in this market segment increased tremendously, and the effect was seen acutely in opportunity zones.

See Page 2 Opportunity Zones

## Quotes for the Month

"No one ever drowned in sweat."

**USMC Officer**

"If passion drives you, let reason hold the reins." –

**Benjamin Franklin**

"I'm a greater believer in luck, and I find the harder I work the more I have of it." –

**Thomas Jefferson**

"Hard work keeps the wrinkles out of the mind and spirit." –

**Helena Rubinstein**

Well, first of all, it allows businesses and investors to breathe a sigh of relief in knowing that they can expect interest rates to remain similar to what they have been in recent months, and this in itself can get people feeling more confident about both business, the economy, and about investing in commercial real estate, too. Then beyond this, within commercial real estate specifically, this can help properties to hold their value, and maybe even still increase in value, as new investment will still make sense at today's higher prices.

With this in mind, when interest rates rise, and buyers are now trying to pencil out a potential investment opportunity, the higher monthly loan payments at the higher interest rate will then cause them to demand a lower price for the property, while the owner will still want the price that they could have obtained when the interest rate was still lower. Then what we can easily have ensue is a stalemate where owners won't budge on their prices, and buyers won't pay the owner's asking price, and the volume of sale transactions in the marketplace can then become greatly reduced.

But the good news is that now, with interest rates now expected to remain the same, we run a much lower risk of having this stalemate occur, and we have a much better chance of seeing the continuance of a more fluid commercial real estate market. However, at the same time, if buyers begin feeling that we're at or near the top of this real estate cycle, this could create caution also.

But at the same time, all things considered, having interest rates remain the same rather than increasing will definitely help to stimulate more overall activity.

So in closing, this pause in the rise of interest rates is good for our economy, and it will help to stimulate more business and more commercial real estate activity, too.

**Continued from Page 1 Opportunity Zones**

"The research shows that Freddie Mac financing for affordable housing in economically distressed areas predated the creation of opportunity zones," said Steve Guggenmos, vice president of research and modeling for Freddie Mac Multifamily, in a statement. "Our financing in these areas has far outpaced our work elsewhere, consistent with our mission to seek out the areas most in need of affordable housing."

Census tracts identified as opportunity zones are found in each state and are characterized by high poverty and subpar employment opportunities. Tax provisions enacted in December 2017 allow for the preferential tax treatment of capital gains if these gains are placed into opportunity funds that are invested in these zones.

While Guggenmos said the ultimate impact of additional and tax-advantaged investments remains to be seen, other research shows that investors are clearly targeting multifamily investments in opportunity zones.

Multifamily rental housing is expected to be a key target for opportunity funds.

Of the funds identified by the National Council of State Housing Agencies, 70 have an investment focus of multifamily residential development, with estimated funds totaling between \$14.9 billion to \$15.2 billion.

Funds range in size from \$1 million to \$3 billion, with an average fund size of \$215 million, James Tassos, deputy director of tax policy and strategic initiatives of NCSHA, reported this week.

Commercial real estate is a strong focus of opportunity funds, with 91% reporting investment in multifamily residential, student housing, mixed-use, hospitality, or other development.

The number of funds planning to invest in community revitalization, affordable housing, or workforce housing make up about 58%, Tassos said.

Freddie Mac's research found that affordable rental housing for very low-income households is more than twice as common in opportunity zones, where median incomes are lower and poverty rates are higher than the national average.

Freddie Mac found that opportunity zones have historically contained a large number of multifamily rental units that are affordable to very low-income households. These areas often have a higher proportion of small- to medium-sized multifamily properties, which tend to cater more to lower-income renters.

"Investor interest in this initiative is already high and will likely continue to grow as more investors become aware of the opportunities for financial gain and social impact. If success is measured by the effectiveness of bringing new capital to these neighborhoods, then this initiative appears to be moving in that direction," Freddie Mac concluded.





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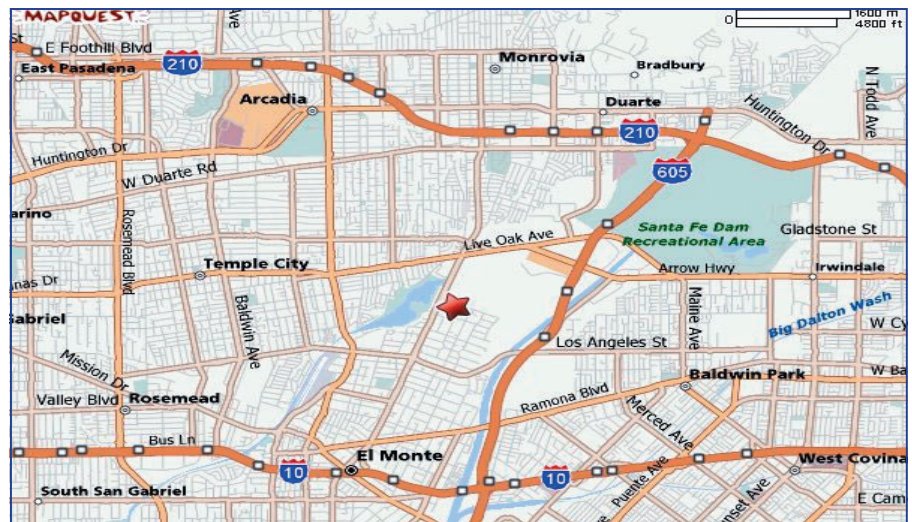
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**Please call listing office to**  
**schedule an appointment.**

**Property Highlights**

- Upstairs Office Space
- Approximately 3,400 SF of Available Space
- Lease Price is \$1.30/SF MG (Lessee pays pro rata share of Power)
- Space is Part of a 33,408 SF. Building
- Private Entrance and Restroom
- Plenty of Sunlight Throughout
- Property Located in Industrial District
- Easy Access to 10, 210 and 605 Freeways



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## Pasadena Retail Space Available 2540-2546 E. Colorado Blvd., Pasadena, CA 91107



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### 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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