



**Southern California  
Chapter**

## *2nd Quarter 2020 Newsletter & Updates*

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### President's Letter

**R. Casey Merrill, MAI  
2020 SCCAI President**



Greetings and thank you for the opportunity to serve as the 2020 President of the Southern California Chapter of the Appraisal Institute ("SCCAI").

Thus far, 2020 has been a very different and challenging experience for citizens all over the world, including the U.S..

COVID-19 was first detected in the U.S. in February 2020. By mid-March, all 50 states, the District of Columbia, New York City, and the 4 U.S. territories had reported cases of COVID-19.

In the U.S. we have had over 120,000 deaths, and in just L.A. County, there have been over 3,000 deaths attributable to COVID-19 in the past 3 months.

Along with most people in the World, the COVID-19 Pandemic has changed the way that we (appraisers) conduct business, when we are fortunate enough to be employed.

Record unemployment, social unrest, protest and violence related to systemic racism have added to our current challenges.

In Q2 2020 many of us, family members, friends and loved ones were laid off, and we found out what the term "furlough" means. This has been a difficult period.

Appraisers and others are learning to conduct business differently with less "in person" client or staff meetings. We are now using Video Conferencing meetings held via Zoom, Skype, Microsoft Teams, GoToMeeting, and other conferencing technologies and tools. Most of us are now working remotely, even as offices begin to open back up.

The SCCAI has quietly made significant progress during this challenging 2<sup>nd</sup> Quarter of 2020. We have completed important initiatives, moved the Chapter office to a better location with lower rent, offered our first on-line courses with testing components, and have continued to do many things virtually.

The SCCAI's Board including Vice President, Steve Henry; Treasurer, Jacinto (Jay) Munoz; Secretary, Linda Whittlesey; and Past Presidents Beth Finestone and Charles Baker have all been instrumental in getting things accomplished and helped our Chapter to continue to make important progress during Q2 2020.

The Office Committee, which is Chaired by Steve Henry oversaw the June 15<sup>th</sup> move of Executive Director, Lianna Ayala and the Chapter office from Montrose to a new location at 2440 S. Hacienda Blvd., Suite # 104 in Hacienda Heights which will result in a substantial monthly rental savings. Jay Munoz negotiated this new lease term, which the Office Committee ratified. The Chapter office phone number of 818-957-5111 remains the same.

We would like to thank Lianna Ayala for doing an excellent job in organizing our new Chapter on-line courses.

Although we did not have "in person" Chapter Events in Q2 2020, we successfully held a 7-hour **USPAP** course via Zoom on June 4<sup>th</sup>.

On June 10<sup>th</sup> we held the **Federal and California Statutory and Regulatory Law** course with Zoom, and it included the Chapter's first ever on-line exam. The State of California BREA not only approved this course and the related on-line exam, they posted the credits and approved this course and the related license renewals less than 5 business days from course completion.

The Chapter is currently working with Instructors on hosting more classes via Zoom.

It is our hope that we can celebrate the **Annual Heritage Night Dinner** on October 8<sup>th</sup> to honor one of Southern California's most respected and well know appraisers, Dave Zoraster, MAI. The Co-Chairs for this Event are Don Hirose, MAI and Brad Lofgren, MAI. Dave has the distinction of mentoring and/or training more appraisers in the Chapter than any other appraiser. This will certainly be a festive event, as fun is standard issue for anything that Dave is involved in, particularly if it includes bourbon.

The **Annual Litigation Seminar** is tentatively scheduled for November 5<sup>th</sup>, 2020 at the Sheraton Cerritos and is being led by David Williams, MAI and is planning to feature very much in demand Presenters such as Mike Mason, MAI; Stephen Roach, MAI; and Brad Lofgren, MAI; and some excellent litigation attorneys.

Thank you to our Chapter Members who give up their time to volunteer and serve on committees including the **Education Committee** and their Chair, Adam Bogorad, MAI; and Committee Members Kory Felix, MAI; and Ernie Lopez, MAI.

