

2nd Quarter 2021 Newsletter & Updates

President's Letter

**Steve Henry MAI
2021 SCCAI President**



Hello! I hope that all of you are healthy, happy, and busy. I know it has been sometimes difficult to adapt to the current reality. Please know that your chapter leadership is here to support you in any way we can.

Many of you know, we have been able to hold several virtual events so far this year for which we have been able to offer BREX credit. The latest of which was the 23rd annual Inland Empire Market Trends Seminar. Thank you for all who attended. At that event, we had a general membership meeting in which we held chapter elections.

Your Chapter Nominating Committee met by Teams video conference on February 18, 2021 & March 4, 2021 and exchanged e-mails on several other occasions. I'm pleased to announce our board for 2022 as well as our Region VII Representatives:

Jacinto Munoz, MAI, SRA, AI-GRS, AI-RRS	Chapter President
Linda A. Whittlesey, SRA	Chapter Vice President
Adam Bogorad, MAI	Chapter Treasurer
Ernesto Lopez, MAI, AI-GRS	Chapter Secretary

Representatives to Region VII Committee: 2022 & 2023

Ryan Hargrove, MAI, AI-GRS, SRA (21-22)
Jan Kelly, Candidate (21-22)
J.J. Gobbell, MAI (21-22)
J.P. LoMonaco, MAI (21-22)
Matthew VanEck, MAI (21-22)
Steve Botts, MAI (21-22)
Jacinto Munoz, MAI, SRA, AI-GRS, AI-RRS 2022 Chapter President
Alex Liu, Candidate (22-23)
Michael Frauenthal, MAI (22-23)
David Zoraster, MAI (22-23)
Paul Woo, MAI (22-23)
William Jones, MAI (22-23)
Peter Crane, MAI (22-23)
Linda Whittlesey, SRA- 2022 Chapter Vice President

Alternate Representatives to Region VII Committee 2022

Myung Cha, MAI
Rick Morris, SRA
Jennifer Hsu, MAI
Christine S. Santolucito, Candidate

Thank you to every one of you who have agreed to serve your Chapter in 2022. It is humbling to be working with such an outstanding group of professionals and friends.

As I have stated before, the health and safety of you, your families and your loved ones are still our top priority. As a result, we will continue to hold our events virtually with the hope that we will be able to gather in person later this year as things continue to normalize.

My first in-person event as Chapter President will be the Appraisal Institute's Annual Conference in Orlando in August. I hope to see some of you there.

Upcoming Chapter events include a free virtual mixer hosted by the Eastern Branch. I would encourage members from all branches to attend this event so that you can see familiar faces, catch up, and enjoy your favorite beverage. Regrettably, I will not be able to attend that mixer due to my son's high school graduation, but I look forward to seeing all of you in person soon. We will also be holding a 7-Hour USPAP Update Course on June 23rd. As I mentioned in the last Chapter Newsletter, we are hopeful that we will be able to gather in person later this year to honor Dave Zoroaster, MAI.

As always, your chapter leadership is here for you. Please do not hesitate to reach out to anyone of us with any questions or concerns, or even if it is just to catch up. I am extremely fortunate to be part of such a fun, dynamic Chapter. All the best to all of you and those close to you.



***23rd ANNUAL INLAND EMPIRE MARKET TRENDS SEMINAR
JUNE 3, 2021
VIA ZOOM***



The 23rd Annual Inland Empire Market Trends Seminar on June 3, 2021 provided another successful and informative day for Chapter members. The day included a line-up of experts who addressed different real estate sectors in the Inland Empire:

§ Brad Umansky, President & Head Coach of Progressive Real Estate Partners spoke about Retail Trends

§ David Mudge, SIOR, CCIM, Senior Vice President of Lee & Associates, spoke about Office Trends

§ Eric Chen, Senior Vice President of CBRE, spoke about Multi-family Residential Trends

§ Alan Reay, President of Atlas Hospitality Group, spoke about Hospitality Trends

§ Bruce Norris, President of The Norris Group, spoke about Residential Trends

§ Nik Schoolis, Manager at Zonda, provided an Economic Outlook

In addition, Regional Panelists discussed similarities and differences between various regions around the Inland Empire:

