

Forecast for the San Gabriel Valley Office Market in 2015

The San Gabriel Valley office market has seen continued improvement through the latter part of 2014. Office vacancy rates have decreased from 17.3% to 16.9% while rents have seen a slight increase of 3% year over year. The average lease rate for office rose from \$2.02 to \$2.08 per square foot on a full service basis.

There is currently just over 200K square feet of office building under construction throughout the San Gabriel Valley. Job creation is key to office demand. Unemployment rates in the San Gabriel Valley have decreased from 8.8% to 7.5% year over year.

The investment and sales market for office buildings throughout Los Angeles has seen strong activity throughout 2014. Total dollar sales volume reached the highest levels seen since 2006 at \$9.5 Billion and median prices rose 2.3% year over year.

Vacancy rates are expected to continue to trend lower throughout 2015. Lease rates are expected to increase 2% to 4% throughout most submarkets.

Source: CoStar Advisor Newsletter 1/29/2015 and The San Gabriel Valley Economic Partnership Outlook for 2015

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**Current SBA 504 Rate for
February 2015 is 4.53%**

Threats to 1031 Exchanges and Capital Gains Continue in Congress

There are currently three tax reform bills floating through Congress that threaten to eliminate the benefit of 1031 exchanges. 1031 exchanges help businesses reinvest in their businesses and grow. Eliminating 1031 exchanges would cause a decline in real estate values as investors will be motivated to hold on to properties and to invest in more liquid, non-real estate investments with faster returns. The result of repealing

1031 exchanges would be similar to implementation of 1986 tax reform modifications that resulted in a recession. 1031 exchanges encourage business expansion and continued investment in the US real estate market. Similarly, the president recently proposed increasing the capital gains tax again now from 20% to 28%. This is in addition from a previous increase he made and the 3.8% tax on net investment income.

He has also proposed to eliminate the stepped-up basis at death for heirs inheriting property. Currently, the basis is stepped up to the fair market value of the asset on the date of death. However, this proposal would result in the built-in gain remaining in the property after it passes to the heirs. These various proposals from Congress and the President would severely affect real estate values and investment in real estate.

Source: Asset Preservation
www.APIExchange.com

Featured Property: JUST SOLD!



426 E. Duarte Road Monrovia, CA 91016

Approximate 6,162 SF building situated on over 12K SF of land. Completely remodeled in 2008/2009.

Two Separate buildings- front retail/office building and rear warehouse with high ceilings, two large loading doors and fenced yard.

Please contact me if you would like information on market availabilities or a Broker price opinion for your property.

Represented Buyer



Linda Vidov-Elkaim (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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