



4<sup>th</sup> Quarter 2018

## Opportunity Zones: Connecting Investors with Communities

Added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017, Opportunity Zones were created to encourage new development in areas that are eligible for preferential tax treatment. Established as an economic development tool, Opportunity Zones are designed to spur economic development and job creation.

So, how does this work? Simply it allows investors to defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) for a period or until it is exchanged or sold. The longer a QOF investment is held, the more tax benefit afforded to the investor. A Qualified Opportunity Fund is set up as either a partnership or corporation for investing in eligible property located in a Qualified Opportunity Zone. Here in the High Desert, each municipality; Adelanto, Apple Valley, Barstow, Hesperia and Victorville has property that is in a Qualified Opportunity Zone. While there is not much public knowledge about these zones, there is great opportunity for local and national investors to pool resources and invest in creating new jobs and economic growth in the region.

There is more than \$2 trillion in unrealized capital gains sitting in individual and corporate balance sheets across America, according to the Economic Innovation Group. These assets are subject to capital gains taxes and surtaxes which is what

Published and Distributed by Lee & Associates -Inland Empire North. Donald P. Brown - Founding Principal

makes Opportunity Zones an even more attractive and productive use of these assets. Allowing investors to utilize said assets to develop projects in areas designated in need of economic development and in turn, providing tax benefits for making such investments in these communities. Goldman Sachs Group has disclosed about \$150 million in projects in recent months that are all products of Opportunity Zone investment in communities across America.

Please keep a lookout for updates on Opportunity Zones from us as more regional and local programs are formed and announced. We look to bring more information on Opportunity Zones to a future meeting of the High Desert Commercial Real Estate Council. Stay tuned....

To stay up to date on exciting projects and market activity follow us on Facebook and sign up for our email alerts by contacting our Marketing Coordinator, Kelly Brady at: [kbrady@lee-associates.com](mailto:kbrady@lee-associates.com)



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## INDICATORS AT A GLANCE

### GDP Growth

2.5% growth in '19, up from 2.9% in '18

### Interest Rates

10-year T-notes at 3.6%

By end '19

### Inflation

2.3% in '19 the same as in '18

### Unemployment

Increased to 3.9% in December

### Manufacturing Growth

2.7% in '19 down from 2.9% in '18



## Landlord Alerts

Information Provided by Kimball, Tirey & St. John LLP

**AB 2173 Commercial Property: Abandoned Personal Property:** This bill increased the threshold amount for personal property abandoned in a commercial property to the greater of (1) \$2,500 or (2) one month's rent. This bill does not change existing law with regard to the valuation of residential abandoned property.

**AB 1289 Property Disclosure Requirements:** This bill makes non-substantive changes to several provisions of the Civil Code to conform to the Real Estate Law definitions contained in the California Business and Professions Code.

**AB 2343 Calculations of 3-Day Notices and Summons:** This bill extends the waiting periods for summons and some notices, effective September 1, 2019. Law previously allowed weekends and holidays to count towards the three (3) day notice period, but prohibited a notice from expiring on a weekend or holiday. Code of Civil Procedure §1161 has been amended to specifically exclude "Saturdays and Sundays and other judicial holidays" when calculating the notice period for notices to pay rent or quit or notices to perform covenant or quit. It does not exclude these days when calculating expiration periods for 30, and 60 day termination notices and notices to quit based on unauthorized assignment, subletting, nuisance, and waste. Similarly, Code of Civil Procedure §1167 is amended so that the five-day period an unlawful detainer defendant has to respond to a notice of summons will not include judicial holidays, including Saturday and Sunday.

## Office & Industrial Market at a Glance

**Office:** total RBA is 5,557,571 SF and 453,573 available SF. The vacancy rate is 5.42% with a Q4 net absorption of (5,462) SF

**Industrial:** total RBA is 19,477,497 SF with 1,694,233 available SF. The vacancy rate is 7.6% with a Q4 net absorption of 108,962 SF

**Retail:** total RBA is 17,156,626 SF with 1,753,516 available SF. The vacancy rate is 6.74 % with a Q4 net absorption of 283,570 SF

The condition of the High Desert commercial real estate market has continued to improve, with steady absorption for the foreseeable future. We are seeing momentum improve quarterly. The Inland Empire has been a top five market for developers since 4<sup>th</sup> Quarter of 2011.