§ Susan Harvey, Broker, Owner at Desert Pacific Properties spoke about the Coachella Valley

§ Michael Strode, MBA, CCIM, SIOR, Senior Vice President at Lee & Associates spoke about the Temecula Valley

§ Joe Brady, CCIM, SIOR, President of the The Bradco Companies, spoke about the Mojave River Valley

The IEMTS was unable to secure an industrial trends speaker this year but the regional panel more than made up for this by discussing industrial trends and rates in their respective areas. The consensus seemed to be that industrial is moving in all directions, with the Mojave River Valley market serving primarily larger industrial buildings near or at the Logistics Airport with Amazon

moving in, Temecula Valley and surrounding areas have a variety of product with 19 new buildings in the 6-9K SF range, approx. \$235/SF starting construction, and the Coachella Valley seeing a hot market for smaller buildings. Both Brady and Harvey cited cannabis-related realty as being a factor in their respective markets, but Strode indicates because of resistance in come Temecula Valley communities, cannabis is not a factor.

§ Brady indicates that tentative tract maps are being reactivated in the Mojave River Valley, and cites the Tapestry project, which consists of 15,000 proposed homes south of Ranchero Road, as moving toward development again.

§ In the Coachella Valley, Harvey indicates that industrial is coming in and finished residential lots have largely been sold, tentative tract maps moving fast, and now affecting raw residential land sales. Not a lot of industrial inventory, but there will be an increase in building over the next year.

§ In the Temecula Valley, Strode indicates industrial lease rates have increased and is experiencing record sales rates. Vacancy is under 2%.

According to Norris, pending residential sales are more important in this market and should be considered by appraisers (within the parameters of lending or other assignment conditions). Demand for housing has remained high but inventory has not increased, and new construction levels are less than half of what they were in the boom years of 2003 and 2004. In general, Norris indicated that all the residential indicators are GREEN and that prices will continue to increase as building has not caught up with demand.

Umansky dispelled the rumor of a “retail apocalypse” due to COVID-19, as “mom and pop” retail remains resilient, and this remains an owner user market. Landlords were able to ride out the pandemic by being sympathetic to tenants and recognizing that turnover would bring free rent and other concessions along with vacancy. Umansky identified that leasing was positively impacted by Big Box turnovers despite NNN charge increases. Umansky also presented his analysis of what Co-Star identifies as “market rent” in its data compared to “asking rent.” Umansky indicated the inland empire is “over-retailed” and just needs better quality. This is consistent with the fact that new construction is low.

Mudge identified certain companies that were planning to maintain remote workplaces following the pandemic. He considers 2020 the weirdest year in his career, but considers the office market in the Inland Empire healthy, yet not ready for new construction. His associate, Lindsey Mingee, cautioned that reports in the media about the “office markets” focus on Los Angeles and New York, adding that the Inland Empire has not been affected the same way, especially in light of such little new construction in the last few years. Sales prices and lease rates are increasing and users are recognizing and accepting this. Entrepreneurial rates are declining. Lease rates are tightening between office classes (A, B, and C) and when they tighten, that is a likely indicator of price shifts upward.

Chen indicated rents in the region actually grew by 9.4% over the corresponding period last year, while the vacancy rate was just 1.8%, down 190 bps from the prior year. The small amount of new construction was a factor in the rent increase and the vacancy decrease. New construction is increasing, with 1,366 new units under construction in Q1 2021. Higher construction costs will make it difficult for other projects to get off of the ground, as higher rents will be required to demonstrate project feasibility. Sales volumes have declined, with Q1 2021 showing a 54% drop in sales over Q1 2020. For 2020 as a whole sales volume declined by 40%, while multifamily cap rates increased by about 30 bps, to 5.2%. Private investors are active and interested in the Inland Empire market. The outlook for rent growth remains positive, as the regional and national economy continue to recover from the COVID pandemic. A combination of limited apartment supply, continued job growth, and increased construction costs create positive conditions for apartment investors.

