

Trade Agreement Changes and the Possible Effects on Commercial Real Estate

This week under the new administration, the US has ended partnership in the Trans Pacific Partnership (TPP). The new administration is also committed to renegotiating the North America Free Trade Agreement (NAFTA). Although trade has helped absorb manufacturing space for distribution, it has also taken US manufacturing jobs to other countries to capitalize on cheaper labor. However, this affects the quality of the products being manufactured and takes jobs away from US workers. Many are also concerned with how leaving this partnership affects the US global trade relationships and fear this could put China in a position to capitalize on the US ending trade agreements. The TPP was never actually ratified by the Republican controlled congress.

The new administration has also vowed to renegotiate NAFTA which was signed into agreement in 1993. NAFTA was signed before the age of internet and smartphones. Therefore, issues such as cross-border data flows and exports of digital products should be updated. E-Commerce has changed the way we do business by selling online through Amazon, eBay and other online retailers. Customs can be a difficult issue to navigate for small to medium businesses. Simplifying customs paperwork and raising the threshold for the value of shipments before they face customs revisions would boost U.S. small business exports to our neighbors.

Another issue of NAFTA is the rules of origin which is the threshold for the amount of regional content needed to qualify for NAFTA's tariff benefits. Basically this means how much of a percentage of the product has to be made within the country to be tariff free. A better way to

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handle this would be to revise the requirements to strengthen and incentivize investment and job growth in the United States. This would bring more manufacturing jobs back to the US, improve the unemployment rate and stimulate the GDP.

The countries part of the agreement agreed to abide by labor laws and cooperation. However, the enforcement of that, including the US, has been lacking through the years. Another area the US could improve would be to negotiate services trade where the US is strong in high skilled workers.

Finally, due to the agreement being dated, revising the way the agreement is operated would improve the results for all countries part of the agreement. This would include infrastructure investments, corporate tax changes and effective trade cooperation with other countries part of this agreement.

**Current SBA 504 Effective Rate for
January 2017 is 4.6%**

**Source: Bisnow newsletter January 26, 2017,
CoStar newsletter January 25, 2017 &
Forbes.com**

2016 Industrial Market Review for the San Gabriel Valley

Los Angeles ended 2016 with the lowest overall industrial vacancy rate in the country at one percent. The greater Los Angeles area has 4.7 million square feet under construction despite the lack of available land. The average lease rate is up at \$0.79 PSF and the average sale price is \$149 PSF up from \$141 PSF one year ago for the greater LA market.

The San Gabriel Valley industrial market closed on par with the overall LA market with the vacancy rate at one percent. The average asking lease rate in the San Gabriel Valley increased to \$0.80 PSF from \$0.78 PSF the previous quarter. The outlook for absorption and activity moving forward is positive with new construction completing in

2017. The SGV has 1.3M SF under construction in City of Industry, Irwindale and mainly over 400K SF in Pomona at the Oakmont Pomona Development. There is an additional 2M SF planned for construction in Arcadia, Baldwin Park, City of Industry and Irwindale.

Source: AIR XCeligent 4th Quarter Industrial Report, CoStar

JUST REDUCED: \$55K Price Reduction



227 W. Maple Ave Monrovia

An approximate 4,160 SF industrial/flex building situated on 7,948 SF of land. Rear fenced yard with alley access.

Nicely appointed front office space with approx 1,100 SF including 3 private offices, conference room and reception area.

400 AMP 240/277 Volt 3 Phase Power

One block north of Huntington Drive. Walking distance to Old Town.

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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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