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## Completed Lease Transactions

<u>Tenant</u>	<u>Size</u>	<u>Address</u>	<u>Leasing Rates</u>
Shark Glass	15,000 SF	14749 Hesperia Rd. Victorville	\$0.70 MG
County of San Bernardino	5,100 SF	17270 Bear Valley Rd. Victorville	\$1.85 NNN
Audiotistics	4,392 SF	12284 Industrial Blvd. Victorville	\$0.66 MG
Nevestitch Equipment & Repair	2,500 SF	17359 Darwin Ave. Hesperia	\$0.60 MG
High Desert Carbonics	2,000 SF	22275 Powhattan Rd. Apple Valley	\$0.44 MG

## Featured Properties



15770 Mojave Dr. Victorville, CA  
\$2,450,000



5053 Mission Blvd. Montclair, CA  
\$595,000



15360 Bonanza Rd. Victorville, CA



12137 Industrial Blvd. Victorville, CA

## ECONOMIC INDICATORS, BUSINESS NOTES, AND PREDICTIONS:

- 2018 data shows the Inland Empire's job growth to be very strong lead by logistics and construction. The gain can be matched to the pace of 2013-2017 with the Inland Empire headed for a new employment record. Job quality can be expected to be even better than before the recession.
- Business activity in the Inland Empire grew at an annualized rate of 2.6% during the second quarter of 2018. This is somewhat higher than the 2.2% experienced during the first quarter of 2018.
- American businesses are cautiously expanding their operations in fear of a slow economic growth in 2019. Growth for U.S. manufacturers will slow in capital spending from 5% last year to 7% in 2019.
- Crude oil is currently trading at around \$65 per barrel and will increase to \$70 per barrel in March. Oil prices have begun rising due to signs that Saudi Arabia is cutting back its oil exports in conjunction with OPEC's decision to slow production.
- The affordability of houses in San Bernardino County is high showing 49% of regional families can afford the median priced existing home.



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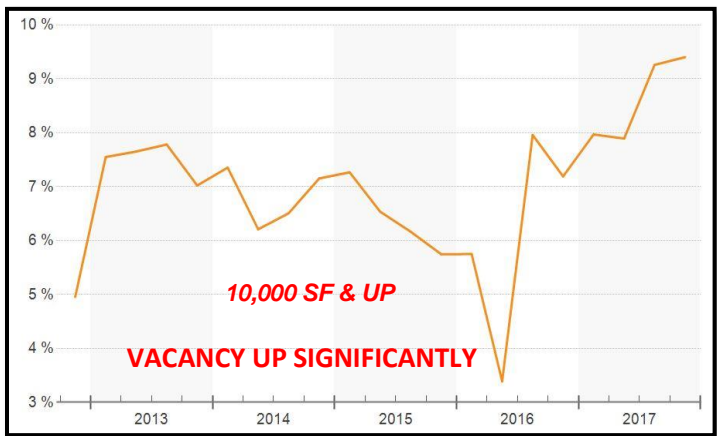
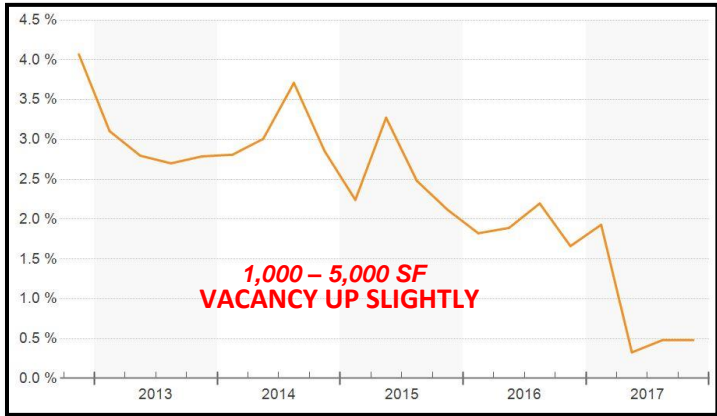
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**Industrial Building  
Vacancy Rate**



**Present & Past Clients of Don Brown:**

- \*Desert Community Bank
- \*Western Realty Property
- \*Weddington Heritage
- \*Equitable Companies LLC
- \*City of Victorville
- \*City of Barstow
- \*County of San Bernardino
- \*City of Adelanto
- \*Enterprise Funding Corp.
- \*Pacific Western Bank
- \*Alaska Federal Credit Union
- \*Town of Apple Valley
- \*Choice Medical Group
- \*Citizens Business Bank
- \*Hudson Realty Advisors
- \*Lewis Retail Centers
- \*Chino Commercial Bank
- \*Space Center Incorporated
- \*Nutro Products
- \*Farmers Insurance
- \*General Atomics
- \*World Premier Investments



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