Branch Chairs and Advisors serving with distinction include:

**Northwest Branch** Chair - Bradley Stern, MAI; Vice Chair - Jan Kelly, Candidate; Advisors – Jerardo Arciniega, MAI; Marcus Espinoza, MAI, SRA; and Norman Chung, Candidate.

**Eastern Branch** Chair – Charles Thomas, Candidate; Vice Chair – Scott Thompson, MAI; Advisors – Alex Liu, Candidate, William Jones, MAI and Christie Santolucito, Candidate.

**Southern Branch** Chair – Matthew T. VanEck, MAI; Vice Chair – George Paquette, SRA; Advisors –Alex Jaffe, MAI; Robert Contant, MAI; and Michael Snodgress, Candidate

Our **Candidate Guidance Committee** is Chaired by Steve Norris, MAI and Committee Members include Nancy Summers, MAI; and Jeanelyn (Joy) Kwong.

The **Government Relations Committee** includes Chair, Steve Henry, MAI; and Committee Members Jay Munoz, MAI, SRA; Linda Whittlesey, SRA; Charles Baker, SRA; Ryan Hargrove, MAI, SRA; and Marcus Espinoza, MAI, SRA.

Enjoy your summer, stay healthy, and serve somebody else.



## ***Inland Empire Market Trends Seminar adapts to COVID-19***

### ***By: Nancy Summers, MAI***

The Inland Empire Market Trends Seminar Committee was put to the test this spring during our typical planning period for the annual Inland Market Trends Seminar usually held in June. With the global pandemic in progress, efforts to monitor, postpone, and then act were made by the Committee, which consists of Jennifer Hafner, MAI, Alex Liu, Bob King, SRA, Mike Ader, MAI, SRA, Christie Santolucito, Steven Botts, MAI, Bill Jones, MAI, Jacinto Munoz, MAI, SRA, AI-GRS, AI-RRS, and Nancy Summers, MAI, with the expert help of Lianna Ayala.

Our committee made the decision to hold a free, mini seminar online with no continuing education credit after coordinating with the Chapter office. The event was held May 21, 2020 and was a great opportunity to adapt to 21<sup>st</sup> Century technologies to serve our membership.

Jennifer and Alex were point on developing the plan and program, testing the system, and hosting the event and it went smoothly, was informative, and great to connect with long-time event speakers Brad Umansky of Progressive Real Estate Partners (retail market), David Mudge of Lee & Associates (office market), and hot topic speaker, Andrew Starnes of Cushman and Wakefield (industrial market). The audio recording of the event is available at <https://soundcloud.com/user-654142335/inland-empire-market-trends>. A summary of the presentations is provided below, with special thanks to Denyse Neville of Cushman & Wakefield for taking notes.

***Retail Market:*** Brad Umansky indicated that the market continues to have modest lease transactions with no change in pricing or concessions, but the 2<sup>nd</sup> quarter of 2020 is expected to be the worst quarter in a decade from sales volume perspective. Users are taking a wait and see perspective. There will be some lease rate drops on higher end spaces, and tenants who can, will go to older retail centers as tenants drop out there. The August rent rolls will be most critical to gauge the market as concessions will wear off and will determine who can or can't pay rent. Demand is now for second generation space, to create opportunities. Transactions are more 2021-focused, (for example Big Lots, grocery stores, etc.) with those retailers that have been open during pandemic potentially looking to expand. Financing, for the most part has not been available for retail, with most investors in a wait and see mode. Recent statistics show that 60-65% of rents were paid in April and May, which is considered a "good" outlook for investors. In the meantime, Sellers are flexible with escrow periods, pre-purchase inspections, and financing. There are reports of Corporate Tenants (like Joanne Fabrics, and Staples) behaving badly: by making partial rent payments, stringing rent and renewals along, etc. Corporate tenants are not necessarily in need of relief, but they have and are using leverage to dictate terms to landlords.

***Retail Outlook:*** good time to be broker, but not an owner. Good space will become available, but with lower expectations. Sellers may be trying to get out, but not in desperation.

