

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 the Passage of FASAB 56 Now Means to You as an Investor

While the media and the American public were all caught up in the firestorm of the confirmation hearings for Supreme Court Justice Brett Kavanaugh, the Federal Accounting Standards Advisory Board announced FASAB 56, a resolution that allows companies to alter and misrepresent their financial statements if it is deemed to be in the best interest of national security. In addition, the resolution allows companies to maintain secrecy to the general public about ever having misrepresented their financial statements, too.



It's very interesting to note that this announcement came just months after former U.S. Cabinet Member Catherine Austin Fitts, along with Michigan State University Professor Mark Skidmore, discovered that more than \$21 trillion had gone missing and unaccounted for between both the Department of Defense and the Department of Housing and Urban Development, with a very high percentage of the money having gone missing from within the Defense Department.

See Passage on Page 3

Quotes for the Month

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader." — John Quincy Adams

"If people like you, they'll listen to you, but if they trust you, they'll do business with you." — Zig Ziglar

US Real Estate Loan Growth Slows As Banks Tighten Standards - JUNE 03, 2019 | MARK HESCHMEYER

Four of Every 10 Lenders Shrank Commercial Property Portfolios, FDIC Says

The heyday of strong commercial real estate loan growth that's benefited from rising prices in the past decade of U.S. economic expansion appears to be waning.

First-quarter banking results prompted credit agency S&P Global Ratings to say the best days for U.S. bank lending may be behind them for now, expressing concern that property price increases in recent years may mean a potential decline in values.

The commercial real estate industry "remains a risk factor for our rated banks," S&P said in a report. It added that record-low cap rates, the expected returns on a real estate investment, and "significant price increases in recent years could eventually result in a downturn in certain property types and geographies. Those most at risk, in our view, include multifamily, construction, retail and suburban office properties."

See Standards Page 2



The latest federal banking data released last week shows the number of loans underwritten in the first quarter grew by a relatively slight 1%. That's down from quarterly loan growth that hit a high of more than 3% just three years ago. Quarterly loan growth has averaged 1.7% in the past five years. Moreover, that makes three consecutive quarters of loan growth of 1% or less.

For the quarter, banks reported tightening standards over the past three months across three major commercial real estate loan categories: construction and land development loans, nonfarm nonresidential loans and multifamily loans, according to the Federal Reserve Bank.

Banking data from the Federal Deposit Insurance Corp. shows that more banks have seen a shrinking in the amount of commercial real estate loans on their books. About 41% of banks involved in commercial real estate lending had reduced totals, a percentage that's risen from 29% in the previous quarter.

The overall total of commercial real estate loans held by banks increased \$22.6 billion, with 11 banks posting increases of more than \$1 billion in the quarter. Notably though, of those 11 banks, six of them had growth that came mainly from bank acquisitions and not loan originations or purchases.

While some of the slowdown in growth came from seasonally reduced transaction volume in the first quarter, much of the reduction is strategic.

Citizens Bank of Providence, Rhode Island, posted the largest growth in commercial real estate loan totals that did not involve a bank merger. Even here though, the bank's parent company, Citizens Financial Group, warned that its growth is not likely to hold up during the rest of the year.

"We are also seeing attractive risk-adjusted return opportunities in commercial real estate with growth tied to high-quality projects largely in office and multifamily," John Woods, the company's chief financial officer, told analysts during the firm's first-quarter earnings conference call. "It's really across the Southeast and in growth areas of the country where we're seeing the highest levels of growth."

Nationally though, Woods added: "The growth will slow down over the balance of the year and that's strategic because we're focusing on the better end of the opportunity set that we see. So we have to originate a fair amount just to replace what is on our books already. But I think you should expect to see our real estate growth on a gross basis be a little slower than it's been in the past from a strategic standpoint."

Marianne Lake, chief executive of consumer lending at New York-based JPMorgan Chase and a member of the largest U.S. bank holding company's operating committee, told analysts in a first-quarter earnings call that commercial real estate "is much lower; it's very competitive; its prices have come down. We continue to provide financing and funding for our core loans, but we're not going to chase it down."

