

Business Seminars

Monrovia Business Seminar
TBD

MADIA TECH LAUNCH
No Summer Meetings

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

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

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.

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Quotes for the Month

"I cannot give you the formula for success, but I can give you the formula for failure--It is: Try to please everybody."

-- Herbert Bayard Swope

"Success isn't just about what you accomplish in your life; it's about what you inspire others to do."

-- Unknown

Investment in U.S. Real Estate By China Slows

SEPTEMBER 05, 2018|PAUL NORMAN

Some Sales of U.S. Assets Came in First Half, a Trend CBRE Expects to Extend in Coming Months

China investors are slowing the acquisition of overseas commercial real estate and have begun selling, particularly in the U.S. and Europe, to improve balance sheets and to lock in profit for their early investment, according to a new report.

The dispositions in the first half of 2018 will probably extend into the coming months as some investors in China under financial strain seek to strengthen their balance sheets, reports Los Angeles-based real estate services provider CBRE.

Asian outbound capital deployment remains robust amid the recent slowdown of Chinese outbound real estate investment, with US\$25.3 billion of activity in the first half of 2018 led by Singaporean capital, which accounted for 36 percent of the region's total, reports CBRE.

Singaporean investors favored Europe as a location for portfolio diversification, investing US\$3.4 billion into the region in the first half of 2018, CBRE said. Singaporean investors were also active in the U.S. logistics sector, spending around US\$2.27 billion during the period.

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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.

Henry Chin, head of research, Asia Pacific at CBRE, the world's largest commercial real estate services firm, said that "overall, we anticipate that Singaporean, Korean and Hong Kong investors' strong investment appetite, particularly in Europe and the U.S., will continue to be a key propellant of Asian outbound investment in the medium to long term."

London is still a preferred channel for Asian investors, accounting for 26 percent of the region's total outflows, CBRE finds.

"Substantial funds flowed from both Hong Kong and Singapore into London to capitalize on the more favorable yields and longer rental periods presented by commercial properties that are unattainable domestically," the CBRE report noted.

CBRE also reports that despite the deceleration in Chinese outbound activity, it is expected that Asian investors will remain active abroad.

Tom Moffat, Head of Capital Markets, Asia at CBRE said: "Asia Pacific investors are becoming increasingly recognized players and continue to expand portfolios strategically. The slowing of Chinese investment has prompted the emergence of more diverse capital sources, which illustrates the depth of liquidity and appetite for offshore deployment."

Property companies were the most active investor class and accounted for half of total Asian outbound investment, compared to 27 percent in the first half of 2017.

Real estate investment trusts also accelerated outbound investment, with two Singaporean REITs making their first investment in Europe. On the contrary, institutional investors, who accounted for 45 percent of the region's total outbound activity in the first half of 2017, were less active this year and comprised 13 percent of the total.



Industrial Construction in Southern California's Inland Empire Turns Speculative

AUGUST 23, 2018 | RAFAEL DE ANDA

CoStar Market Insights: The First Potential Warning Sign for an Otherwise Booming Market

Since the beginning of the year, the share of industrial product in the pipeline being developed speculatively has grown from 53 percent to 70 percent in California's Inland Empire, equating to a total of 18 million square feet of available industrial product under construction.

Booming industrial rents, limited local opposition and an increased perception that the future of consumerization will revolve around ecommerce has helped drive construction into the Inland Empire, which is conveniently accessible to the Ports in Los Angeles and Long Beach, and to the large consumer base throughout Southern California.

Industrial construction has been prevalent throughout this cycle and the upcoming batch of industrial buildings will continue to arise in parts of the area that have seen the most industrial development, like the South Riverside, East San Bernardino and Riverside submarkets.

Both the South Riverside and East San Bernardino have experienced similar trends, where recent deliveries have been met with strong levels of absorption and a low vacancy environment. Industrial inventory in these respective submarkets has grown by 45 percent and 30 percent since the start of 2010.

In Riverside, industrial inventory grew by 35 percent over the same period. But the picture appears less rosy as recent supply additions have far outpaced demand.

Vacancies, which fell from a peak of 15.5 percent in the fourth quarter of 2009 to 3.4 percent in the fourth quarter of 2016, have recently grown to 7.9 percent. With roughly 6.7 million square feet of industrial space under construction in the submarket -- 80 percent remains available -- it will take stout leasing performance to prevent further vacancy expansion.

While the amount of speculative construction can signal increased risk, its existence is born out of increased confidence here and asset type.

Industrial rents in the Inland Empire posted double-digit annual gains from 2014 to 2017 and only recently decelerated to 8 percent growth from four quarters ago. Pricing per square foot has doubled since the first quarter of 2012, based on CoStar's Market Price Index.

Other red flags, however, are starting to appear. For example, negative net absorption has plagued the Los Angeles and Orange County markets in the first half of 2018. Additionally, escalating trade tensions with some of the nation's largest trading partners may be leaving trade-dependent companies to scale back investments.





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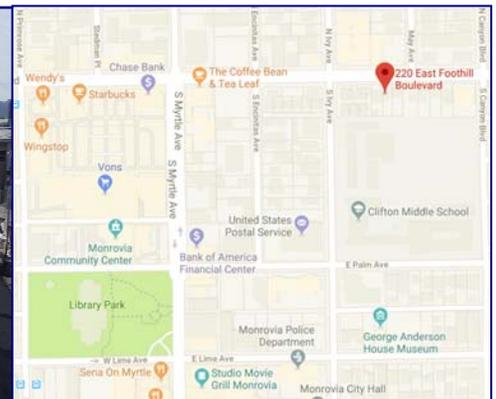
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