***Office Market:*** David Mudge indicated that the Office Market was not doing as well as the Industrial Market, but not as bad as Retail. However, it is still too early to tell the effects of the Coronavirus and will likely start feeling effects in the third or 4<sup>th</sup> quarters of 2020 or early 2021. Vacancy is around 8% in the Inland Empire, but with no new construction. Ownerships of leased properties are well capitalized and waiting to see what happens. Mudge indicated that of around 30 properties he tracks, the majority of rents are continuing to be paid, with some buildings collecting 100% of rents. He has received very few inquiries for rent relief, with most indicating they intend to pay through at least August. Based on informal survey, Mudge estimates that A/B office projects are still occupied by people, but at reduced workforce of around 33% to 50%, expected to increase by end of May/beginning of June. Regional and national firms are more likely to not occupy physical space right now, while local companies are in the office, but not at full capacity. Transactions are occurring, but not at a typical flow, with most participants waiting to see what will happen. New deals are for smaller space of around 1,000 sf, but renewal transactions represent the majority of transactions. However, renewal times have declined and what would have been a five-year renewal is now 18 months. Landlords are keeping cash flows consistent with renewals, that provide no free rent, no Tis. National companies are rethinking office space needs and considering downsizing. There is speculation in the market on how much to downsize, and changing to hub and spoke models, with hubs in urban areas connecting to offices in more suburban areas. Investors are more conservative now than same time last year, but user transactions are prevalent, with SBA funding available, low rates. Due diligence periods on the investment side are extended. Lease lengths have shortened but should pick up again in 6 to 8 months (early 2021).

***Office Outlook:*** It's too early to tell, but the office market did not get hit as badly as anticipated. The market is overall steady but depends on tenant base in individual buildings. Transactions have relaxed and volume is down 30% to 40%.

**Industrial Market:** Andrew Starnes indicated that the pandemic has forced companies that were not adapting to e-commerce to do so now, such as Pier One Imports. Landlords are now taking shorter lease terms (such as 9-12 month) with tenants with good credit to get through COVID. Leases that were in negotiations prior to the pandemic lock down are now moving forward. At the end of May, there were increases in tenant tours, with virtual tours predominant, and new deals starting to pop up. According to Starnes survey, 85% to 92% of tenants are still paying rents, with no dramatic drops, and continuing low vacancies (3.6%). The industrial market is still strong, but landlords are providing higher TIs, or providing an extra month of free rent. Projections for space demand by essential goods and ecommerce tenants (such as Target) are high, with furniture retailers posting historic highs. Construction loans are very scarce, but interest rates are unchanged. No price reductions are identified for properties in escrow, but due diligence periods are being extended. The buyer pools are also being reduced – instead of 10 offers, there may be five offers. Land entitlement periods are being extended, and there is more demand for modern ecommerce properties. For properties with excess land, if building coverage is above 48%, expect market lease rates. Social distancing and lock downs are forcing reconsideration of prior “just in time” logistics (storing equipment just to meet current needs) as shifts are spaced, using industrial space for stockpiling product, and social distancing in the warehouse. This is still being figured out.

**Industrial Outlook:** strong, flat on rent growth, good market will continue, but rest of year may be flat.

## The 2020 Southern Branch Team

**Chair: Matthew VanEck, MAI**  
**Vice Chair: George Paquette, SRA**  
**1st Advisor: Alexander Jaffe, MAI**  
**2nd Advisor: Robert Contant, MAI**  
**3rd Advisor: Michael Snodgrass, Candidate**

Unfortunately, because of COVID-19 we have been unable to hold an in person meeting so far this year. As it appears that it might take some time before it is safe to return to our original structure, we are working on meeting alternatives that we'll be in touch with in the coming weeks.

Later this month we will be holding elections for next year's Southern Branch officers. If you are interested in participating in the branch, please reach out to me at [matthew.vaneck@kidder.com](mailto:matthew.vaneck@kidder.com). It is a great opportunity to serve the chapter and meet professionals throughout our industry.

I look forward for the time when I will get to see you all in person. In the meantime, take care everyone and stay safe.