BB&T Corp., which is in the process of merging with SunTrust Banks, saw its loan origination volume shrink 7.5%. "That's really because of our focus on conservative underwriting," Kelly King, chairman and chief executive, said in a first-quarter earnings call. "I mean this quarter, particularly in CRE underwriting, is really, really very competitive. And as I indicated, we are simply not willing to go where some are with regard to CRE underwriting and so that's why we saw the softness there."



Taking this even further, when Professor Skidmore announced that he had determined through published online government financial statements that the \$21 trillion had gone missing and unaccounted for, the financial statements then suddenly disappeared from the internet.

So what this now means is that the financial statements of companies that are doing business with the government cannot really be relied upon, because if they are deemed to be falling within the provisions of FASAB 56, the companies can now legally misrepresent their financial statements to the public. But in keeping this in mind, what does this now mean a company can do to alter their financial statements in order to bolster the value of their company stock? In a world where corporate greed seems to be running rampant, and executive bonuses are oftentimes tied to company performance, how far might some top executives go in knowing that the truth now must always remain secret?

This is truly mind boggling to come to terms with! But what this now does in many ways is it makes commercial real estate an even better, safer investment when compared to many stocks. As long as you have tenants in place who cannot claim secrecy for their financial statements under FASAB 56, which will represent the vast majority of companies, you should be OK as long as you always do your due diligence. But with this in mind, how confident do you now feel about investing in companies that can utilize this secrecy without you even knowing about it?

805 W. Gladstone St., Azusa CA



Brian Deets
Principal
BRE License 01800743
626.244.4743 (Cell)

Alfredo Mejia
Broker Principal
BRE License 01198019
626.841.0599 (Cell)

830 S. Myrtle Ave.
Monrovia, CA 91016
Ph 626.303.1818
Fax 626.303.1758
cibarealestate.com

FEATURES

- Approximately 800 SF Retail space
- Asking \$1.25 Per Square Foot
- Personal Bathroom
- 1 small Office
- Heavy Signalized Corner of Gladstone and Vincent Ave
- Great Space for Lawyer, Tax accountant, Insurance Accountant, Retail etc....





FOR LEASE

109 E. Chestnut, Monrovia, CA 91016



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

Myrtle Avenue Industrial Park

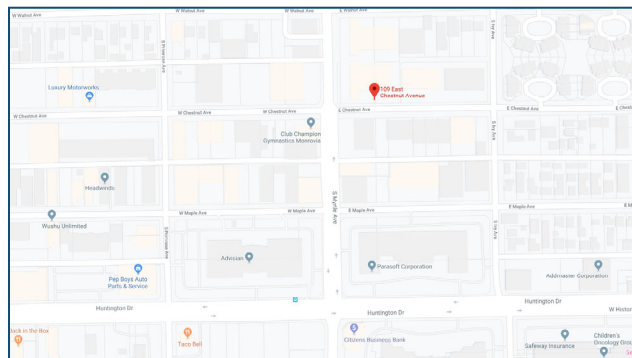
Property Highlights

- R&D/Lab Space Available For Lease
- Approx. 1,500 SF Available with Small Warehouse Area
- Asking \$1.50/SF Modified Gross
- Electrical: 200 AMPS, 3 Phase
- Unit Contains 2 Kewaunee Fume Hoods and Emergency Lab Shower
- Clear Height is 15 Feet
- Ground Level Roll Up Door
- Walking Distance to Old Town Monrovia
- Close Access to 210 and 605 Freeways

Brian Deets
VP Principal
BRE License 01800743
brian@cibare.com

Gina Fanara
Senior Associate
BRE License 01805710
gina@cibare.com

Filippo Fanara
Broker Principal
BRE License 01198019
filippo@cibare.com



The information provided herein has been obtained from reliable sources but is not guaranteed to be accurate.