Reay indicates that the hospitality community was anticipating a huge “tidal wave” of foreclosures due to the pandemic, as sellers could not afford to sell. However, Project Home Key assisted in maintaining sales volume and keeping prices up in the Inland Empire, despite lower volume and price/room indicators statewide.

Scoolis indicated that job growth in 2020 represented revitalization of the k-shaped recovery. But he expressed concern for unemployment share by duration, as the latest data show 43% of those unemployed have been unemployed for 6 months or more. The CARES Act staved off a recession with stimulus payments. Scoolis cited Indeed.com data that identifies that the inland empire market

is up 45% for job postings, and the Zonda home sales index is up 80% year over year. Inland empire sales prices are up 150% on a per square foot basis. Scoolis indicates the only thing holding up new home sales is the supply, and that "selling above the list price" is the new reality. Despite claims of a mass exodus in media, Scoolis does not see a net out-migration from California, as he believes it is balanced with international migration into the state.



54th Annual Litigation Seminar

November 4, 2021

Virtually: Via Zoom

The 2021 Eastern Branch

Chair: Scott J. Thompson, MAI, SR/WA

Vice Chair: William E. Jones, MAI, AI-GR

1st Advisor: Alexander Liu, Candidate

2nd Advisor: Christine S. Santolucito, Candidate

3rd Advisor: Paul Norlen, MAI

Greetings from the Eastern Branch.

As we head into the second quarter of the year, we are more optimistic than ever about holding in-person events later this year. The branch already planned a virtual meeting before the State recently announced an expected reopening on June 15th. The meeting is a FREE event for all chapter members who would like to attend a virtual social hour to reconnect with colleagues and perhaps share some interesting stories of the past 15 months. We encourage you to participate with your favorite beverage in hand. Please see details below to register for this free event (no continuing education credit).

A special thanks to the Inland Empire Market Trends Committee (Nancy Summers, Jacinto Munoz, Michael Ader, Christie Santolucito, Alex Liu, Steven Botts, and Bill Jones. And guest speakers for conducting another successful virtual Inland Empire Market Trends Seminar event on June 3rd. This is the second virtual event to have been put on by the committee since the onset of the Pandemic. The committee anticipates conducting the next seminar as an in-person event in 2022.

As usual, we are interested to hear from you on topics and/or speakers that matter to you that are timely and relevant. Please reach out to any of our Branch members with suggestions or questions. We look forward to seeing you soon.

***NOW OPEN FOR REGISTRATION
EASTERN BRANCH MEETING***

FREE Virtual "Mixer"

June 16, 2021
TIME: 5:00 PM

NO CE FOR THIS EVENT

[CLICK HERE TO REGISTER](#)

2021 Education Committee

Kory Felix, MAI
Education Committee Chair

There are advantages to virtual education opportunities that we have become very familiar with, but the Southern California Chapter prides itself on the quality of in-person offerings it provides for its members. While we will continue to offer virtual courses for the rest of the year, the Education Committee has started scheduling programs for 2022 and are excited for the return to in-person classrooms! Please check the chapter website for upcoming announcements.

June 16, 2021, - (Virtual) Eastern Branch Mixer – FREE
June 23, 2021 - (Virtual) 7-Hour National USPAP Update Course
October 20, 2021 - (Virtual) Business Practices and Ethics
October 28, 2021 - (Virtual) 7-Hour National USPAP Update Course

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

Paul T. Muscente, MAI
Thomas Richardson, MAI
Norman Chung, MAI, AI-GRS
Kevin J. Dunne, MAI, SRA, AI-GRS

Scholarships Available

The Mason – Thornton Scholarship Committee would like to remind our Members that the Chapter offers valuable financial assistance for those pursuing their designations. Namely, the Mason – Thornton Scholarship Fund is available to SCCAI Members who have an active Candidate status and are members in good standing. Scholarships assistance is available for up to 75% of the total course fee. In-person, synchronous, and/or online courses are eligible insofar as the course is required for professional designation. Applications, which are available on the Chapter website, should be submitted to Lianna at least 30 days prior to the class start date. There is no better time to continue and/or resume the quest for your professional designation.

Bradford Thompson, MAI, AI-GRS

Chair, Mason – Thornton Scholarship Fund

Application and Information



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