

Perspective for the End of the Year

The end of this year looks very different from last year from a real estate standpoint. At the end of 2021, we had record low interest rates, prices for residential and commercial real estate were climbing dramatically, and there was little inventory on the market. In the last several months, we have seen interest rates increase substantially to the highest we have seen since 2008. In addition, we have seen prices begin to cool down and inventory increase. Based on the perspective you are viewing this market from, it can either look like a challenging time ahead or a great opportunity to invest in real estate and benefit from more stability in pricing.

Interest rates have a huge impact on real estate. However, interest rates historically have fluctuated dramatically over the last forty years. The extremely low interest rates we have seen the last few years were not a regular lending market. In the early 1980s, interest rates on a mortgage ranged from sixteen to twenty percent when inflation skyrocketed to over fourteen percent. From 1992 to 1994, the interest rate decreased to the three to four percent range. In the late 1990s to early 2000, the interest rate ranged from five to six and a half percent. The market will change and correct, which will eventually give you a chance to re-finance into a lower interest rate.

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Commercial real estate has seen lower sales volume, and prices have begun to stabilize since 2021 and early 2022. However, keep in mind that this is compared to the robust market we have experienced the last few years. Therefore, it is moving towards a more normalized market that both buyers and sellers can benefit from. If you are considering buying or selling, it is a great time to get a better understanding of market availability and pricing.

If you have questions on current market conditions, please feel free to contact me at 626-358-8287 or by email Linda@TopComRealty.com

**Effective Rate for SBA 504 For
November 2022 is 6.45%-6.53%**

New Property Tax in Los Angeles Passed in November Election

On November 8, 2022, Los Angeles voters approved a measure that will increase taxes on City of Los Angeles property sales to fund new affordable housing units and services, including down payment assistance and eviction prevention. The new legislation will add a transfer tax rate of 4.0% for residential and commercial property sales of \$5.0 to \$9.9 million and 5.5% for sales valued at \$10 million or more. This is in addition to the existing transfer tax of 0.45% for any property sale.

United to House LA (ULA), which collected the signatures to put the measure on November's ballot, estimates the tax will generate revenue of up to \$875 million per year and lead to the creation of 26,000 new housing units in its first ten years of implementation. Misleadingly named the "mega mansion tax" by advocates, additional transfer tax collections will go into effect on April 1, 2023. Properties that provide affordable housing will be exempt.

Due to sellers typically being responsible for the transfer tax in California, this new law is expected to decrease property values over \$10 Million by 5.5% due to these additional transfer costs. This new law is also feared to cause a reduction in sales volume which has already seen a significant slowdown due to interest rates. Property owners will be reluctant to put properties on the market due to these additional costs which works against the measure's goal of building additional affordable housing since developers cannot build without land.

Source: Dain Fedora

New Listing for Sale!



2659 Mission Street San Marino, CA

3,200 square foot free-standing commercial building with additional 9,689 Sf lot included in the sale.

Rare sale on Mission Street District- adjacent to Julienne Restaurant. Public parking lot adjacent to East.

Open floor plan with concrete floors, high ceilings, excellent window display area and rear office area with storage, 2 offices, 2 restrooms & rear storage area.

Excellent owner/user opportunity. Take advantage of low SBA rates with only 10-15% down payment.

Call for more information and pricing.

Linda Vidov (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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