Matthew VanEck, MAI

## The 2020 Eastern Branch Team

**Chair: Charles A. Thomas, Candidate**  
**Vice Chair: Scott Thompson, MAI**  
**1st Advisor: Alex Liu, Candidate**  
**2nd Advisor: William Jones, MAI**  
**3rd Advisor: Christie Santolucito, Candidate**

First and foremost, we hope this message finds you and your family well. With the novel coronavirus/COVID-19 situation changing rapidly, we know that people are experiencing much uncertainty. The novel coronavirus has quickly changed how real estate transactions are handled as business often is conducted remotely, and many of our planned Eastern Branch meetings were put on hold. The impact of COVID is having a variety of effects on all people. These effects will alter how we do business for years to come. The work-from-home lifestyles may become the new norm for some of us. We have to adapt and pivot.

While no one can predict precisely how life will change long term, but everyone feels that change is in the air.

We are transitioning to online sessions in the foreseeable future. Our first Eastern Branch online event, we will be having D. Michael "Mike" Mason, MAI, SRA as our speaker. He will present an overview of the changes to the 2020-2021 version of the Uniform Standards of Professional Appraisal Practice (USPAP). Also, through discussion and examples, Mr. Mason will present issues like:

- The proper use of Extraordinary Assumptions and Hypothetical Conditions
- How to know when you have an acceptable statement of Intended Use and Intended User
- What is the proper analysis and presentation of market activity regarding the subject property?
- What does market value mean in the USPAP?
- Verification and Confirmation – what's the difference?

REGISTRATION TO OPEN SOON .....PLEASE CHECK THE WEBSITE

I hope you can join us for an opportunity to meet with other appraisers and, at the same time, learn something about the appraisal profession.

Be well and be safe.

**2020 Education Committee**  
**Kory Felix, MAI**  
**Education Committee**

The Education Committee is hoping you are well and managing through the current environment. With continued restrictions due to COVID-19, we are offering several virtual courses in the coming month. We will keep you informed regarding additional cancellations or rescheduled classroom offerings over the course of the year.

June 4, 2020 - (Virtual) 7-Hour USPAP

**June 10, 2020** - (Virtual) Federal and California Statutory and Regulatory Law

With the health and safety of our members as our priority, the Southern California Chapter will continue to comply with government guidance on large gatherings. We are hopeful for a recovery and to see you in-person soon!

Please refer to the chapter website, <http://www.sccai.org>, for the latest information and a complete list of our upcoming programs to register for.

Lastly, please keep in mind that the Southern California Chapter encourages members to take advantage of the Mason-Thornton Scholarship Program. The sole purpose of the program is to award financial scholarships to Designated members and Candidates in good standing, for courses presented by the Chapter leading to a professional designation in the Appraisal Institute. The chapter website has links to applications for this scholarship program, as well as additional national scholarship opportunities. Please make sure you visit the website to learn more about these opportunities.

***MEET OUR NEWLY DESIGNATED MEMBERS***

***Keith A. Rosenthal, MAI, AI-GRS***  
***Daniel D. Provencio, MAI, AI-GRS***  
***Michael Wada, MAI***  
***Christopher C. James, MAI***  
***Sofi E. Porter-Zasada, MAI***  
***Eric V. Foster, SRA***  
***Gary Store, AI-GRS***  
***Chris C. Butcher, MAI, AI-GRS***

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## Scholarships Available .....

The Southern California Chapter's Mason - Thornton Scholarship Program  
 The Mason - Thornton Scholarship Fund is a Trust Fund sponsored and managed by the Southern California Chapter of the Appraisal Institute. The sole purpose of the Fund is the awarding of financial scholarships to Designated Members and Candidates in good standing for courses presented by the Appraisal Institute leading to a professional designation in the Appraisal Institute.

### Application and Information

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## **NOTE:**

***Southern California Chapter of the Appraisal Institute has Moved:  
 The new address is:***

***2440 S. Hacienda Blvd. #104  
 Hacienda Heights, CA 91745***



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